

Figuratively speaking

How does knowledge of finance help HR professionals? *hrmonthly* asked three management experts.



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I'm firmly of the belief that HR managers need a good understanding of finance. They can get caught up in the process rather than providing quality leadership. To provide that leadership, they need to be 'entrepreneurial'. If they see themselves in that kind of context, they look for ways to support their organisation's strategy to find ways to strengthen the HR strategy in terms of it forming part of the firm's strategy and they consider the return on investment on the things they do. Knowledge of finance brings structure and discipline to their approach to setting their priorities.

In some respects, HR people can struggle to maintain the credibility they are due. If the things they are doing are coming

from that entrepreneurial spirit, it puts a more commercial edge on their work, and that's invigorating for the business.

I don't think HR people necessarily need a qualification in financial matters, and some pick up the numbers more easily than others. I've come from the managerial side into HR, so I take a lot of my financial knowledge for granted.

But they should be spending a good amount of time with the CEO and CFO, talking with them about what's going on. Each has a different role in achieving the firm's strategy, and each needs to share in and understand what the other is going through.

Knowledge of finance brings structure and discipline...

Cherry Birch

DIRECTOR,
BIRCH CONSULTING GROUP

I see three reasons why it's important. Firstly, commercial businesses are about putting money in the bank, and HR people need to understand the business impact of everything they do. In executive team meetings, everyone else will have views relating to the people issues, so why shouldn't the 'people people' have views in the finance area?

Secondly, HR professionals need to get business cases approved for projects and programs in their area, and that means explaining the costs and benefits—even human benefits which are difficult to measure in financial terms. For example, improving morale can be expressed in terms of a decrease in staff turnover, with the cost of losing someone estimated as 150-200 per cent of their salary.

Thirdly, career progression. In my experience, if you want to go to the top of an organisation, you are going to have budgets to control.

In teaching the AHRI course Finance for HR Professionals, I look at why they don't tend to be financially literate. It's partly a personality thing: those who choose a career in HR prefer to work with people rather than

numbers. Other barriers I try to dispel are the perceptions that finance is a dry subject to study, and financial jargon is hard for non-finance people to pick up and use in conversation.

Dr Paul Davidson

FAHRI, ASSOCIATE PROFESSOR/DEPUTY DIRECTOR, PROJECT MANAGEMENT ACADEMY, BRISBANE GRADUATE SCHOOL OF BUSINESS, QUEENSLAND UNIVERSITY OF TECHNOLOGY

Many HR professionals are by nature neither interested in nor competent in finance, as if the personality and cognitive characteristics that propelled them into HR management made it something to be avoided. Fortunately, increasing numbers are finding that knowledge of finance is of considerable assistance in offering the kind of high-level strategic advice to their organisation in general, and line colleagues in particular, that confirms their place as value-adding managers rather than 'just' HR people.

One obvious area of concern is knowing enough about finance to advise on recruiting and selecting finance professionals. More generally, a knowledge of finance provides the credibility in the eyes of others and actual capability to orient HR functions towards a financial justification as an essential form of internal consultancy in an organisation. The question is not whether HR should be a profit or cost centre on the firm's books. It's: How much more product or sales of our services can we achieve because of our HR management? This opens the way for lifting HR from the merely transactional and operational to tactical and strategic management, where long-term questions of purpose and policy drive the everyday questions of procedure and performance. So will the MBus (HRM)/MBA be the new academic qualification of choice for the HR practitioner? Perhaps. ●

Interviews by Steve Packer,
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