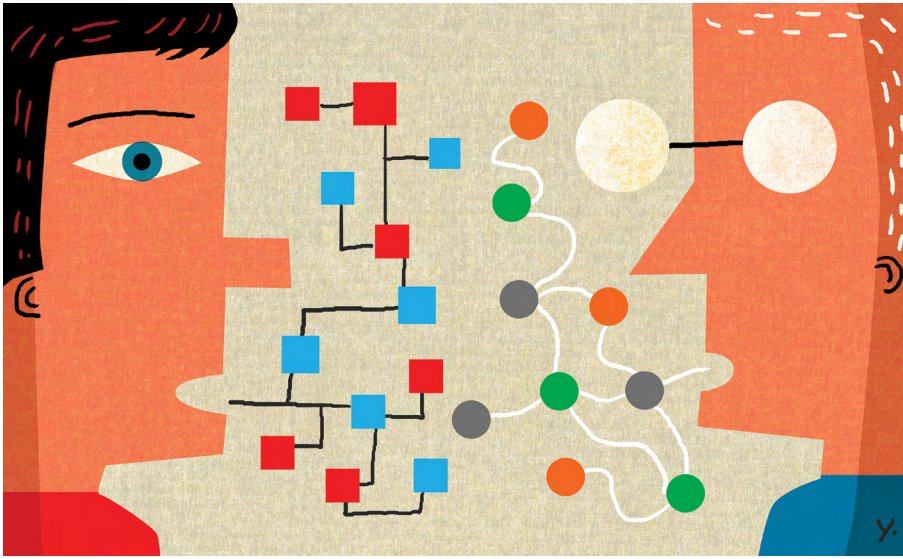




HR MATTERS

It Takes Two

Why Do Human Resources and Finance Butt Heads—and What Can They Do About It?

BY DAWN MCCOY

As a human resources leader, I usually approached conversations with the finance director with trepidation—always anticipating conflict. If I was proposing something that cost money, I expected a difficult discussion. The friction was not just about implementing new programs and spending money, either. If the human resources department had offered a new hire something that deviated from policy, like waiving a waiting period or allocating additional vacation time, or recommended a termination payout

that was higher than expected, this was an additional source of conflict.

Every budget season, in government organizations of every size, some version of this same conflict takes place. The human resources director arrives with a proposal, perhaps a leadership development program or an employee engagement initiative, and describes what it will do for retention and morale. The finance director asks what it costs, what it returns, and how anyone will know whether it worked. The human resources director interprets this as resistance and a lack of support for people problems. The finance director, on the other hand, hears a request to spend public dollars on something no one can measure. This is a source of frustration for both human resources and Finance.

You would think the interests of human resources and Finance would align, since both recognize the importance of engaged, skilled employees who are able to effectively and efficiently deliver the services promised by our elected officials. Instead, it often feels like we butt heads every time human resources suggests something we think would add value to the employee experience, while Finance just focuses on the cost.

Where Does the Friction Come From?

I think a lot of the friction starts with different accountabilities. Finance answers to the taxpayer and the auditor, so finance jobs demand control, precision, and consistency. They prioritize what can be measured. As the stewards of public funds, who are responsible for ensuring that everything they do is legally defensible, finance employees take that job very seriously.

Human resources focuses on a different set of priorities and, I admit, sometimes doesn't see the whole picture when it comes to public spending. It's difficult for human resources staff to convince Finance that a new program to automate performance reviews, for example, would not only increase completion rates and improve the quality of the reviews, but would also have a positive impact on the bottom line through higher employee engagement and productivity, and reduced turnover.

The friction between the two departments could also be partially attributed to the type of people who are attracted to Finance or human resources.

Finance tends to attract people who like structure and predictability, and who find genuine comfort in rules that are applied the same way every time. Human resources tends to attract people who focus on relationships, are comfortable with ambiguity, and consider policies as guidelines rather than rules. This isn't always the case, of course, but the tendencies are strong enough that you probably do recognize them in your organization.

What Are the Pinch Points?

Policy exceptions are another common source of conflict. Good human resources practice sometimes requires judgment calls that a policy never anticipated, such as a gradual return to work after a serious illness or a counteroffer to keep a hard-to-replace employee. To Finance, an exception, on the surface, may look like a control failure and is setting a precedent that could impact future decisions.

Another source of friction arises when Finance requests documentation and a reason why before getting on board – which human resources cannot always provide. An example would be an expense tied to a workplace investigation or a settlement where human resources needs to maintain confidentiality, but Finance needs a paper trail for the auditor.

Compensation decisions are another area where the two functions may not align. When salary increases, terminated employee payouts, or union contracts are being negotiated, human resources focuses on fairness, competitiveness, and retention, while Finance is looking for sustainability and the responsible use of public dollars. Both points of view are right, but that doesn't reduce the friction. In my last government human resources role, that tension followed us into contract negotiations, with each department pushing for a different bargaining mandate.

What Does the Friction Cost?

The most direct cost of human resources and Finance butting heads appears when a savings decision simply defers and shifts expenses instead of eliminating them. For example, a hiring freeze does result in immediate cost savings, but the actual work does not disappear. Employees typically have to put in overtime, often unpaid, just to get the job done, and this has a different cost to the organization. The additional pressure on employees can contribute to disengagement, burnout, greater use of sick leave, workers' compensation claims, and high turnover. The impact of this decision shows up in lower productivity and reduction of services to taxpayers, often occurring in a different budget year, when no one connects it back to the original decision.

Strong candidates may accept other offers because of slow decision making. Sometimes disgruntled employees post negative reviews of the organization on social media, making it harder to attract qualified

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candidates to fill vacant positions. Other costs include increased union grievances, workplace complaints, and claims— which could have been prevented by being more flexible.

What Can We Do About It?

The encouraging news is that this friction can be reduced, even if it can't be resolved entirely. A good place to start is for both human resources and Finance to agree on how to estimate the costs of things like turnover and employee burnout. That would provide a common starting point when considering a proposal and help keep the discussion focused on what the organization should do.

The disagreement over policy deviations should also be addressed. If human resources keeps making the same exception, it's probably time to review the policy. Does it still meet the organization's needs, or is more flexibility needed? Human resources and Finance should agree, before they actually occur, on when exceptions are appropriate, who can approve them, and how the reasons will be documented. Having that process in place would make exceptions easier to manage and explain when employees question why someone else received different treatment.

Human resources and Finance also need to involve each other earlier in the planning process. Both should participate in compensation planning, and human resources should have

input into the workforce assumptions used in building the budget. Working through disagreements early on gives both departments time to understand the concerns and develop a recommendation they can jointly support when it goes to the governing body.

In my experience, getting human resources and Finance to work together often takes some direction from the top. A city or county manager, or an agency executive, can make it clear that both departments are expected to work through proposals together and bring forward joint recommendations.

If you lead a finance team, you can also take the first step. Ask your human resources colleague what they're planning and offer to help work through the costs before they put the proposal together. That conversation may help you understand what the human resources department is trying to accomplish, while giving them a better understanding of your concerns. For their part, human resources staff could prepare a strategic plan and get Finance's input and endorsement so there are no surprises when a proposal is put forward.

Looking back, I wish I had spent more time asking the finance director about his concerns before trying to convince him to support my proposals. We both wanted capable employees and the responsible use of public dollars, but I was often too focused on explaining why my team's recommendations were important and not focused enough on the actual cost. Involving Finance earlier would have given us a chance to work through our concerns before taking a proposal to the leadership team. If this dynamic sounds familiar, that is where I would suggest you start. ■



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