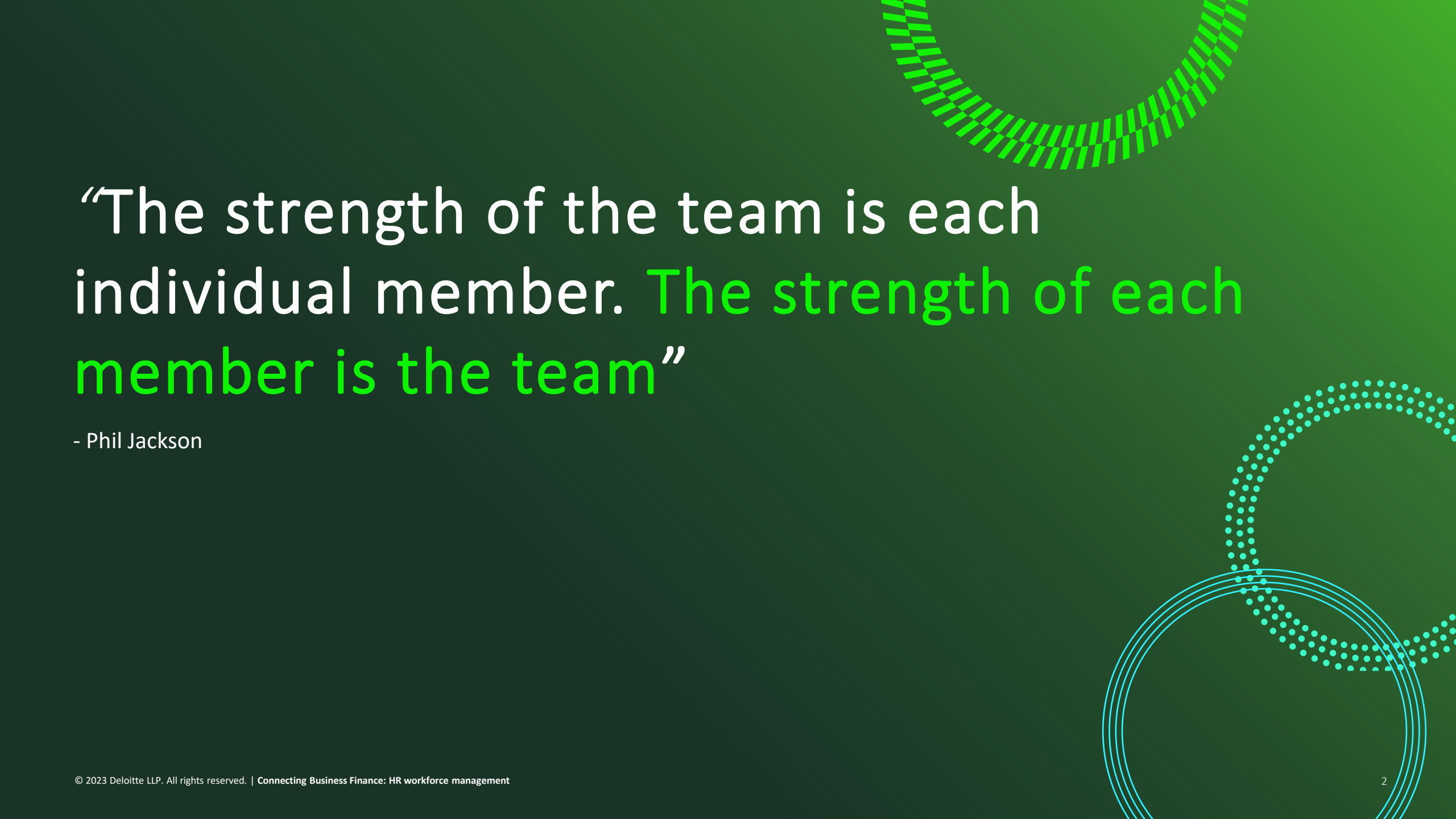




DynamicFinance

Connecting Business Finance with
HR workforce management

February 2023 | Adapt. Thrive. Lead.



“The strength of the team is each individual member. The strength of each member is the team”

- Phil Jackson

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The big picture – Spotlight on Finance & HR workforce management

SPOTLIGHT ON FINANCE AND HR WORKFORCE MANAGEMENT

In recent years, organisations have been challenged to adapt to ever changing environments. From evolving consumer habits and needs, continuing to remain profitable throughout covid-19 and a greater focus on providing more flexibility and increasing wellbeing in the workplace.

Currently, Finance and workforce management teams (WFM) have differing motives as they navigate through today's challenges. This needs to change in order to allow organisations to rebuild effectively following the impact of these challenges.

WFM teams need to re-evaluate the number of employees and skills available to fulfil current and future demand. This is becoming increasingly difficult as the global skills shortage across high-demand roles becomes more prevalent.

Business Finance must act as a collaborator and partner in these times, facilitating conversations across the business to model the impact of all these pressures, near real-time, with increasing accuracy to ensure business performance stays on course. Finance should work with WFM to assess the affordability of options to close the skills gap before WFM confirm a decision.

“Business Finance must act as a collaborator and partner in these times, facilitating conversations across the business...”

CHALLENGES REMAIN

Our global PB&F survey has shown the collaboration between Finance and HR is improving over time, however, there is still room to improve. Alignment on goals and working together to make the right choices will enable an organisation to deliver its strategy through having the right workforce and growing profitably.

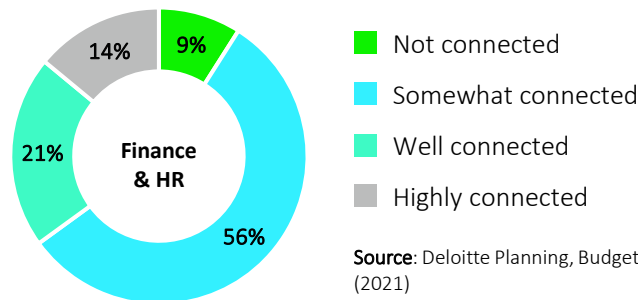


Figure 1. How connected are plans, budget and forecasts between Finance & HR?

WHAT'S NEW?

As organisations navigate through the challenges they face, the focus on delivering sustainable shareholder value still sits at the forefront of their mind as a large driving factor behind business strategy.

To deliver this, organisations need to have the right plan and the right levels of workforce in all areas of the business. Utilising intelligent integrated planning, reporting and insights tools will only support an organisation so much.

Over the next few pages we will explore how increasing the connection between Finance and WFM can benefit organisations.

Traditional collaboration – Misaligned goals leading to limited collaboration

Limited alignment between Business Finance and WFM reduces an organisations ability to adapt and overcome the increasing number of external market pressures, impacting its ability to perform if not managed correctly

REASONS FOR FOCUSING ON CHANGING THE TRADITIONAL COLLABORATION BETWEEN FINANCE AND HR



Workforce is usually the greatest cost within an organisation but often understood the least when compared to other functions cost base



Misaligned goals means each of the functions work to deliver on their own prerogative with limited thought about the true impact on the other function and the wider organisation



Resourcing availability must meet the needs of today and the plans of the future and this must be planned in the right way to ensure organisations can afford this.



Resources are demanding greater flexibility and increase pressure on organisations to offer these benefits, i.e. Working patterns. This drives a need for HR to ensure talent retention and recruitment is a key priority

HOW DOES THE CONVERSATION LOOK BETWEEN FINANCE AND HR TRADITIONALLY?



Sandy



Finance

Hi John, Headcount cost is up by 20% vs budget in the last quarter.... are you able to help with analysing why?.



HR business partner

Hi Sandy, I'm not too sure at the moment, let me take a look through the data we have available to see what happened



John



2 days later...



HR business partner

Hi Sandy, it looks like it was due to us needing to recruit new staff to cover for a skills gap we identified in one of the large factories, but I can see what the options were to close this skills gap.



John



Sandy



Finance

Hi John, I calculated the costs in Excel earlier. This should have been flagged months ago and discussed with us to ensure we're able to afford the option. We're over budget now by 20% so need to discuss options for course correcting.



HR business partner

We don't see any financial data relating to the cost of the workforce so we couldn't have foreseen this. We'll make sure we discuss next time.



John

Roadblocks to connection – The reason for limited connection today

There are specific challenges relating to the connection of Finance and WFM which we need to be aware of...

CONNECTED PLANNING ROADBLOCKS

Our Global PB&F survey questioned respondents on what is preventing them from successful integrating functions to enable connected planning

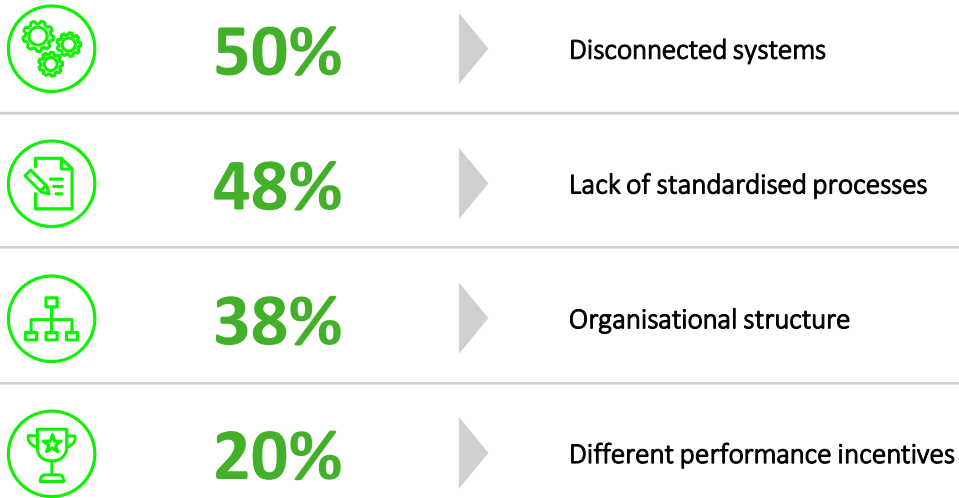








Figure 2. What roadblocks do you foresee / have you seen when trying to adopt connected planning?
Source: Deloitte Planning, Budgeting & Forecasting Survey (2021)

TYPICALLY WHEN FINANCE AND HRS MOTIVES ARE UNALIGNED DIFFERENT WE SEE...

-  Workforce plans and financial forecasts being based on outdated, inaccurate data
-  Delayed forecasts and plan delivery, resulting in slower and incorrect decision making at all levels
-  Conflicts between the functions due to miscommunication, i.e. being unable to afford the options
-  Inability to achieve an organisations strategy to deliver value to shareholders

WHAT SHOULD YOU BE CONSIDERING WHEN CONNECTING BUSINESS FINANCE AND WFM?

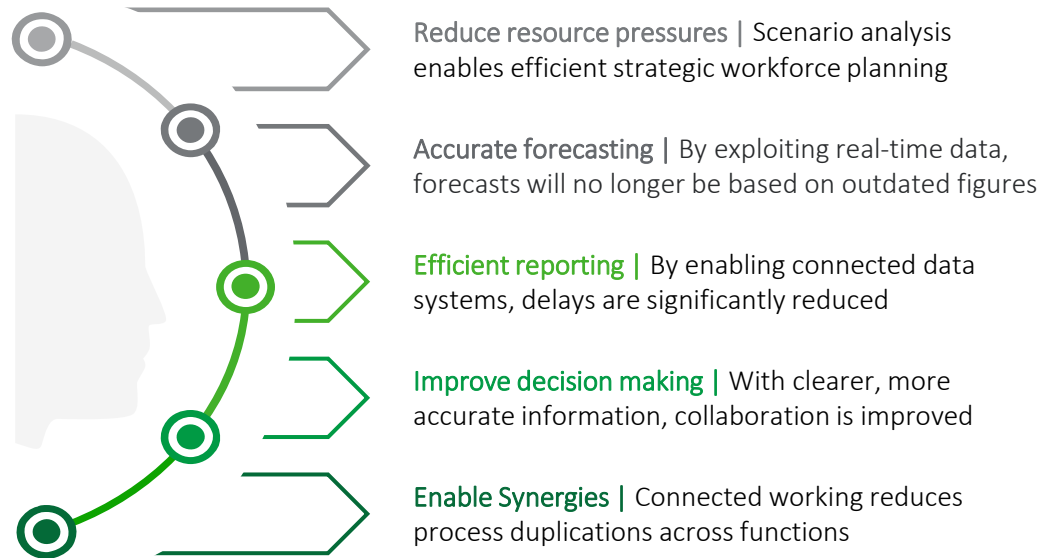
-  **Who is accountable and who is responsible** for the data points within WFM? Does Finance or HR own the output?
-  **How accurate are the assumptions** which are being used in your financial Plan? Are you using salary data vs pay band averages?
-  Are your teams utilising a **consistent information model**?
-  Are your **systems connected to support the integration of data** into financial plans and performance reporting in near real-time?
-  Do Finance and HR **work to consistent definitions**? I.e. does an FTE mean the same to Finance as it does HR?
-  Are your Finance and WFM team working to the **same performance management calendar**?

The starting point to integration is understanding the challenges you face. What are the key challenges your organisation is facing?

Collaboration of the future – Aligning priorities and outcomes

Finance and HR can operate efficiently, modelling scenarios and exploiting real time data. By doing so, this enables efficient strategic and operational level decision making, operating proactively rather than reactively.


A CONNECTED WORKFORCE MANAGEMENT PROCESS WILL...




TO IMPROVE THE ALIGNMENT BETWEEN FINANCE AND HR, ORGANISATION SHOULD CONSIDER:

Linking skills-based reviews to financial plans to identify gaps in the workforce and assess affordability	Modelling the financial and operation impact of changing workforce skills in near real-time
Embedding review processes together and creating a regular cadence of meetings	Creating a common IT infrastructure and information model that uses cloud technologies


CONVERSATIONS BECOME PROACTIVE, UTILISING DATA AND INSIGHT TO SOLVE PROBLEMS AND RE-BASELINE THE PLAN




HR business partner
Hi Sandy, I'm not too sure at the moment, let me take a look through the data we have available to see what happened.




John




Finance
Hi John, I've seen this come into plan, how does this affect the overall delivery of the FY23 objectives? I've put some time in your diary in a hour to work through some of these scenarios to ensure we follow the most efficient and effective strategy.




HR business partner
In terms of our overall objectives, this would mean that production can't be ramped up this month as previously planned so this may impact sales for the quarter. Thank you for your support on scenario modelling, I want to ensure we take the best route forward bringing the most value to the organisation.



John



Finance
Sandra, let's meet next week once I have put some scenarios together to review. We'll have some options available to get back to plan, but need to ensure they don't halt production.



Commercial business partner
Hey Sandy, yes of course no problem. I can see the data John has pulled together for the plan and review these options before our meeting.

Enabling connection – More than just an enhancement to systems...

Maximising the connection between Finance and HR will support your organisation improve financial performance

KEY ACCELERATORS TO ACHIEVE SUCCESSFUL CONNECTED HR WORKFORCE MANAGEMENT

- 1 Aligned start points**

A strong understanding of the baseline workforce structure including current Headcount, Location, Training Courses, Hiring methods, ensuring Finance and HR use **the same source of the truth & common definitions**
- 2 Strong controls and governance**

Effective controls and governance on the workforce baseline, detailing clear **ownership** and **roles and responsibilities** with **regular cadence of engagement**
- 3 Effective planning processes**

The ability to **predict future demand** which drives skill requirements and financial outputs, supporting a common aligned planning approach
- 4 Insightful analysis**

The ability to report and deliver insight to each other, detailing where opportunities might arise and completing scenario analysis to understand the future, not the past
- 5 Technology alignment**

Explore technology alignment, **providing insight to the users of information**, detailed cost profiles of business areas and recommendations on workforce size and shape to operate successfully

THE ROLE OF FINANCE IN A CONNECTED WORLD

Finance Partners with HR to understand the validity of scenario's to be included in financial plans and forecasts, translating information provided by HR into drivers (e.g. FTE, Average Pay, No. Training courses) for the final plan.

Finance should utilise all data available throughout the year to provide HR with additional insight which enables them to be proactive and adapt to expected and unexpected scenario's of the future through workforce

THE ROLE OF HR IN A CONNECTED WORLD

HR own the process of analysing and understanding the required skills to deliver an organisations strategy, developing the initial strategy to deliver this strategy and ensuring the business follows this plan through continual management reviews/reporting.

HR should be proactive throughout the year, ensuring the skills gap is being addressed through appropriate initiatives, understanding if training internal staff or hiring new contractors/FTE is required.

INSIGHTS FROM THE DELOITTE GLOBAL PB&F SURVEY 2021:



43% of organisations with connected Finance and HR Functions have **<5% variance** between actuals and forecasts compared to **31%** of those without connected functions.



Furthermore, **59%** of organisations surveyed delivered their budgeting process within 3 months compared to **52%** of those without connected functions.

Source: Deloitte Planning, Budgeting & Forecasting Survey (2021)

Where we've done this before – A look at our past cases



A leading telecommunications services companies

engaged Deloitte to develop a new Workforce Management and Planning process to improve consistency, accuracy and the accessibility of FTE and Headcount information within their organisation.

The objective was to release a single platform which standardised the Workforce Planning process and improve the consolidation/aggregation of this data to the Group level. The project also supported the automation of the budget overlays and submission of the medium term plan in SAP.

Our impact—we established:

- Improved insight across the HR team with new KPI and variance analysis reports & visualisation
- Single version of truth for the labour planning, actuals and constructed budget for the next fiscal year
- Improved accuracy and transparency of the short-term and long-term resource requirements
- Reduced time and effort for manual processes such as actuals reconciliation and data collection



A leading verticals marketplace business engaged Deloitte to implement Anaplan to move towards a more continuous, integrated planning cycle.

The objective was to integrate Finance and HR in the end-to-end process of planning for staff costs and integrate the staff costs plan into the wider financial planning application for real-time updates.

A separate workforce planning Anaplan application would allow for detailed planning, budgeting and forecasting of people costs and brings agility.

Our impact—we created:

- Forecasting that is used to provide a realistic, honest outlook for staff costs based on changes in the business environment and a dynamic organisation structure
- Scenario analysis capabilities that allow the business to manage uncertainty and quantify the risk of potential outcomes based on data.
- Connected planning in one platform between HR and Finance based on a consistent forecasting approach across the Group
- Increased transparency for Finance business partners on the drivers behind the workforce plan and improve collaboration across functions



A global leading Bank chose Deloitte to undertake the transformation of the workforce planning process for their operations and technology (O&T) business area using Anaplan and delivering automation throughout the process.

The clients business area had traditionally been completing their WFP on disparate models developed in excel. This led to a number of inefficiencies such as; a lack of integration between upstream and downstream systems, business management processes and the misalignment between headcount and cost in Finance and HR systems.

Our impact—we developed:

- A single unified automated FTE planning process which is delivered globally to O&T with a view to position it further to the group
- It was envisioned that about 4 reporting tools and 60 master spreadsheets would be decommissioned after the Anaplan implementation for O&T
- Streamlined, more accurate and consistent HR and WFP planning process with superior scenario modelling capabilities for the business.

Where to start – Key questions to ask first



Is there a **single plan version** (financial and resource related) which HR and Finance are all aligned to?



Are HR and Finance **data hierarchies aligned** where data can be connected (e.g. to convert FTE plans to value) without any manual intervention?



Does a **single integrated planning and reporting tool** exist that HR and Finance can collaborate within?



Are **Finance engaged** in the **HR planning** cycles today (via e.g. HR and Finance business partners)?



Do we have a **roadmap in place** to continue improving **performance management** between Finance and HR?

Deloitte's Connecting Business Finance Lab – how you can engage with us

What is the lab?

The Connecting Business Finance Lab helps align Business Finance and non-Finance stakeholders on key challenges in becoming more 'connected', showcases the latest thinking in connected planning & reporting and explores how greater connectivity with specific non-Finance functions can drive more effective decision making and improved enterprise performance.

LAB PARTICIPANT TRIGGERS

“Finance and HR are **not cooperating together** to determine the affordability of the options to **close the skills gap**”

“**Finance plans** for workforce **aren't accurate** as it's unknown who owns the driver assumptions”

“Decisions to update workforce structures is done in siloed and the impact isn't seen until variances appear in actuals to budget”

“**The definition of an FTE** across Finance and HR **is different**”

LAB STRUCTURE

- 1 Explore** *Where we will explore the latest concept of 'Business Finance' and key trends we're seeing*
- 2 Align** *Alignment on your current state of Business Finance, in an interactive environment, with key finance and non-finance stakeholders*
- 3 Discover** *Where we dive into the "art of the possible" for your priority areas, demonstrating new technologies and use cases*
- 4 Define** *Together, we identify clear Business Finance and cross-functional improvement initiatives for your organisation's transformation roadmap*

TYPICAL LAB PARTICIPANTS

FINANCE



CFO



FP&A



Workforce Finance



Finance transformation

NON-FINANCE



HR Director



IT & master data management

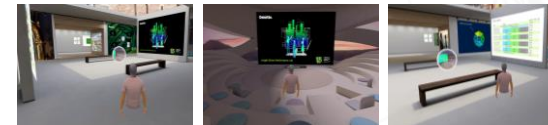


HR Business Partner

Delivered via our state-of-the-art Greenhouse ...



... with a window into the future via our immersive metaverse space



Before you go – Closing comments

Integration between Business Finance and other business function requires an end-to-end strategy across data management, process design, technology and talent. All of which are equally important and the fundamentals which are required to enable an organisation to deliver performance.

Businesses that achieve seamless cross-functional integration, utilise the above fundamentals across their functions and can move the needle of performance in their markets. For Finance and HR, attracting and retaining top talent, while addressing skills gaps within a cost and wellbeing conscious world will enable an organisation to achieve their strategic goals and support the organisation in truly delivering performance effectively.



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OUR CONNECTING BUSINESS FINANCE SERIES INCLUDES:



Introduction: Connecting Business Finance series

Introduction to our series on why effective integration of Business Finance is key to unlocking improved enterprise-wide performance



Connecting Business Finance with Commercial and Supply Chain

A series discussing how Finance can collaborate effectively with the Commercial and Supply Chain functions to drive enterprise performance and deliver integrated operational and financial plans



Connecting Business Finance and corporate strategy

Our view discussing how Business Finance and Corporate Strategy can work together enabling delivery of the organisational strategy



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