

“Changing Role Of Human Resource In Financial Activities”

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ABSTRACT

HR professionals must understand an employer's business and financial strategy to more effectively influence decision-making processes and gain recognition as a valued contributor to the organization. Human Resource professionals need to proactively help business in strategy implementation, especially in workforce planning approach requires

a) Ownership and dialogue with the business.

b) A comprehensive analytical framework.

c) Integration with the budgeting process.

Workforce planning can help deliver a lean, engaged, small fraction of HR's budget is spent on strategic and productive workforce. HR owns employee payroll, apart from TDS(Income Tax) rest all inputs to be provided by HR to finance or third party for preparing the payroll and have complete ownership on the inputs as well as all payroll components (earnings/deductions(excluding TDS)). The role of the HR professional is changing. In the past, HR managers were often viewed as the systematizing, policing arm of executive management. Their role was more closely aligned with personnel and administration functions that were viewed by the organization as paperwork. When you consider that the initial HR function, in many companies, comes out of the administration or finance department because hiring employees, paying employees, and dealing with benefits were the organization's first HR needs, this is not surprising. Within this environment, the HR professional, who is considered necessary by line managers, is a strategic partner, an employee sponsor or advocate and a change mentor. At the same time, especially the HR Generalist, still has responsibility for employee benefits administration, often payroll, and employee paperwork, especially in the absence of an HR Assistant. In this paper we have studied that how Human Resource is important to study the financial activities.

KEY WORDS:- Human Resource Professionals, administration, Financing activities, Integration

INTRODUCTION:-

Human resources is a term used to describe the individuals who make up the workforce of an organization, although it is also applied in labor economics to, for example, business sectors or even whole nations. "Human capital" is sometimes used synonymously with human resources, although human capital typically refers to a more narrow view; i.e., the knowledge the individuals embody and can contribute to an organization. Likewise, other terms sometimes used include "manpower", "talent", "labor", and simply "people". The professional discipline and business function that oversees an organization's human resources is called human resource management (HRM, or simply HR).

Finance is often defined simply as the management of money or “funds” management. Modern **finance**, however, is a family of business activity that includes the origination, marketing, and management of cash and money surrogates through a variety of capital accounts, instruments, and markets created for transacting and trading assets, liabilities, and risks. Finance is conceptualized, structured, and regulated by a complex system of power relations within political economies across state and global markets. Finance is both art (e.g. product development) and science (e.g. measurement), although these activities increasingly converge through the intense technical and institutional focus on measuring and hedging risk-return relationships that underlie shareholder value. Networks of financial businesses exist to create, negotiate, market, and trade in evermore-complex financial products and services for their own as well as their clients’ accounts. Financial performance measures assess the efficiency and profitability of investments, the safety of debtors’ claims against assets, and the likelihood that derivative instruments will protect investors against a variety of market risks.

In today’s organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as strategic partners. In this role, the HR person contributes to the development of and the accomplishment of the organization-wide business plan and objectives. The HR business objectives are established to support the attainment of the overall strategic business plan and objectives. The tactical HR representative is deeply knowledgeable about the design of work systems in which people succeed and contribute. This strategic partnership impacts HR services such as the design of work positions; hiring; reward, recognition and strategic pay; performance development and appraisal systems; career and succession planning; and employee development.

To be successful business partners, the HR staff members have to think like business people, know finance and accounting, and be accountable and responsible for cost reductions and the measurement of all HR programs and processes. It's not enough to ask for a seat at the executive table; HR people will have to prove they have the business savvy necessary to sit there.

As an employee sponsor or advocate, the HR manager plays an integral role in organizational success via his or her knowledge about and advocacy of the employees. This advocacy includes expertise in how to create a work environment in which people will choose to be motivated, contributing, engaged, and happy. Fostering effective methods of goal setting, communication and empowerment through responsibility, builds employee ownership of the organization. The HR professional helps establish the organizational culture and climate in which people have the competency, concern and commitment to serve customers well.

In this role, the HR manager provides employee development opportunities, employee assistance programs, gain sharing and profit-sharing strategies, organization development interventions, due process approaches to employee complaints and problem solving, and regularly scheduled communication opportunities. The constant evaluation of the effectiveness of the organization results in the need for the HR professional to frequently champion change. Both knowledge about and the ability to execute successful change strategies make the HR professional exceptionally valued. Knowing how to link change to the strategic needs of the organization will minimize employee dissatisfaction and resistance to change.

The HR professional contributes to the organization by constantly assessing the effectiveness of the HR function. He or she also sponsors and supports change in other departments and in work practices. To promote the overall success of his or her organization, the HR professional champions the identification of the organizational strategic plan: mission, vision, values, goals

and action plans. Finally, he or she helps determine the measures that will tell the organization how well it is succeeding in all of this.

"It is critical that HR professionals have a solid understanding of the financial aspects of running a business." Rather than work their way up through the ranks of finance, a small but growing number of finance professionals is taking a career road less traveled — the one that runs through human resources. The desire by senior managers to gain a competitive edge in the tough, global business environment is driving more companies to adopt "a leading-edge business practice "Companies increasingly want people in HR who understand finance and business."

To get that edge, many senior executives now demand that HR play a more effective, strategic role in their organizations. They believe that applying quantitative analysis to HR functions can be crucial to that effort, but also that too few HR employees possess the requisite skills.

"The expectations of senior management for HR are changing. "Over 90 percent of senior executives say HR should be strategic, but only 22 percent say that it's delivering." (The figures are based on a survey of Watson Wyatt's clients, which de Wetter says comprise 70 percent of Fortune 500 companies.)

For their part, HR departments see finance's disciplined approach to problem-solving as a way to improve their organizational standing. For example, HR departments could apply techniques learned from financial modeling to better predict future workforce shortfalls.

But many HR leaders share the view of other senior executives that their staffs are not up to the challenge. A 2006 study conducted by HR consultancy Mercer found that more than half of HR leaders judge their staffs to be weak in financial skills, the highest ranking for weakness among 26 skills measured. "Some people in HR are still struggling to read an annual report,"

In addition to enhancing their HR departments, some companies also move midlevel finance people to HR simply to give them more experience in preparation for higher positions. "Most people spend three to five years in HR and then go back to finance at a higher level, where they might have responsibility for a whole operating unit instead of one aspect of it,"

The finance people who move to HR need not fear a drag on their income: "Most new compensation models are built for horizontal movement, so salary is not a limiting factor."

The importance of human resource as a means of ensuring sustained growth for any organization cannot be over emphasized since it is the fundamental strength on which all strategies are based in the contemporary business world. Hence, effective employee management tops the priorities for any progressive institution, which is looking forward to excel in its field. Attraction, retention, preservation, and growth of employees are the key tools of human resource planning which ensures that the best possible skill and talent is available to back all the plans for achieving organizational goals. The need to retain competitive advantage in a constantly evolving scenario is what best justifies the **importance of human resource** planning for any growth oriented organization.

Human Resources Administration to Manage Human Capital

Human resource administration is the only way to ensure that personnel needs are amalgamated into organizational goals resulting in a mutually rewarding experience that will propel both the employee and the organization into greater heights of success. The process of **human resource administration** depends heavily on the uninterrupted flow of communication between the executive management and the human resources department on a regular basis. The people at the helm of this particularly complicated job must analyze the needs and aspirations of the employees and continually assess their performance so as to have better control on personnel management.

Human Resource Services - the Way Forward

Human resource services are now being outsourced to specialized companies by organizations that do not have the necessary infrastructure for maintaining a dedicated HR department of their own. This is a cost effective solution that ensures that the personnel matters are dealt with professionally and responsibly without committing additional resources for the same. These services have been proving handy in keeping the work force motivated and encouraging them to perform better. Such services are provided by groups that have vastly experienced HR professionals who can handle multiple clients simultaneously.

“Accounting and finance folks are typically introverts, analytical, left-brain, black and white and numbers-oriented, while HR folks are typically extroverts, more right brain, work in areas that tend to be all shades of gray and sometimes struggle with numbers.” In fact, many HR professionals come to the table without a clear understanding of the corporate balance sheet, income statement and profit and loss. At the same time, human resources tend to be more focused on the long-term consequences of decisions such as talent management, development, staffing, etc., whereas, especially in public companies, finance tends to be more short-term, bottom-line focused.” It’s worth noting that not every HR professional is necessarily extroverted and struggles with numbers. For example, compensation and benefits professionals tend to be introverted and understand accounting and finance. In fact, their certifications require classes in these areas. Still, it is safe to say there are general differences between human resources as a whole and finance. It’s Getting Better All the Time When it comes to human resources and finance working well together, it appears that the effort is a work in progress, but one that is moving in the right direction. “Most HR functions are still transforming themselves — or thinking of transforming themselves — from administrator to strategist.”

One of the key drivers that has pushed human resources to transform itself has been senior management’s increased perception of the importance of human capital. This has been triggered in part by the shrinking labor market as Baby Boomers move into retirement. Naturally, as finance and management professionals focus on human capital and its related issues, they have looked to human resources to assist in areas like total rewards, benefits, staffing and relocation.

Most HR improvements have focused on streamlining HR operations and improving efficiency. This creates the opportunity for HR to focus on strategic business issues” Further, “it must continue to expand its capabilities beyond basic HR operations and administration.”

Fixing a Role

So, it appears senior finance and HR folks are starting to reach out to each other, but overall, finance and human resources may need a push, particularly HR people who may continue to see finance as from a different discipline. to achieve success, human resources needs to commit to “being all about business.” If it does so, “It will ultimately realize its goal of becoming a true business partner that helps organizations successfully address the human capital aspects of their business strategies and challenges.” But how do they do this? On the front lines, HR managers take these steps:

1. Take the initiative to meet with finance executives to determine their level of understanding of HR issues and strategy.
2. Organize and give a two- to four- hour “HR 101” presentation for the finance group, including personnel at the staff level.

3. Provide an in-depth HR workshop for more senior finance people focusing on HR strategy and considerations like total rewards, health care and other key matters.
4. Invite finance people at the management level and up to periodic HR planning meetings.
5. Push to be included in finance planning meetings on at least a quarterly basis.

There are many resources for HR professionals who want to improve their grasp of finance, from online and in- person courses to books and other printed materials. One good examples the class “Accounting and Finance for the Human Resources Professional “from World at Work. Another is “Fundamentals of Finance and Accounting for Nonfinancial Managers,” a more generic class provided by the American Management Association. These and other learning vehicles teach the fundamentals that HR professionals need to know to understand accounting and finance. Topics to master include:

1. Basic accounting principles
2. The significance and purpose of core financial reports
3. The key financial components of an annual report
4. The concept and importance of cash flow
5. What measures and processes companies use to assess financial health.

For those readers familiar with the above, other areas more technical in nature might include Financial Accounting Standard 123R (accounting for stock options), IRS Code 409A (deferred compensation), IRS Code 280G (golden parachute payments), the mechanics of earnings-per-share calculations and others. For its part, finance should take similar steps to reciprocate, including human resources in the finance process where it makes sense. For instance, finance can train human resources in the above basic financial concepts and help them understand why they request information, how human resources contributes to finance processes and the significance of those processes. Finance can also include human resources in the management team and in key strategic meetings, perhaps on a quarterly basis. Beyond this, human resources must continue to move toward and prepare for the looming change from being tactical and administrative to being strategic.

Objectives:

- Identify and discuss current strategic management principles directly related to the challenges of today’s business environment
- Recognize important financial management terms and concepts critical to the HR profession and HR’s contribution to the bottom line
- Illustrate how finance and strategy are linked in a successful organization
- Apply strategic business knowledge to enhance value to the organization

Common Practice is HR provides inputs as per the monthly payroll calendar and Finance Process it . HR provides the following details:

1. New employee details
2. Incentives for the month
3. Hike [if issued]
4. Attendance
5. Variable pay
6. Stop payment [Its recommended , that the stop payment is treated as highest priority and there should be no cut off time period for this. Finance should accept the information till the last minute. For e.g. if an employee have resigned on 31st evening and the salary be disbursed by 1st evening , Finance should accept the information from HR and accentuate it.

7. Any other amount if mentioned in the salary structure in Appointment letter, such Car Maintenance, Cell phone reimbursement and etc.

CROSS-FUNCTIONAL TEAM APPROACH

A cross-functional team was assembled to develop a four-step process to deliver on the goals of the framework.

1. **Project natural workforce evolution:** To do this used historic data to project the evolution of the workforce. This helped create a compelling case for action that won the approval of stakeholders.
 2. **Develop scenarios tied to business goals:** Business leaders throughout the company were interviewed, and from these interviews organizational design principles were developed. In order to remain flexible and accommodate quick changes, alternative designs were also created.
 3. **Finalize workforce plans:** the impact of the new approach to workforce planning on staffing dynamics and then obtained the consensus of the company's business leaders to go ahead.
 4. **Implement and monitor :**HR policies and practices were aligned with the workforce plan, tied to budgets, and progress was monitored according to the organizational design parameters.
- The team included members from four distinct functional areas within the company.

Business leadership team :This team was engaged as a team and as individual leaders. It validated and had ownership of the workforce plans.

HR generalists: The HR team sponsored the initiative on behalf of their "clients," and acted as stewards of the workforce plans. And were tasked to lead the implementation effort.

WORKFORCE ANALYSTS :This group actually developed the workforce planning process and tools. It consulted with the business units on a project basis, and then transferred their knowledge to the client organizations.

BUSINESS ANALYSTS :Planning and finance analysts were the core of the team. All members learn the workforce planning process and tools, and update staffing models as business goals change.

I completely agree that with today's shift to a knowledge economy, the value of human capital (talent) versus the value of other capital is clearly higher. Finance is currently a more analytical center that happens to provide great insight into the performance of the organization to the executive team. However, if the real power exists in execution, then HR should have a stronger partnership with the business than it currently does.

Conclusion:

In the end, one thing is certain: Change is coming. Now is the time to build the between that finance and HR can use to fly between Mars and Venus. Given enough time, perhaps finance will grow to love Venus, and human Resources will take a shine to Mars. Setting foot on each other's planets and learning the language, as some have already done, is the first critical step. As "I think it is most effective when we understand how to collaborate and confidently speak one another's language — when the HR person has enough financial acumen to engage in a dialogue with a finance person, and when the finance person recognizes early on that the 'people implications' of a decision can be as important to consider as the financial outcomes."

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