

Members Quarterly

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Feature

HR Professionals & Finance: Improving Your Financial IQ

Step ahead towards the C-Suite



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There are many good reasons for HR professionals to improve their understanding of business finance and the language that financial experts use to convey this information to the rest of us. According to Philip Gennis, commercial insolvency and restructuring specialist with msi Spergel Inc., they include being able to fully participate in all aspects of the business cycle and for HR to take a full seat at the executive table. "There are no good reasons, just excuses, as to why HR professionals would not try and improve their financial IQ," says Gennis.

It isn't easy to break into the financially knowledgeable ranks of an organization because some finance people seem to think that HR doesn't need or want the goods on the money situation. Some even think that HR professionals won't grasp the complications of financial data and others just don't trust them with this information. HR must make the extra effort to learn and improve their financial intelligence.

When your team is ready, there are a number of great resources in print and online that can help. One of the best resources to assist HR professionals is a book by Karen Berman, Joe Knight and John Case called "Financial Intelligence for HR Managers: What You Really Need to Know About the Numbers." This book is written in user-friendly language and tells the HR reader what financial things really matter and which things just aren't that important. That means you can focus on learning the things that you will need at work and can leave the other matters for the real financial experts.

One of the core areas that all HR professionals need to focus on is how to read a balance sheet and understand financial statements. The above-noted book and others will help you do this so when you review your organization's financial statement, you will know how much profit the business is making and the extent of its liabilities and expenses. This will allow you to strategically plan any necessary workforce adjustments and improve your ability to plan your own work in collaboration and partnership with the rest of the organization.

That is the first step to improving your financial literacy and your financial IQ. "If you really want to get better, then you need to dig deeper into the financial tools of the organization," says Philip Gennis. "You can start working on some more important financial elements including profit and loss statements, cash flows and things like working capital and budgeting. You don't need to know in detail how all of these financial reporting vehicles work, but you do need to understand and know how they can and will impact on your organization's human resource practices."

Another area of vital importance to all organizations is how we manage risk. The financial impact of risk management is a crucial concern to organizations and the executives who run them. Some of these risks are directly related to the work of HR- lawsuits by wrongly dismissed employees and talent and skill shortages. Even though the HR risks should probably be managed by the HR team, this work is often handed off to finance managers because HR doesn't have the

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confidence or ability to deal with them. That's another good reason to improve your financial IQ.

In order to create a level playing field when it comes to financial literacy and intelligence, HR professionals have to move beyond their financial fears and learn to "talk the talk" of the financial experts in the organization. You need to not only know the difference between profit and cash, but understand how your activities like travel and training affect them. You must also talk to the finance department and senior executives using financial language, which is after all the language of business.

Another part of your growth in financial matters is being able to identify when the numbers are too good to be true. If they are, they are likely being manipulated in some way to make them appear better than they really are. This may take some time to master but when you can, you will really get your senior executives' attention. You will also become a welcome team member at every table of the organization, including the one in the C-suite.

Philip Gennis also says that your path to a higher financial IQ means "that you have to take what you have learned and put it into practice in your own work. You can use your newly acquired financial acumen to analyze the numbers and make better projections about the future. You can also make your own return on investment (ROI) analyses to make a better case for HR programming and to influence better decision-making processes within your own department."

Any HR professional who takes the time and effort to improve their financial intelligence will be rewarded in their own work and recognized widely throughout the organization as someone who knows both the soft and the hard side of the business. So what are you waiting for?

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