

Accounting and Finance for HR Professionals

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LEARNING OUTCOMES

After completing this chapter, you will be able to:

- L01** Analyze the evolving role of HR management in organizations.
- L02** Discuss the relevance of fundamental accounting and finance knowledge for HR professionals.
- L03** Determine stakeholders' needs as supported by HR functional areas.

CHAPTER OUTLINE

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**DREAM
HOTEL**

Introduction

Nestled in the heart of a serene landscape in Ontario, Canada, Dream Hotel is a luxurious five-star hotel renowned for its impeccable service and lavish amenities. Founded by a visionary entrepreneur in 2005, the hotel has quickly become a symbol of elegance and comfort, attracting curious travellers from around the world. As the hospitality industry evolved, so did Dream Hotel, continually adapting to meet the high expectations of its guests.

Throughout this textbook's journey, we will explore together the challenges and growth of the hotel and the role of human resources (HR) in navigating those challenges, as well as opportunities for HR to add value. Emma, the newly appointed HR director of Dream Hotel, is full of ideas and ready to bring Dream Hotel to new heights of performance and competitiveness. Throughout this textbook, we will join Emma and Dream Hotel on this exciting journey and converse in the language of finance and accounting from an HR perspective.

Dream Hotel's Journey to Strategic HR Through Financial Acumen

Financial performance must be at the forefront of every department's agenda, including HR. The Dream Hotel has always provided exceptional guest experiences. However,

(Continued on next page.)

2 Practical Financial and Managerial Accounting for HR Professionals

as competition in the hospitality industry intensified, especially after the pandemic, the hotel's management realized that merely focusing on customer service was insufficient.

Emma understands this necessity. She envisions HR's contribution as evolving from the traditional role of hiring and firing, payroll processing, and complying with labour laws to becoming a strategic partner in achieving not only the hotel's financial goals but also integrating HR initiatives with the environmental, social, and governance (ESG) initiatives of the hotel.

Her strategy involves aligning HR activities with the hotel's financial objectives, while also considering ESG and broader stakeholder perspectives. Emma understands that a holistic approach to HR must consider multiple stakeholders, including employees, guests, the community, and the environment. All these stakeholders have a vested interest in the hotel, such as service quality, local hiring, wellness programs, and sustainability initiatives, to name a few.

By the end of this chapter, you should be able to answer the following questions, so keep them in mind as you read.

Discussion Questions

1. Discuss the traditional role of HR for Dream Hotel. What are some traditional tasks the HR team would perform in a boutique hotel, such as Dream Hotel?
2. What new roles will the HR team of Dream Hotel take on in the context of an evolving dynamic business environment?
3. Why is accounting and finance knowledge relevant for HR professionals at Dream Hotel?
4. What are the needs of different stakeholders of Dream Hotel that would be supported by the HR team?

LO1

The Evolving Role of HR Management in Organizations

HR has evolved significantly. The traditional and strategic roles of HR differ in scope, focus, and impact on organizations across various industries. Historically, HR's focus was on hiring, payroll, compliance, and ensuring smooth day-to-day operations. This traditional role provided a solid foundation for the business, but it often limited HR to a transactional function.

In essence, the convergence of traditional and strategic HR roles reflects the need for HR to be versatile and forward thinking. As businesses adapt to a rapidly changing environment, HR's ability to support and drive strategic initiatives is crucial for sustainable success. Let's explore these roles in detail.

The Traditional Role: The Foundation

Traditionally, HR's responsibilities were focused on administrative and operational tasks. Imagine HR as the diligent caretaker of the organization, ensuring everything runs like clockwork. HR's key responsibilities included the following:

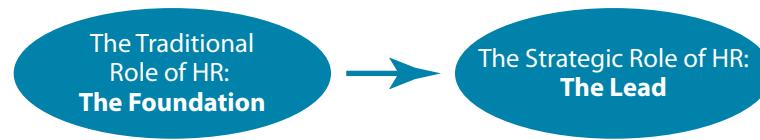
1. *Personnel management*: Keeping meticulous records, handling payroll with precision, administering benefits, and ensuring compliance with labour laws.
2. *Recruitment and hiring*: Mastering the recruitment process, from crafting job postings to conducting interviews and welcoming new hires.
3. *Employee relations*: Addressing grievances, maintaining workplace safety, and nurturing employee satisfaction.
4. *Training and development*: Organizing training sessions to enhance skills for the job and ensure adherence to company policies.

As businesses faced more complex challenges, HR evolved to embrace a strategic role, prioritizing employee development, engagement, and organizational culture. This shift recognized that fostering talent and maintaining a positive workplace environment are critical for long-term success. HR adopted initiatives like continuous learning, leadership development, and diversity and inclusion.

The Evolutionary Transformation

As companies expanded and the workforce diversified, HR's role transformed (see Figure 1.1). It was no longer just about maintaining the status quo—it was about supporting the company to achieve its strategic goals in an ever-changing business landscape, steering the company toward gaining a competitive edge in the future. HR started to embrace a more strategic dimension while still retaining its traditional functions:

1. *Talent management*: To gain competitive advantage, HR's talent management strategies became comprehensive for attracting, recruiting, retaining, and developing top talent, including succession planning and leadership development.
2. *Performance management*: The year-end employee performance appraisals have tended to lose their relevance, as the focus has shifted to overall performance management of the company. That means implementing more efficient and effective systems to evaluate and enhance employee performance, linking individual goals with organizational objectives.
3. *Employee engagement*: HR's strategic initiative of retaining top talent to be competitive and fostering a positive work environment and culture to boost morale and productivity needed a transformation.
4. *HR technology integration*: HR now leverages HR information systems and other technologies to streamline processes and enhance data-driven/evidence-based decision-making.

FIGURE 1.1 The Evolving Role of HR in an Organization

The Strategic Role: The Lead

In its strategic pathways, HR becomes a pivotal force in shaping the organization's direction and aligning HR initiatives with business goals. This role is especially important in industries where human capital is a critical competitive advantage, like technology, health care, and finance.

In the current dynamic business landscape, HR's strategic role is paramount. Companies must navigate rapid technological advancements, globalization, and shifting workforce expectations. Strategic HR involves aligning human capital with business goals, driving change management, and contributing to competitive advantage. This requires HR to be deeply integrated into business planning and to use data-driven insights to help the company make informed and relevant decisions. Here is how HR stepped up:

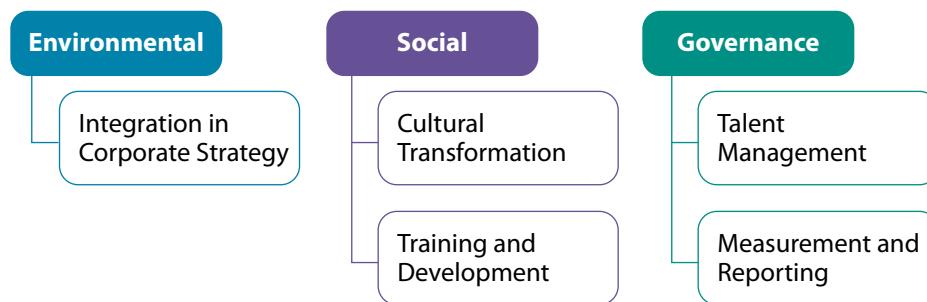
1. *Strategic workforce planning:* Anticipating and planning for future workforce needs based on the organization's strategic goals, such as expansion, downsizing, mergers and acquisitions, and so on.
2. *Change management:* Leading and managing organizational change initiatives resulting from embracing technology and artificial intelligence and cultural changes from mergers, acquisitions, and restructuring efforts.
3. *Organizational development:* Driving initiatives to improve organizational effectiveness and agility through cultural transformation and process improvement.
4. *People analytics:* Using data analytics to gain insights into workforce trends, predict future needs, and measure the impact of HR initiatives.
5. *Business partnering:* Collaborating with other departments to ensure HR strategies are aligned with business strategies, thus contributing to the company's overall success.

Next, we are going to explore the HR role in the context of ESG initiatives.

The New Paradigm: Embracing ESG Initiatives

ESG represents a set of criteria used to measure a company's ethical impact and sustainability practices. The strategic role of HR in the context of ESG involves integrating these criteria into the company's policies, practices, and culture.

The emphasis on ESG criteria is a significant contemporary addition to HR's strategic role. This involves integrating ESG principles into recruitment, training, performance management, and employee engagement (see Figure 1.2).

FIGURE 1.2 Strategic Role of HR in ESG

As businesses evolved, so did societal expectations. The narrative shifted from a traditional, profit-driven focus to one that encompassed multiple stakeholders' perspectives and incorporated initiatives such as ESG and corporate social responsibility (CSR). HR's role expanded to address these broader objectives, reflecting the changing expectations of businesses and society.

Here is how HR can contribute strategically to each aspect of ESG:

1. *Integration into corporate strategy*: Ensure that ESG principles are integrated into the company's overall business strategy, aligning HR policies and practices with broader corporate goals.
2. *Cultural transformation*: Drive cultural change within the organization to embed ESG values into the corporate culture, ensuring that sustainability and ethical practices become part of the everyday business mindset.
3. *Training and development*: Provide ongoing training and development programs to equip employees with the knowledge and skills needed to support ESG initiatives.
4. *Talent management*: Attract and retain talent who are motivated by the company's commitment to ESG values, creating a workforce that is engaged and aligned with the company's mission.
5. *Measurement and reporting*: Develop metrics and reporting systems to track the company's progress on ESG goals, ensuring transparency and accountability. HR can play a key role in collecting and analyzing data related to social and governance criteria.

By strategically focusing on ESG, HR helps build a sustainable, ethical, and socially responsible organization, enhancing the company's reputation, attracting top talent, and ensuring long-term success.

Emma's expanded role at Dream Hotel presents both challenges and opportunities to fulfilling multiple organizational needs. These include balancing traditional profit-driven objectives with progressing societal goals, developing new skills to manage broader HR responsibilities to align HR strategies with the overall business strategy, and driving significant cultural shifts within organizations.



Empowering the HR Team with Accounting and Financial Knowledge

Emma knows that the fundamentals of accounting and finance are essential for HR professionals. She arranged a series of workshops on financial acumen for her HR team. These workshops covered basic accounting principles, financial statements analysis, budgeting, and the importance of financial metrics.

During these sessions, the HR team learned about basic accounting and finance concepts and how to read and interpret the hotel's statements of financial position, income, and cash flows. They discovered how HR activities, such as recruitment, training, and employee retention, directly impact the hotel's financial health. For example, understanding the cost implications of high turnover rates and the benefits of investing in employee development helped the team see their roles in a new light: as key drivers of the financial success of the business.

Recognizing the importance of ongoing education, Emma launched a comprehensive financial training program for the entire HR department. This program not only covered advanced financial concepts but also focused on business acumen, helping HR professionals understand the broader business context in which they operate. The training included modules on strategic financial planning, return on investment (ROI) calculations for HR initiatives, and understanding market trends. With this knowledge, HR professionals could align their tasks and goals with the organization's financial objectives more effectively. They became adept at presenting HR initiatives in financial terms, making a compelling case for investments in HR programs by demonstrating potential returns and cost savings.

LO2 The Relevance of Fundamental Accounting and Finance Knowledge for HR Professionals

Some financial and accounting procedures are more relevant to HR than others. This chapter provides an introduction to the fundamental accounting concepts that are most helpful to HR in making strategic decisions, and it sets the stage for the upcoming chapters of the textbook.

Let's look at how the finance department communicates with different stakeholders. In any organization, financial statements are the main communication tool. Financial statements—reports that summarize the financial performance, position, and cash flow of an organization over a specific period of time—are used to communicate relevant information about the organization's financial health: profitability, financial performance, and cash flow to support stakeholders' decisions.

financial statements

formal reports that present the financial performance, position, and cash flow of an organization for a specific period of time and that communicate useful information to decision-makers

Financial Statements: Basic Knowledge for HR Professionals

Financial statements help HR professionals make informed decisions that align with the organization's financial health and strategic goals. Three types of important financial statements for HR are the statement of income, statement of financial position (sometimes called the balance sheet), and statement of cash flows. Chapter 2 covers in detail each financial statement with examples of how they support HR decisions.

Statement of Income

The **statement of income** is a financial statement that summarizes an organization's revenues, expenses, and profits or losses over a specific period, such as a month, a quarter, or a year.

Understanding the company's revenue and expense structure helps HR plan for compensation and benefits that are financially feasible. Insights on operational expenses can inform HR about areas where efficiency improvements could be driven through better employee performance or training. High or low profit margins impact decisions on salary increments, bonuses, and other employee-related expenses.

statement of income
a financial statement that presents an organization's revenues, expenses, and profits or losses over a period of time, such as a month, a quarter, or a year

Statement of Financial Position

The **statement of financial position** is a financial statement that provides a snapshot of an organization's assets (what the organization owns), liabilities (what the organization owes), and equity (the value remaining for the shareholders/owners), thus presenting the financial position of the organization at a specific point in time.

Understanding the company's assets and liabilities helps HR assess financial stability and capacity to support long-term HR initiatives. The equity position provides insights into the ownership structure and overall financial health, which can influence HR policies and employee compensation plans.

The statement of financial position is built on the fundamental principle of accounting, which is the **accounting equation**:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

statement of financial position
a financial statement that provides a snapshot of an organization's assets (what the organization owns), liabilities (what the organization owes), and equity (the value remaining for shareholders), presenting the financial position at a specific point in time

accounting equation
a fundamental principle in accounting that states
 $\text{Assets} = \text{Liabilities} + \text{Equity}$

The equation introduces the main sections of the statement of financial position: assets, liabilities, and equity. It is important for HR professionals to reflect on how their decisions will impact the assets, liabilities, or equity of the organization. By taking Dream Hotel as an example of paying weekly employees' salaries of \$100,000, we can easily understand that the cash (will decrease assets by \$100,000) and salaries expense (will decrease net income, which decreases equity, by \$100,000) will be impacted by this decision.

Statement of Cash Flows

The **statement of cash flows** is a financial statement that provides insights into the inflow and outflow of cash within an organization's operating, investing, and financing activities over a period of time.

statement of cash flows
a financial statement that provides the inflow and outflow of cash for operating, investing, and financing activities of an organization over a period of time

Operating cash flow indicates the cash generated from operations, helping HR understand the availability of funds for salaries, benefits, and HR projects. Insights into cash spent on investments and financing activities inform HR about the company's long-term financial commitments and potential for growth-related HR initiatives.

accrual accounting
an accounting method that recognizes revenues and expenses when they are incurred, rather than when cash is actually received or paid

The building block of financial statements is **accrual accounting**, which recognizes the financial impact of business transactions as they occur. Therefore, accrual accounting recognizes revenues and expenses when they are incurred, not when cash is exchanged. What is important to understand here is that the cash flow may precede or follow the recognition of expenses and revenues. This helps HR professionals manage and forecast salaries, bonuses, and benefits accurately.

Cost Accounting for HR Professionals

cost accounting

a branch of accounting that focuses on calculating and analyzing the costs of producing goods or services

cost behaviour

the way in which an organization's costs change in response to changes in its level of activity or volume of production

fixed costs

expenses that remain constant regardless of the level of production or sales activity

variable costs

expenses that change in direct proportion to the level of production or sales activity

To fulfill HR's strategic partner role, HR professionals must be familiar with costs and cost behaviour related to HR activities. This knowledge is captured by cost accounting. **Cost accounting** is a branch of accounting that focuses on calculating and analyzing the costs of producing goods or services. For HR professionals, it involves the systematic recording, analysis, and allocation of costs related to HR activities within an organization. It focuses on understanding and managing the costs associated with recruiting, training, compensating, and retaining employees.

Cost behaviour refers to the way in which a cost changes in response to changes in the organization's level of activity or volume of production. It is essential for HR professionals' decision-making. The difference between **fixed costs** (expenses that remain constant regardless of the level of production or sales activity) and **variable costs** (expenses that change in direct proportion to the level of production or sales activity) is the basis of rationalizing HR decisions. Therefore, fixed costs remain constant regardless of the level of HR activity, such as annual salaries of HR staff or rent for HR office space. Variable costs change proportionally with HR activity levels, such as training costs per employee or recruitment agency fees per hire.

We are going to look at two functional HR areas, including (1) recruitment and selection, and (2) training and development, to examine how HR professionals might use cost behaviour in making better-informed decisions.

Common Fixed Costs for Recruitment and Hiring

Fixed costs related to recruitment and hiring include the following:

- *Salaries and benefits of HR staff:* The salaries, bonuses, benefits, and overhead costs (e.g., office space, utilities, equipment) associated with HR personnel involved in the recruitment process.
- *Advertising and marketing:* Costs related to job postings on job boards, career websites, social media platforms, and print media are fixed costs, regardless of the number of applicants.
- *Technology infrastructure:* Costs of maintaining and upgrading recruitment software, applicant tracking systems, and other technology platforms used for candidate sourcing and screening.
- *Recruitment events:* Costs of organizing and hosting job fairs, career expos, and recruitment events, including venue rentals, promotional materials, and staffing.
- *Training and development for HR staff:* Costs of training HR staff in recruitment techniques, interviewing skills, and compliance with hiring regulations.
- *Legal and compliance costs:* Costs associated with legal counsel, compliance training, and ensuring adherence to employment laws and regulations during the hiring process.

Common Variable Costs for Recruitment and Hiring Related to Recruitment Agency Fees

Fees paid to external recruitment agencies or headhunters for sourcing and presenting qualified candidates are variable based on the number and type of positions. Here are some of these costs:

- *Candidate travel expenses:* Reimbursement of travel expenses for out-of-town candidates attending interviews or assessment centres, including airfare, lodging, and meals.

- *Interviewing and assessment costs:* Costs of conducting interviews, assessments, and selection tests, including panelists' time, materials, and assessment tools.
- *Onboarding and orientation:* Costs associated with new hire orientation, training programs, and employee integration activities, which vary based on the number of new hires.
- *Background checks:* Variable costs of conducting background checks and other pre-employment screenings, which are based on the number of candidates processed.
- *Job offer negotiations and signing bonuses:* Variable costs related to negotiating job offers, signing bonuses, relocation expenses, and other incentives to attract top candidates.
- *Employee referral bonuses:* Costs of offering referral bonuses to existing employees who refer successful candidates vary based on the number of referrals and hires.

Understanding the breakdown of fixed and variable costs in recruitment and hiring helps HR professionals create realistic budgets, track expenses effectively, and optimize their recruitment strategies to achieve the best ROI in talent acquisition.

All these costs will translate into expenses in the statement of income. However, it is important for HR professionals to understand how each cost behaves, as it directly impacts the HR department's role in supporting the organization.

Common Fixed Costs for Training and Development

Common fixed costs for training and development include the following:

- *Salaries, bonuses, benefits, and overhead costs (e.g., office space, equipment):* Costs involved in training instructors, facilitators, and coordinators.
- *Training materials:* Costs of developing, updating, and maintaining training materials, including manuals, handouts, presentations, and multimedia content.
- *Training facilities:* Costs of renting or maintaining training venues, conference rooms, classrooms, and training equipment (e.g., projectors, computers, whiteboards).
- *Technology and software:* Costs of training software licences, learning management systems, e-learning platforms, and virtual training tools used for online training programs.
- *External trainers or consultants:* Fees paid to external training providers, subject matter experts, or consultants for specialized training sessions or workshops.
- *Certifications and accreditation:* Costs of obtaining certifications, accreditations, or licences for training programs, trainers, or training materials.
- *Compliance and legal costs:* Costs of ensuring training programs comply with industry regulations, standards, and legal requirements, including legal counsel and compliance training.

Common Variable Costs Related to Training and Development

These costs include the costs of designing and developing new training programs or customizing existing programs based on employee needs and feedback. Common variable costs include the following:

- *Participant materials:* Costs of providing training materials, workbooks, handouts, and training kits to participants during training sessions.
- *Travel and accommodation:* Reimbursement of travel expenses, lodging, meals, and transportation for employees attending offsite or remote training sessions.

- *Technology and equipment rental:* Costs of renting training equipment, audiovisual systems, and technical support services for training sessions conducted at external venues.
- *Meals and refreshments:* Costs of providing meals, snacks, and refreshments during full-day or multi-day training programs.
- *Assessment and evaluation:* Costs of conducting pre-training assessments, post-training evaluations, surveys, and feedback mechanisms to measure training effectiveness.
- *Rewards and recognition:* Costs associated with providing rewards, incentives, or recognition to high-performing trainees or teams upon successful completion of training programs.

Understanding the breakdown of fixed and variable costs in training and development programs enables HR professionals to budget effectively, track expenses, evaluate ROI, and optimize training strategies to enhance employee skills, productivity, and performance.

Cost behaviour analysis for HR professionals will be reiterated across several chapters, including Chapters 3, 4, and 5.

EXERCISE

Analyzing Cost Behaviour and HR Strategies at Airbnb

Airbnb Inc is a global online marketplace that connects people looking to rent out their homes with those seeking accommodations. The company operates through its website and mobile app, offering a wide range of lodging options, including vacation rentals, apartment rentals, homestays, hostel beds, and hotel rooms.

Think about the major fixed, variable, and mixed costs associated with HR activities at Airbnb Inc.

Discussion Questions

1. Discuss how fluctuations in Airbnb Inc's business activity levels—for example, booking rates and seasonal demands—impact these costs. Keep your response short by giving one example of each cost.
2. Consider scenarios such as peak travel seasons or unexpected drops in demand and strategize HR decisions to support the operations of Airbnb Inc based on cost behaviour. Your answer may require several paragraphs for each scenario.

How Is Budgeting Relevant to HR Professionals?

budgeting

the process of creating a detailed plan that outlines an organization's financial goals and objectives for a specific period, typically a fiscal year

Budgeting refers to the process of creating a detailed plan that outlines an organization's financial goals and objectives for a specific period, typically a fiscal year. It involves estimating and allocating financial resources to ensure financial targets are met. Budgeting for HR involves estimating and allocating financial resources to support various human resources activities and initiatives within an organization. Analyzing budgetary expenses for HR involves a detailed examination of financial data, expenditure patterns, and variances related to HR activities.

Budgeting is relevant to HR as it provides the framework for effective resource management, strategic alignment, cost control, decision-making support, and performance measurement. Specific budgeting examples and more in-depth discussion about different budgets used by HR professionals is offered in Chapter 4.

**DREAM
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Accounting and Financial Metrics as a Strategic HR Tool

Emma initiated a competitor analysis, gathering data on competitors' HR practices, employee benefits, training programs, and overall employee satisfaction levels. By benchmarking Dream Hotel against industry standards, Emma and her team identified gaps and opportunities. They discovered that while Dream Hotel excelled in certain areas, competitors had an edge in others, such as offering more attractive employee wellness programs. Emma used this information to advocate for similar programs at Dream Hotel, highlighting how these could enhance employee satisfaction and productivity, ultimately impacting the bottom line positively.

Emma led her team in leveraging financial metrics to become more strategic. They began to use data to drive HR decisions, linking HR initiatives to key financial indicators relevant to the hotel industry and employee productivity metrics. For instance, the HR team analyzed the cost of turnover by calculating the expenses involved in hiring and training new employees versus retaining existing ones. They found that investing in comprehensive onboarding programs and ongoing training significantly reduced turnover rates, ultimately saving the hotel money and enhancing service quality. In doing so, the HR team collaborated closely with the accounting/finance department. This partnership was instrumental in advancing the hotel's objectives and resulted in HR developing metrics to track the financial impact of HR activities, such as the ROI of training programs and a cost–benefit analysis of employee engagement initiatives.

HR Finance and Accounting-Related Metrics

Finance and accounting HR metrics are quantitative measures that evaluate the financial efficiency and impact of HR functions on an organization's overall financial performance. HR professionals often use finance and accounting-related metrics to assess the effectiveness of their strategies, manage costs, and demonstrate the value of HR initiatives to stakeholders.

finance and accounting HR metrics

quantitative measures that evaluate the financial efficiency and impact of HR functions on an organization's overall financial performance

What Are Some Finance and Accounting Metrics Used by HR Professionals?

Here are some key metrics that HR professionals commonly use:

1. *Cost per hire*: Helps HR assess the efficiency and cost effectiveness of recruitment processes and identify areas for cost savings.
2. *Time to fill*: Measures recruitment efficiency, identifies bottlenecks in the hiring process, and helps HR optimize recruitment timelines.
3. *Turnover rate*: Indicates employee retention levels, identifies turnover trends, and helps HR assess the impact of turnover on costs and productivity.
4. *Revenue per employee*: Measures employee productivity, revenue contribution per employee, and overall workforce efficiency.
5. *Training cost per employee*: Measures the efficiency of training investments, evaluates training ROI, and identifies cost-effective training approaches.

HR metrics provide businesses with valuable insights into workforce performance, recruitment efficiency, training effectiveness, cost management, and overall HR contributions to organizational success. By tracking and analyzing these metrics, HR can make data-driven decisions, optimize HR strategies, and demonstrate the financial value of HR functions to stakeholders. HR finance and accounting-related metrics with examples are presented in Chapter 5.

Why Is Risk Management Important to HR?

risk management

the process of identifying, assessing, and mitigating potential risks that could negatively impact an organization's operations, objectives, or resources

Risk management for HR involves identifying, assessing, mitigating, and monitoring risks related to HR functions and activities. Risk management is essential to HR because it helps mitigate legal risks, talent management risks, workplace health and safety risks, employee relations risks, strategic risks, business continuity risks, reputation risks, and stakeholder relations risks. By implementing robust risk management practices, HR can protect the organization, promote employee well-being, support strategic objectives, and enhance organizational resilience and success. Chapter 6 extensively covers risk management in HR.

Why Is an Audit Relevant to HR?

audit

a systematic and independent examination of an organization's financial statements, records, transactions, processes, systems, and internal controls by qualified professionals called auditors

Audit as an accounting concept is defined as a systematic and independent examination of an organization's financial statements, records, transactions, processes, systems, and internal controls by qualified professionals called auditors. The purpose of an audit is to provide assurance to stakeholders, such as investors, creditors, regulators, and the public, regarding the accuracy, reliability, and fairness of the organization's financial information and operations.

For HR professionals, audits can be a valuable tool for evaluating and improving various aspects of HR management. An HR audit is a comprehensive review and assessment of an organization's HR policies, procedures, practices, and systems. The primary objective of an HR audit is to evaluate the effectiveness, compliance, and alignment of HR functions with organizational goals, legal requirements, industry standards, and best practices. HR audit practices are covered in detail in Chapter 6.

LO3

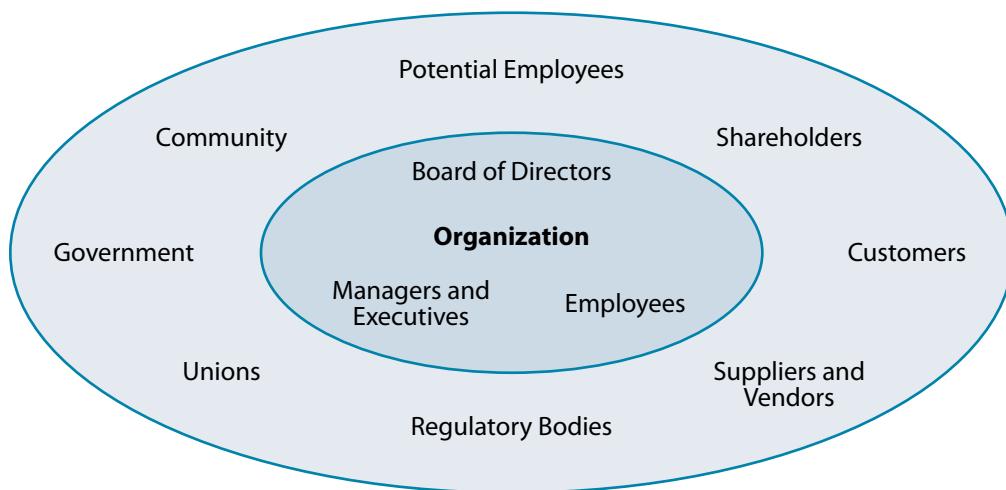
Stakeholders' Needs Supported by HR Functional Areas

stakeholders

individuals or groups that have an interest or stake in the success and functioning of an organization

Who Are Stakeholders and Why Are They Important?

Stakeholders are individuals or groups who have an interest or stake in the success and functioning of an organization. They can influence or be influenced by the organization's operations, policies, and outcomes. Key stakeholders typically include both internal and external parties (see Figure 1.3).

FIGURE 1.3 Stakeholders in an Organization

Internal stakeholders consist of employees; managers who are directly involved in the organization's daily operations; executives responsible for strategic planning; and the board of directors, which plays a critical role in the governance and strategic direction of an organization.

- *Employees*: Employees are the backbone of any organization, driving its operations and productivity. Understanding their needs regarding fair compensation, career development, and job security is essential for maintaining a motivated and engaged workforce.
- *Managers and executives*: These individuals are responsible for making strategic decisions and ensuring the organization's goals are met. They require accurate financial data and performance metrics to make informed decisions and guide the organization effectively.
- *Board of directors*: The board provides governance and oversight, ensuring that the organization adheres to its strategic direction and complies with legal and ethical standards. The board needs transparent and accurate financial reporting to fulfill its duties.

internal stakeholders

individuals or groups within an organization who are directly involved in its operations, decision-making, or governance

External stakeholders encompass shareholders, customers, suppliers, vendors, and regulatory bodies that, while not involved in an organization's daily operations, have a vested interest in the organization's performance and adherence to regulations.

- *Shareholders*: Shareholders invest capital into the organization and expect a return on their investment. They are concerned with the organization's profitability, financial stability, and growth prospects.
- *Customers*: Customers are the recipients of the organization's products or services. Their satisfaction and loyalty are critical for sustained revenue, making it important to understand and meet their needs and expectations.

external stakeholders

individuals, groups, or entities outside an organization who are affected by its operations, decisions, or performance and have an interest in its success or impact

- *Suppliers and vendors:* These partners provide essential goods and services that the organization relies on. Maintaining good relationships with suppliers and vendors, including timely payments and clear communication, is vital for smooth operations.
- *Regulatory bodies:* Regulatory bodies ensure that an organization complies with laws and regulations. Understanding and adhering to regulatory requirements is crucial to avoiding legal issues and maintaining the organization's reputation.
- *Government:* Beyond regulatory compliance, governments are interested in tax contributions, job creation, and the organization's impact on the local and national economy.
- *Unions:* Labour unions represent employee interests in collective bargaining processes, influencing wage negotiations, benefits, and working conditions.
- *Local communities:* Communities where the organization operates are impacted by employment opportunities, CSR initiatives, and the organization's economic contributions.
- *Potential employees:* Job seekers evaluate the organization's compensation packages, career development opportunities, and overall financial stability when considering employment.

The Importance of Understanding Stakeholders' Needs for HR

Understanding stakeholders' needs is critical for an organization's success because it ensures that the diverse interests and expectations of these groups are met, fostering a collaborative and supportive environment. For HR professionals, this understanding helps in designing effective policies and programs that align with organizational goals and stakeholders' expectations. By addressing stakeholders' needs, HR can enhance employee satisfaction, improve customer relations, ensure compliance with regulations, and boost investor confidence, ultimately contributing to the overall stability and growth of the organization.

A key challenge of HR is balancing the competing needs of various stakeholders. For instance, while employees may desire higher compensation and better benefits, shareholders may prioritize cost control and profitability. HR managers must navigate these conflicting interests to create strategies that satisfy multiple stakeholder groups' needs while ensuring the organization's long-term sustainability.

Employees

Employees, a major internal stakeholder group, have two main areas of interest: (1) compensation and benefits, and (2) job security and career development.

COMPENSATION AND BENEFITS

Employees expect fair and competitive compensation packages that reflect their skills, experience, and contributions to the organization. This includes not only a base salary but also bonuses, health insurance, retirement plans, and other perks. HR is responsible for creating compensation structures that attract and retain top talent while remaining financially sustainable for the organization. This involves conducting regular market research to ensure salary ranges are competitive, developing pay grades and bands, and implementing fair promotion and pay raise policies. HR must also consider the long-term financial implications of compensation decisions, such as their impact on pension liabilities or the organization's ability to adapt to economic fluctuations.

Beyond base salary, HR oversees the selection, implementation, and administration of benefits programs. Efficient management of these programs involves negotiating with providers to secure cost-effective plans, educating employees about their benefits to ensure maximum utilization, and regularly reviewing the benefits package to ensure it meets employee needs while remaining financially viable for the organization.

JOB SECURITY AND CAREER DEVELOPMENT

Employees seek the assurance of stable employment and opportunities for professional growth. HR contributes to the fulfillment of such needs by allocating resources for training and development programs, succession planning, and creating a financial environment that supports long-term job stability.

Satisfying these employee needs involves two of the functional areas of HR: total rewards, and talent acquisition and retention. Stakeholder needs become an important factor in HR decisions related to each functional area.

Managers and Executives

Another internal stakeholder group is managers and executives. Their interests fall into performance metrics and incentives, budget adherence and financial performance, and providing accurate and timely financial data to stakeholders.

PERFORMANCE METRICS AND INCENTIVES

Managers and executives require clear, measurable performance indicators tied to financial outcomes. HR develops and implements performance-based compensation systems, including bonuses and long-term incentive plans, that motivate leadership to achieve organizational goals:

- *Developing metrics to align employee performance with financial goals:* HR collaborates with finance and other departments to create performance metrics that directly tie employee efforts to the organization's financial objectives. This might involve setting key performance indicators that reflect both individual contributions and their impact on the company's bottom line. For example, sales teams might have targets tied to revenue growth, while operations teams might focus on cost reduction metrics.
- *Implementing incentive programs that support organizational objectives:* Based on these metrics, HR designs and implements incentive programs that motivate employees to achieve financial goals. This could include bonus structures, profit-sharing schemes, or stock options. The challenge lies in creating programs that are motivating and rewarding for employees while also being financially sustainable and aligned with the organization's long-term strategy.

BUDGET ADHERENCE AND FINANCIAL PERFORMANCE

Leaders are accountable for managing their departmental budgets and contributing to overall financial performance. The finance team and HR team collaborate on access to the necessary financial data, tools, and training to make informed decisions and effectively manage their resources.

PROVIDING ACCURATE AND TIMELY FINANCIAL DATA TO STAKEHOLDERS

HR is often responsible for reporting on human capital metrics, which form a significant part of many organizations' financial pictures. This includes data on labour costs, turnover

rates, training investments, and their ROI. HR must ensure these data are accurate, up to date, and presented in a way that is meaningful to various stakeholders, from the board of directors to individual employees.

The Board of Directors

The board of directors' interests fall into strategic alignment and governance, and financial reporting and transparency. The board ensures that HR's strategies align with the organization's overall mission and objectives.

The board requires comprehensive reports and analyses to evaluate the effectiveness of HR policies, practices, and processes and their impact on organizational performance. Board members also need access to clear, accurate financial reports related to human capital management. This includes detailed breakdowns of labour costs; return on HR investments, such as training and development; and other key HR metrics, such as retention rates, productivity, absenteeism, and so on.

Shareholders

Shareholders are one of the main reasons companies exist and the main driver behind a company's performance. Shareholders' interests include return on their capital investment and the organizations' dividend distribution and stock performance:

- *Return on investment:* Shareholders expect HR strategies to contribute positively to the organization's profitability and growth. This involves demonstrating how investments in human capital translate into improved financial performance and shareholder value.
- *Dividend distribution and stock performance:* HR's financial decisions, such as major changes in compensation structures or significant investments in workforce development, can impact the organization's ability to distribute dividends and influence stock prices. HR must consider these implications in its strategic planning.

Customers

Two key considerations for customers are the quality of a company's products or services and whether a company offers fair pricing and value for money:

- *Quality of products/services:* While not directly involved in product development, HR indirectly influences product/service quality by ensuring the organization can attract, retain, and develop skilled employees who deliver high-quality outputs.
- *Fair pricing and value for money:* HR strategies impact labour costs, which in turn affect pricing strategies. Balancing competitive employee compensation and employee productivity with the need to maintain affordable pricing for customers is a key consideration.

Suppliers and Vendors

Suppliers and vendors rely on an organization's timely payments and financial stability. HR contributes to the organization's overall financial health, which affects its ability to meet payment obligations to suppliers and vendors. Maintaining strong relationships with these partners often requires demonstrating financial stability and reliability.

Regulatory Bodies

Regulatory bodies require that an organization ensures its compliance with financial regulations and ethical standards. HR plays a key role in maintaining the organization's financial integrity. This involves staying abreast of labour laws and financial regulations, ensuring accurate payroll processing and tax compliance, and implementing internal controls to prevent financial misconduct.

HR also often leads in developing and enforcing ethical guidelines related to financial practices within the organization. Regulatory bodies expect organizations to maintain ethical standards in their financial practices. HR plays a role in establishing and enforcing ethical guidelines related to compensation, benefits administration, and financial reporting of human capital metrics.



**DREAM
HOTEL**

Enhancing Stakeholder Value and Achieving Organizational Goals Through HR

Emma's efforts paid off. The HR team's financial literacy allowed them to contribute to strategic discussions, provide valuable insights, and make data-driven decisions that supported the hotel's growth and profitability. HR was no longer seen just as a cost centre but as a vital partner in achieving Dream Hotel's business objectives. HR initiatives were now directly linked to financial outcomes, providing clear evidence of the value of different stakeholders. The success of the financial training program was evident, since HR professionals were able to confidently discuss financial metrics and contribute to the hotel's strategic planning.

Dream Hotel's journey underscores the importance of financial acumen and holding a stakeholder perspective for HR professionals. By understanding and leveraging financial metrics, aligning HR goals with business objectives was an opportunity for HR to evolve from its traditional role to become a strategic business partner.

Stakeholder Communication

Developing Effective Communication Strategies for Different Stakeholders

Different stakeholders require different types and levels of financial information. HR must tailor its communication strategies accordingly. For example, employees might need clear explanations of their compensation and benefits, while the board of directors would require more comprehensive reports on workforce costs and productivity metrics.

Using Financial Data to Build Trust and Credibility

By consistently providing accurate, transparent financial information, HR can build trust with various stakeholders. This might involve regular financial updates to employees about the company's performance and how it affects them, clear communication with suppliers about payment terms and the company's financial stability, or detailed reports to shareholders about human capital investments and their returns.

In a nutshell, HR plays an essential role in addressing the needs and expectations of various stakeholders within an organization. This responsibility requires a delicate balance

of managing resources, aligning HR goals with organizational goals, and ensuring fairness and transparency. In fulfilling these responsibilities, HR becomes a key player in the organization's financial management. By effectively addressing stakeholders' needs, HR not only contributes to the organization's financial health but also fosters positive relationships with all stakeholders, from employees to external partners and regulatory bodies.

Implementing Cost-Effective Benefits Programs at OakHealth Hospital

Dr Emily Chan, the HR manager at OakHealth Hospital in Oakville, found herself buried under a mountain of employee complaints. "I can't afford these copayments anymore!" read one email. "Why are we paying for benefits we don't even use?" said another.

Emily knew she had to act fast. The hospital was facing rising health care costs for its employees, which was straining its budget. "We need to cut costs," she told her team, "but we also need happier, healthier employees."

Her solution was a total benefits overhaul in which she came up with a five-step plan:

1. She introduced a comprehensive wellness program, including gym discounts and nutrition classes.
2. She partnered with a telemedicine provider for cheaper consultations.
3. She implemented a flexible, cafeteria-style benefits plan.
4. She offered a high-deductible health plan with a health savings account as an option.
5. She provided financial education workshops on maximizing benefits and managing health care costs.

"Choose your own health adventure!" Emily announced at the staff meeting, unveiling the new flexible benefits plan.

The change wasn't without challenges. Employees were overwhelmed by all the choices. "Which plan is best for me?" became a common question in Emily's inbox.

Emily organized benefits fairs, bringing in experts to guide employees through their options. She developed a comprehensive communication strategy to educate employees about the new options and provided decision-making tools to help them choose the best plan for their situations.

Six months in, Emily noticed a drop in the number of sick days. The wellness program was working its magic. And to her surprise, the hospital was saving money as employees chose plans that truly fit their needs.

After two years, Emily presented impressive results to the board:

- The overall cost of benefits was reduced by 18 percent.
- Seventy percent of employees opted for the consumer-driven health plan.
- Employee participation in wellness programs increased by 60 percent.
- Health care claims decreased by 25 percent.
- Employee satisfaction with benefits increased by 15 percent.

"By empowering our staff to make their own choices," she said, "we've created a happier, healthier workforce." Some of the key lessons for Emily and OakHealth hospital

were that employee education is crucial for the success of new benefit programs. Choices allow employees to feel more in control of their benefits, and the way to secure wide adoption is gradual implementation. The hospital understood that wellness programs can significantly impact long-term health care costs and provide cost reductions and that employee satisfaction can be achieved simultaneously with innovative approaches.

Discussion Questions

1. Given the challenges faced by OakHealth Hospital, how effective was Emily's five-step plan and its implementation in addressing the core issues of employee satisfaction and cost reduction? Were there alternative approaches that could have been explored?
2. How does employee well-being relate to overall organizational performance? Can the benefits package be further optimized to improve employee productivity and engagement?
3. How would changes in the benefits package affect other departments within OakHealth Hospital, such as finance, IT, and operations? Would there be unintended consequences or dependencies?
4. How might external factors, such as changes in health care regulations or economic conditions, impact the effectiveness of the benefits package?
5. What are some potential long-term consequences of the new benefits package that may not be apparent in the short term? How can Emily monitor these effects?

Tools and Techniques for Assessing Stakeholders' Needs

Surveys and Feedback Mechanisms

Surveys and feedback mechanisms are essential tools for HR professionals to gather valuable insights into stakeholders' needs and expectations. When designing surveys, it is crucial to craft clear, unbiased questions that address specific areas of interest, such as compensation satisfaction, benefit preferences, and the perceived value of HR initiatives.

Surveys can be conducted through various methods, including online platforms, paper forms, or face-to-face interviews, depending on the target audience and desired depth of information. Once data are collected, advanced analytics can be employed to identify patterns, trends, and correlations within the responses. This analysis can reveal critical information about stakeholders' financial needs, expectations, and priorities. For instance, sentiment analysis can be used to gauge overall satisfaction levels, while clustering algorithms can group stakeholders with similar needs or concerns.

By regularly conducting and analyzing these surveys, HR can stay attuned to changing stakeholder needs and adapt their strategies accordingly.

Financial Analysis Tools

Financial analysis tools play a crucial role in assessing the impact of HR initiatives on stakeholders and determining their overall effectiveness. Key financial metrics such as ROI, cost-benefit analysis, and net present value can provide quantitative insights into the value generated by HR programs.

For example, ROI calculations can help determine whether investments in training programs are yielding sufficient returns in terms of improved productivity or reduced turnover. Cost-benefit analyses can weigh the financial costs of implementing new benefits packages against the potential gains in employee satisfaction and retention. Additionally, HR can use more specialized tools like human capital ROI, which measures the return on investment in human capital initiatives, or the balanced scorecard approach, which considers both financial and non-financial metrics to assess overall organizational performance.

By employing these financial analysis tools, HR professionals can make data-driven decisions, justify investments in HR initiatives to senior management, and ensure their strategies are aligned with both stakeholder needs and organizational financial goals.

Companies Implementing Analysis

GOOGLE'S "PEOPLE ANALYTICS" APPROACH

Google has become renowned for its data-driven approach to HR, which they call "People Analytics." This aligns well with our discussion on the use of tools and techniques to assess stakeholder needs. Google uses sophisticated data analysis to inform decisions on everything from hiring to employee retention and satisfaction.

For example, Google's "Project Oxygen" used data analytics to identify the qualities of good managers. They then used these insights to develop training programs and evaluation criteria, ultimately improving manager effectiveness and employee satisfaction. This exemplifies how data-driven HR practices can address the needs of multiple stakeholders. Employees benefit from better management, while the company benefits from improved performance and retention.

UNILEVER'S "SUSTAINABLE LIVING PLAN"

Unilever's comprehensive sustainability initiative demonstrates how companies can align HR practices with broader organizational goals while addressing diverse stakeholder needs. As part of this plan, Unilever committed to improving the health and well-being of more than a billion people, including its own employees.

They implemented a global health initiative called "Lamplighter," which offers employees a range of services, including health risk appraisals, exercise programs, and nutrition education. This program not only improved employee health and satisfaction but also reduced health care costs for the company. It is a prime example of how HR initiatives can create value for employees, the company, and even the broader community.

PATAGONIA'S INNOVATIVE BENEFITS PROGRAM

Outdoor clothing company Patagonia is known for its unconventional but highly effective benefits programs, which address the unique needs of its workforce while aligning with the company's values. One standout initiative is its onsite childcare program.

Recognizing that many employees struggled with work-life balance, Patagonia implemented high-quality, onsite child care at its headquarters and distribution centre. While this program required significant investment, Patagonia reported that it recovered 91 percent of the program's costs through improved employee retention, engagement, and productivity. This example illustrates how innovative benefits programs can meet employee needs, improve organizational performance, and even positively impact the bottom line by addressing the interests of multiple stakeholders.

These real-life examples demonstrate how companies are putting into practice the principles we have discussed, from using data analytics to inform HR decisions, to implementing programs that balance the needs of various stakeholders, to creating innovative benefits and compensation packages that create win-win situations for employees and the organization. They provide concrete illustrations of how HR finance can drive organizational success while meeting diverse stakeholder needs.

EXERCISE

Personal Reflection

Reflect on a time in your own experience when understanding stakeholders' needs helped you to make better HR decisions.

Write a brief paragraph explaining the situation, the stakeholders involved, their needs, and how addressing those needs led to a positive outcome or how not addressing those needs led to a negative outcome.



DREAM HOTEL

Applying What We've Learned

Remember the questions we asked at the beginning of the chapter? Now is your opportunity to see how what you have learned can be applied to those questions.

1. Discuss the traditional role of HR for Dream Hotel. What are some traditional tasks that the HR team would perform in a boutique hotel like Dream Hotel?

The traditional role of HR at Dream Hotel primarily involved administrative and operational tasks. These would include recruiting and hiring employees, managing payroll, handling employee relations and grievances, ensuring compliance with labour laws, and maintaining employee records. Traditional HR would also focus on performance appraisals, implementing company policies, and providing basic training and development programs.

2. What new roles will the HR team of Dream Hotel take on in the context of an evolving dynamic business environment?

In the evolving business environment, the HR team at Dream Hotel will take on strategic roles that involve aligning HR activities with the hotel's financial and strategic objectives. This includes leveraging financial metrics to make data-driven decisions, conducting ROI analyses for HR initiatives, and collaborating with the finance department to track the financial impact of HR activities. The HR team will also focus on employee wellness and engagement programs, competitor benchmarking, and integrating ESG initiatives to support sustainability and social responsibility goals. Additionally, they will play a critical role in strategic workforce planning and talent management to ensure the hotel remains competitive.

(Continued on next page.)

3. Why is accounting and finance knowledge relevant for HR professionals at Dream Hotel?

Accounting and finance knowledge is relevant for HR professionals at Dream Hotel because it enables them to understand the financial implications of HR activities and make informed decisions that support the hotel's financial goals. This knowledge helps HR professionals analyze financial statements, manage budgets, analyze cost behaviour, and perform cost–benefit analyses. It also allows them to present HR initiatives in financial terms, demonstrating their value and potential returns to management. By integrating financial acumen, HR can contribute to strategic planning, improve resource allocation, and enhance the overall financial health of the hotel.

4. What are the needs of different stakeholders of Dream Hotel that would be supported by the HR team?

Needs of different stakeholders include the following:

- *Employees*: Competitive compensation and benefits, job security, career development opportunities, and wellness programs.
- *Guests (customers)*: High-quality service, friendly and professional staff, and a welcoming environment.
- *Community*: Local hiring initiatives, community engagement programs, and support for local businesses.
- *Environment*: Sustainability initiatives, environmentally friendly practices, and reducing the hotel's carbon footprint.
- *Shareholders*: Strong financial performance, profitability, and return on investment.
- *Suppliers and vendors*: Fair and timely payments, long-term partnerships, and consistent demand for goods and services.
- *Regulatory bodies*: Compliance with labour laws, environmental regulations, and ethical business practices.

By addressing these needs, the HR team can contribute to building a positive reputation for Dream Hotel, fostering loyalty and satisfaction among stakeholders, and supporting the hotel's long-term success.

CHAPTER SUMMARY

- The traditional role of HR focuses on administrative tasks like recruitment, payroll, and compliance, primarily acting as a support function to ensure smooth operations. In contrast, the strategic role of HR aligns HR practices with the organization's long-term goals, focusing on strategic workforce planning, change management, organizational development, people analytics, and business partnering.
- While the traditional HR role is reactive and operational, the strategic HR role is proactive and contributes to the organization's competitive advantage by anticipating needs and fostering innovation.
- The strategic role of HR in the context of ESG focuses on aligning HR practices with an organization's commitment to sustainability, social responsibility, and ethical governance. By integrating ESG principles into talent management, employee training and development, and organizational culture, HR helps create a workforce that is aligned with the organization's broader ESG objectives.
- Finance and accounting concepts are used by HR professionals to make informed decisions. Understanding financial reporting and financial statements allows HR to track expenses related to compensation and benefits, contributing to both financial efficiency and strategic decision-making.
- Key concepts such as cost management help HR manage labour expenses, while budgeting and forecasting ensure effective resource allocation.
- Finance and accounting metrics used by HR provide valuable insights into workforce performance, turnover, and productivity, enabling better decision-making.
- Risk assessment and management identifies and mitigates workforce-related risks, while audits ensure compliance with legal requirements, organizational policies, industry standards, and best practices.
- Understanding and addressing the financial needs of various stakeholders from an HR perspective emphasizes the complex, multifaceted role of HR in understanding, balancing, and addressing the diverse financial needs of all stakeholders, ultimately contributing to the organization's overall success.

KEY TERMS

accounting equation, 7

accrual accounting, 7

audit, 12

budgeting, 10

cost accounting, 8

cost behaviour, 8

external stakeholders, 13

finance and accounting HR metrics, 11

financial statements, 6

fixed costs, 8

internal stakeholders, 13

risk management, 12

stakeholders, 12

statement of cash flows, 7

statement of financial position, 7

statement of income, 7

variable costs, 8

CASE STUDY

GREENTECH INDUSTRIES

GreenTech Industries, a rapidly growing renewable energy company, has experienced significant financial success in recent years. However, amid increasing pressure from stakeholders to demonstrate its commitment to sustainability and social responsibility, the company is facing new challenges.

The HR director, Alex, is tasked with aligning the HR function with the company's evolving goals. While Alex has a strong understanding of traditional HR practices, the complexities of sustainability and social impact metrics are new territory. The company's leadership team expects HR not only to manage human capital but also contribute to the company's overall sustainability strategy.

DISCUSSION QUESTIONS

- How can Alex leverage fundamental accounting and finance knowledge to assess the financial implications of potential sustainability initiatives? What financial

metrics can be used to measure the ROI of HR programs that support sustainability goals?

- How can HR partner with other departments—for example, finance, operations, marketing—to develop a comprehensive sustainability strategy that integrates social and environmental considerations? What key performance indicators should be used to measure the success of HR's contribution to the company's sustainability goals?
- How can HR effectively communicate the company's sustainability efforts to both internal and external stakeholders? What strategies can be implemented to build trust and credibility among employees, investors, and the community?
- How can Alex develop a talent management strategy that aligns with the company's sustainability goals? What competencies and skills are required for employees to contribute effectively to a sustainable organization?

WEB-BASED EXERCISE

Interface is a carpet company founded by Ray Anderson. It adopted environmentally responsible practices that not only align with the company's ethical vision but also led to increased sales and profitability.

Anderson's company illustrates the potential for businesses to innovate and grow by integrating sustainability into their core strategies. It exists as a powerful example of how companies can thrive by balancing financial objectives with a commitment to environmental stewardship.

Review the following resource and do some research on your own before answering the questions below.

The Natural Step. (n.d.). *Case study: Interface*. <https://thenaturalstep.org/project/interface>

DISCUSSION QUESTIONS

1. How can HR measure savings from sustainability through initiatives like Interface's waste reduction program?
2. What financial arguments can HR use to justify the initial investment in sustainability training programs?
3. How should HR evaluate the ROI of sustainability-focused HR activities?
4. What financial metrics should HR track to assess the success of sustainability initiatives?

REFERENCES

The Natural Step. (n.d.). *Case study: Interface*. <https://thenaturalstep.org/project/interface>