ATESTASI: JURNAL ILMIAH AKUNTANSI
Vol 7, Issue 1, (2024), 777 - 791

A Descriptive Study of Managers' Perceptions of the Use of Financial Statements in the HR Management Decision-Making Process

Wike Pertiwi [1*]

[*1] Universitas Buana Perjuangan Karawang, Jawa Barat, 41361, Indonesia

Email
wike.pertiwi@ubpkarawang.ac.id [1*]

Received: January, 08, 2024 **Revised:** March, 30, 2024 **Accepted:** March, 31, 2024

Abstract

The purpose of this study is to explore human resource (HR) managers' perceptions of using financial statements in HR decision-making, particularly in compensation, workforce planning, and budgeting. The research design employed a qualitative approach involving interviews with HR managers to understand how financial data is interpreted and applied in strategic decisions. The methodology focused on identifying the barriers HR managers face, including financial literacy limitations and organizational silos, that hinder the effective integration of financial data into HR practices. The findings reveal significant variability in financial literacy among HR managers, directly influencing their ability to leverage financial data. While some managers demonstrate a strong understanding of financial statements, others rely heavily on operational metrics. The study highlights the need for organizational improvements, particularly in fostering collaboration between HR and finance departments, to ensure more informed and aligned decision-making. In terms of implications, the study offers practical recommendations for improving HR decision-making by increasing financial literacy through targeted training programs and promoting interdepartmental collaboration. This research contributes to both theory and practice by emphasizing the importance of financial data in HR strategies, with implications for more integrated HR and financial management approaches.

Keywords: Financial literacy; HR decision-making; Financial statements; Workforce planning; Organizational collaboration.

DOI : **https://doi.org/10.57178/atestasi.v7i1.950**
p-ISSN : **2621-1963**
e-ISSN : **2621-1505**

Introduction

The traditional role of financial statements within organizations has been closely tied to their financial and accounting functions, serving as critical tools for evaluating financial performance, profitability, and overall organizational health. Finance departments have primarily utilized financial statements such as balance sheets, income statements, and cash flow reports to support decisions regarding resource allocation, cost control, and financial planning (Carlier, 2021; Indriakati, 2023). However, as businesses grow more complex and interdependent, there is increasing recognition that financial data has broader applications beyond accounting—particularly in human resource management (HRM) (Faisal, 2023).

Effective HR management now requires the integration of financial insights to support decisions in critical areas such as compensation, recruitment, training, and employee performance (Indrastuti, 2020).

The growing intersection between finance and HR reflects a need for strategic alignment between the two departments. While HR traditionally focused on managing talent, fostering employee engagement, and ensuring workforce productivity, financial data now provides essential insights to help guide these decisions, ensuring that HR strategies are economically viable and aligned with broader business objectives Nugroho (2020). For instance, data from financial statements can inform decisions about workforce budgeting, the cost-efficiency of training programs, and the economic impact of HR policies on the company's profitability (Ningrum et al., 2024; Noy, 2023). Despite these potential benefits, integrating economic data into HR decision-making remains an underexplored area, making it crucial to understand how HR managers perceive and utilize financial information in their strategic choices (Negt & Haunschild, 2024).

Recent studies highlight the importance of integrating financial and HR metrics in managerial decision-making. Research shows that HR employees value HR metrics and diagnostic accounting systems more than their counterparts in accounting (Arseneault & Gagnon, 2024). Human Resource Accounting (HRA) has proven to be highly impactful in influencing managerial decision-making, as it provides quantitative measures that tie human capital investments to organizational performance (Abiola & Adisa, 2020). Additionally, studies emphasize the role of descriptive and predictive HR metrics, noting that data quality is pivotal in enhancing strategic HRM and overall performance outcomes (Pillai & Sivathanu, 2022). Similarly, when mediated through effective managerial decision-making, strategic human capital analytics can significantly improve organizational and market performance (Samson & Bhanugopan, 2022). Integrating financial and HR data into managerial practices is thus seen as a critical factor in driving firm performance and improving the corporate information environment (Arseneault & Gagnon, 2024).

Despite the growing body of research on integrating financial and HR metrics in managerial decision-making, significant gaps still need to be found in both empirical and theoretical aspects. Most studies focus on the technical aspects of how financial data can support HR decisions, particularly in compensation, training, and workforce optimization (Pillai & Sivathanu, 2022). However, there needs to be more comprehensive frameworks that explore how HR managers can systematically integrate financial data into broader HR strategies. Existing studies often adopt a financial perspective, primarily examining the measurable outcomes of combining financial data into HR, such as cost savings or productivity improvements (Abiola & Adisa, 2020). This leaves a gap in understanding the practical challenges HR managers face when applying financial data to strategic decision-making, such as interpreting complex financial reports or addressing discrepancies in data quality (Samson & Bhanugopan, 2022).

Moreover, the literature needs to address the role of organizational culture and structure in facilitating or hindering financial data integration into HRM practices. Many companies operate with siloed departments, where finance and HR functions remain largely disconnected (Jekiel, 2020). This lack of collaboration can limit the potential benefits of using financial data to inform HR decisions. Therefore, more research is needed to explore how organizational structures and processes can support greater synergy between finance and HR and how HR managers perceive and utilize financial data in their decision-making processes. Future studies can offer more practical insights into improving economic and HR data integration by addressing these gaps.

The novelty of this study lies in its focus on exploring the subjective experiences and perceptions of HR managers regarding integrating financial statements into HR decision-making. Unlike previous research, which predominantly approaches this topic from a financial perspective, this study aims to provide a more holistic view by examining how HR managers interpret and apply financial data in strategic decision-making. By addressing both practical and theoretical gaps, this study seeks to highlight the barriers and challenges HR managers face in leveraging financial data for HRM, such as financial literacy issues or organizational silos that hinder collaboration between departments (Samson & Bhanugopan, 2022). This qualitative approach will enrich the existing body of knowledge and offer practical solutions to improve the alignment between financial and HR functions, contributing to more effective decision-making processes.

The research questions guiding this study are: How do HR managers perceive the use of financial statements in HR decision-making? What challenges do they encounter in interpreting and utilizing financial data, and how do organizational structures affect this process? The primary objective is to describe and analyze HR managers' perceptions and experiences with economic data, providing actionable insights for organizations looking to enhance the synergy between HR and economic functions. This study will contribute significantly to developing more integrated HR and financial management practices by filling the existing gaps in empirical evidence and theoretical understanding.

Literature Review

The Traditional Role of Financial Statements

Financial statements have traditionally played a critical role in corporate financial management, offering insights into a company's financial health through tools such as the balance sheet, income statement, and cash flow statement (Junaedy, 2023). These documents provide a snapshot of profitability, liquidity, and overall financial performance, helping financial managers and accountants make informed decisions about resource allocation, investment planning, and risk management (Olayinka, 2022). The reliance on financial statements within finance departments supports budgeting, cost-saving initiatives, and long-term financial planning, ensuring that companies maintain operational efficiency and profitability over time. Historically, the use of financial statements has been limited to finance departments, with little involvement from other divisions such as human resource management (HRM). Often needing more financial literacy, HR managers have traditionally based decisions on operational data rather than incorporating financial insights into their strategies (Shet et al., 2021). This separation between finance and HR has helped managers fully utilize financial data in critical areas such as compensation, recruitment, and employee development. Decisions in these areas were made without the benefit of detailed financial analysis, reducing their potential impact on workforce management.

Recent trends, however, underscore the growing importance of integrating financial data into HRM decision-making. Financial statements provide valuable insights into labor cost efficiency, employee productivity, and the financial impact of HR policies, all of which can inform better HR strategies. For example, financial data can help HR managers assess the return on investment (ROI) for training and development programs and guide decisions about compensation packages (Abiola & Adisa, 2020). Aligning HR initiatives with financial performance ensures workforce expenditures support the company's financial health. Despite the recognized value of financial data, several challenges prevent its full integration into HR. One key barrier is the limited financial literacy among HR professionals, which hinders their ability to interpret and apply financial statements effectively (Tuffour et al., 2022). Organizational silos between finance and HR departments exacerbate this issue, restricting collaboration and preventing HR managers from accessing the financial data needed to inform strategic decisions (Samson & Bhanugopan, 2022). Without this integration, HR strategies often miss the opportunity to optimize workforce management from a financial perspective.

Financial statements frequently need more detailed information required for specific HR decisions. While these documents provide an overall picture of financial performance, they may need to offer insights into the financial efficiency of particular HR initiatives, such as employee retention or recruitment costs (Arseneault & Gagnon, 2024). This gap makes it difficult for HR managers to apply financial data directly to their decision-making processes. Nevertheless, organizations are beginning to recognize the importance of financial data in shaping HR strategies. Aligning compensation with financial performance enables HR managers to create compensation structures that are both competitive and financially sustainable (Abiola & Adisa, 2020). Financial data also aids in identifying inefficiencies in workforce management, helping HR managers enhance productivity and reduce costs (Pillai & Sivathanu, 2022). By fostering collaboration between finance and HR, companies can improve decision-making and ensure that HR strategies contribute to broader financial goals.

Relevance of Financial Data in HR Management

Integrating financial data into human resource management (HRM) has become essential for organizational success. Financial data gives HR managers valuable insights into labor cost efficiency, compensation planning, training investments, and employee development, making HR decision-making more data-driven and aligned with corporate financial objectives (Chaerudin, 2018). One of the key benefits of using financial data in HRM is its ability to enhance labor cost efficiency. Financial statements provide a comprehensive view of labor costs, allowing HR managers to assess whether workforce management is cost-effective or if there are areas where productivity can be improved (Pillai & Sivathanu, 2022). By analyzing financial data, HR managers can identify inefficiencies and take corrective measures, such as optimizing staffing levels or redistributing tasks to better align costs with productivity. This helps organizations manage resources effectively and contributes to long-term financial sustainability (Ortiz-de-Mandojana & Bansal, 2016).

In addition to labor cost efficiency, financial data is crucial in compensation planning. HR managers use financial statements to determine how much of the budget can be allocated for salaries and benefits, ensuring that compensation strategies are competitive and sustainable (Abiola & Adisa, 2020). This data-driven approach helps companies attract and retain top talent while maintaining financial stability. Financial insights enable HR managers to align compensation packages with the company's financial performance, ensuring that salaries are attractive to employees and aligned with long-term financial goals (van Wyk & Wesson, 2021)). Financial data is critical for evaluating the return on investment (ROI) in training and development programs. HR managers can use financial data to assess the costs of training initiatives and measure their impact on employee performance and productivity (Pillai & Sivathanu, 2022). This allows HR departments to prioritize training programs that offer the most value and ensure that resources are allocated effectively. Linking financial data with HR metrics helps optimize workforce development and ensures that training investments contribute to the company's overall success.

Financial data assists HR managers in long-term employee development planning. Accurate financial insights help HR managers align workforce development initiatives with the company's broader financial strategy (Samson & Bhanugopan, 2022). Using financial data, HR departments can ensure that employee development programs are sustainable and contribute to the company's competitive advantage. Long-term planning supported by financial insights enables organizations to build a skilled and adaptable workforce capable of meeting future challenges (Cotten, 2007). One significant challenge in integrating financial data into HRM is the organizational silo between finance and HR departments. Often, these departments operate independently, limiting collaboration and preventing the sharing of financial information that could enhance HR decision-making (Samson & Bhanugopan, 2022). Better collaboration between finance and HR departments is necessary to utilize financial data in HRM fully. This integrated approach ensures that HR decisions are informed by the company's financial health and aligned with broader organizational goals. Collaboration between finance and HR departments also enhances the alignment of resource allocation decisions. Financial data provides a solid foundation for discussions about workforce planning and resource management, ensuring that both departments work together to develop strategies that address financial sustainability and workforce optimization (Pillai & Sivathanu, 2022). This collaboration leads to more informed decision-making, improving organizational productivity and financial performance (Abiola & Adisa, 2020).

Challenges of Integrating Financial Data into HR

Integrating financial data into human resource (HR) management presents significant challenges despite its recognized benefits. One of the main barriers is the lack of financial literacy among HR professionals. Many HR managers need more training in interpreting and applying financial statements, leading to underutilizing financial data in decision-making processes (Oluwatoyin, 2014). Without understanding financial reports like balance sheets and income statements, HR managers struggle to analyze the financial implications of their decisions, such as the cost of employee compensation or the impact of workforce restructuring on overall company profitability (Pillai & Sivathanu, 2022). In addition to financial literacy challenges, organizational silos between HR and finance departments limit collaboration and information sharing. These departments often operate independently, restricting HR's access to critical financial data and excluding HR managers from discussions that directly affect workforce planning and management (Samson & Bhanugopan, 2022). This siloed structure weakens the ability to integrate financial insights into HR strategies, resulting in decisions that may need to align with the company's overall financial goals. For example, HR might implement recruitment or training programs without fully understanding the financial implications, leading to misaligned resource allocation and inefficiencies (Arseneault & Gagnon, 2024).

The quality and relevance of financial data also present obstacles. While financial statements provide an overview of labor costs, they often lack the detailed information HR managers need for evaluating specific initiatives, such as recruitment, retention, or training program effectiveness (Iswahyudi et al., 2023). With more granular data, HR professionals may find it easier to assess their programs' return on investment (ROI) or measure their contributions to organizational profitability, leading to more data-driven decisions (Nocker & Sena, 2019). Many companies have not implemented analytical tools to enable HR managers to access and analyze real-time financial data. This technological gap limits HR's ability to make data-driven decisions that align workforce management with broader financial goals (Pillai & Sivathanu, 2022). Organizations that fail to invest in advanced tools for data analysis may struggle to fully integrate financial data into HR decision-making processes, limiting their ability to optimize workforce strategies and improve performance (Samson & Bhanugopan, 2022).

Finally, organizational culture is critical in determining the success of integrating financial data into HR management. Companies that foster a culture of openness and cross-departmental collaboration are more likely to succeed in incorporating financial insights into HR decision-making (Forsten-Astikainen et al., 2017). In organizations where collaboration between HR and finance is encouraged, decision-making is more cohesive, ensuring workforce strategies align with the company's financial objectives. Conversely, companies with siloed organizational cultures need more significant help in achieving this level of integration, leading to inefficiencies and less effective decision-making (Arseneault & Gagnon, 2024). To address these challenges, companies must invest in financial literacy training for HR managers, fostering more vital collaboration between finance and HR departments. Improved access to financial data tailored to HR needs and the development of advanced analytical tools will enable HR professionals to make more informed decisions. Additionally, companies must cultivate an organizational culture that supports cross-departmental collaboration to ensure that financial insights are fully integrated into HR strategies.

The Impact of Financial Data on HR Strategies

In today's competitive business environment, integrating financial data into human resource (HR) strategies has become crucial for organizational success. Financial data offers valuable insights into compensation planning, workforce optimization, and strategic alignment between HR and other business functions (Suwarno et al., 2023). By leveraging this data, companies can ensure that HR policies are cost-effective and aligned with the company's long-term financial goals. One of the primary roles of financial data in HR is shaping compensation strategies. Financial data allows HR managers to align employee compensation with the company's financial health, ensuring that salary structures remain competitive without jeopardizing the company's financial sustainability (Abiola & Adisa, 2020). When HR managers use financial insights to determine compensation packages, they can better balance the need to attract and retain top talent while avoiding overextending financial resources. This balance helps organizations maintain workforce satisfaction and fiscal responsibility, ultimately contributing to long-term organizational stability (Pillai & Sivathanu, 2022).

Another critical area where financial data proves invaluable is workforce planning and cost optimization. Financial reports can highlight inefficiencies in labor costs, enabling HR managers to identify areas for improvement (Flamholtz, 1999). For example, if a department shows disproportionately high labor costs relative to output, HR can investigate and implement strategies such as team restructuring or resource reallocation to boost productivity. This use of financial data helps companies manage labor costs more effectively, improving overall productivity while keeping expenses under control. Integrating financial data into HR can significantly enhance the strategic alignment between HR and other business functions. Financial data allows HR managers to contribute meaningfully to cross-functional discussions about resource allocation, budgeting, and long-term planning (Mahapatro, 2021). This alignment ensures that HR strategies support broader organizational objectives, such as maximizing profitability and growth. By using financial insights to inform workforce management, HR can create policies more aligned with the company's financial priorities, leading to more cohesive and effective business strategies (Pillai & Sivathanu, 2022).

In addition to fostering better alignment, financial data plays a crucial role in supporting cross-departmental decision-making. Integrating financial data into HR processes enables HR and finance departments to collaborate more effectively, particularly in budgeting and resource management. For instance, HR managers can use financial insights to evaluate the return on investment (ROI) of training and development programs, ensuring that these initiatives are beneficial for employee growth and financially viable for the company (Arseneault & Gagnon, 2024). This collaboration between HR and finance ensures that employee-related decisions are data-driven and aligned with the company's overall financial health (Samson & Bhanugopan, 2022). Financial data significantly impacts a company's competitiveness in the marketplace. Companies that leverage financial data in their HR decision-making processes are better positioned to attract top talent, optimize labor costs, and increase profitability (Shin & Park, 2019). Companies can improve their competitiveness by ensuring that HR policies are financially sustainable and aligned with business objectives. For example, by balancing competitive compensation with financial sustainability, companies can remain attractive to skilled workers while maintaining profitability. Additionally, by optimizing workforce management through financial analysis, companies can streamline operations and improve efficiency, enhancing their market position (Pillai & Sivathanu, 2022).

Research Design and Method

Study Design

This research utilizes a qualitative systematic literature review (SLR) approach. The SLR method comprehensively analyzes existing literature to synthesize findings on a specific research topic. This approach enables the identification of themes, patterns, and gaps in the literature, providing a detailed understanding of the impact of financial data on HR strategies. The study design follows a structured data collection process, critical appraisal, and thematic literature synthesis. By adhering to systematic methods, this approach ensures that the review is transparent, replicable, and comprehensive, making it suitable for qualitative analysis.

Sample Population or Subject of the Research

This research examines academic literature on integrating financial data into HR strategies. The sample population includes peer-reviewed journal articles, conference papers, and reports published within the last ten years. The selected sources cover themes related to HR management, financial data utilization, compensation strategies, workforce optimization, and cross-departmental decision-making. Inclusion criteria ensure that only studies focusing on HR and financial integration are analyzed, while exclusion criteria filter out studies unrelated to this intersection.

Data Collection Techniques and Instrument Development

Data is collected through a structured literature search using academic databases such as Google Scholar, Scopus, and Web of Science. Keywords like "financial data in HR," "compensation strategy," and "workforce optimization" are used to identify relevant sources. The instrument for data collection is a coding framework developed based on the themes identified in the research question. This framework is used to categorize and synthesize data from each source, focusing on the role of financial data in HR decision-making.

Data Analysis Techniques

The data analysis follows a thematic approach, where the selected studies are coded according to recurring themes and patterns. Thematic synthesis is used to identify common trends and insights across the literature. This method enables the researcher to draw meaningful conclusions about the role of financial data in shaping HR strategies. Data is further analyzed for gaps, providing recommendations for future research.

Results and Discussion

Result

HR Managers' Understanding of Financial Statements

One of the key findings from the study is the variability in HR managers' understanding of financial statements. Some HR managers with more experience or a background in finance demonstrate a solid grasp of critical financial documents like balance sheets, income statements, and cash flow reports. These managers use financial data to inform various decisions, from setting compensation strategies to determining how much to allocate for employee training and recruitment. For example, HR managers with solid financial literacy often refer to income statements to assess whether the company has the financial capacity to offer salary increases or implement new training programs (Cascio & Boudreau, 2010). The research reveals that many HR managers need more financial literacy to capitalize on financial data fully. This gap in understanding presents a significant obstacle to integrating financial insights into HR decision-making. Managers less familiar with financial statements tend to base their decisions on operational data, such as employee performance metrics or retention rates, without considering the financial implications. As a result, their decisions may need to align with the company's broader financial goals, leading to inefficiencies in resource allocation or workforce management. For instance, decisions about salary increases or new hires may be made without clearly understanding how these actions will impact the company's profitability and cash flow (Irfani, 2020).

Challenges in Utilizing Financial Data

In addition to financial literacy challenges, the study identifies several obstacles HR managers face when using financial data effectively. One of the main challenges is a lack of training in financial analysis, which prevents many HR professionals from interpreting and applying financial data meaningfully. Although HR managers may have access to detailed financial reports, they often need more skills or experience to use these reports to support HR-related decisions. A general over-reliance on operational data within the HR function exacerbates this lack of financial literacy. HR managers frequently focus on performance metrics, employee engagement surveys, and other operational data that provide a complete partial picture of the financial impact of their decisions (Phillips, 2009)). This reliance on operational data, while useful for day-to-day HR tasks, limits the ability of HR managers to develop more financially informed strategies. For example, when making decisions about recruitment or training programs, HR managers may prioritize immediate operational needs without considering the long-term financial implications. This can lead to decisions that increase short-term productivity but harm the company's financial health in the long run. For instance, hiring additional staff without accounting for training costs, salaries, and benefits may strain the company's budget and reduce profitability over time (Arseneault & Gagnon, 2024).

Impact of Organizational Structures on Cross-Departmental Collaboration

The study also finds that organizational structures significantly impact the ability of HR and finance departments to collaborate effectively. Many organizations operate with siloed departments, where HR and finance functions work independently with little interaction or data sharing. This division hinders HR managers from accessing relevant financial information and limits their ability to make data-driven decisions. Without open lines of communication between HR and finance, HR decisions related to compensation, budgeting, and workforce planning may be disconnected from the organization's financial realities (Samson & Bhanugopan, 2022). The lack of collaboration between HR and finance departments also contributes to a misalignment between HR strategies and financial goals. For instance, when setting budgets, finance departments may need to fully consider the workforce needs identified by HR, such as hiring or training requirements. Conversely, when HR develops recruitment or employee development plans, they may not adequately account for the financial constraints imposed by the finance department. This disconnect between HR and finance can result in decisions that could be more optimal for the organization, reducing financial efficiency and workforce effectiveness (Bellingham & Campanello, 2004).

The Role of Financial Statements in Strategic HR Decision-Making

The study confirms that financial statements can support strategic HR decision-making despite these challenges. Financial data can provide HR managers with valuable insights into the organization's financial health, allowing them to make more informed decisions about resource allocation and compensation strategies. For example, understanding the company's cash flow and profit margins can help HR managers design competitive compensation packages in the labor market while being financially sustainable (Abiola & Adisa, 2020). Financial statements also offer HR managers a way to enhance the efficiency of workforce planning. By examining labor costs and other financial metrics, HR managers can identify areas where expenses can be reduced without sacrificing productivity. This helps HR departments make data-driven decisions about staffing levels, employee compensation, and other workforce-related costs. Through financial data, HR managers can ensure that their strategies not only improve employee performance and satisfaction but also contribute to the financial sustainability of the organization (Pillai & Sivathanu, 2022).

Practical and Theoretical Barriers to the Integration of Financial Data

The research also uncovers several practical and theoretical barriers that prevent the effective integration of financial data into HR management. These barriers include limited access to relevant financial data, inadequate training for HR managers in financial analysis, and an ingrained HR bias favoring operational metrics over financial considerations. In many organizations, HR managers are not provided with sufficient training or support to develop a strong understanding of financial statements, which limits their ability to use financial data to inform their decisions. The study recommends several strategies to address these barriers. One of the most effective approaches is to improve financial literacy among HR managers through targeted training programs. By increasing HR managers' familiarity with financial data, organizations can ensure that HR decisions align more closely with financial objectives. Another recommendation is to foster greater collaboration between HR and finance departments. Breaking down silos between these functions can improve the flow of information and create a more integrated approach to decision-making, ensuring that HR strategies are financially sound and contribute to the company's overall success (Samson & Bhanugopan, 2022).

Discussion

The results of this study provide valuable insights into how human resource (HR) managers perceive and utilize financial statements in their decision-making processes, especially concerning compensation, workforce planning, and budgeting. The findings indicate that while some HR managers understand financial data, others face significant challenges due to limited financial literacy. These results are deeply connected to core HR and financial management concepts and provide crucial insights into the barriers and opportunities in integrating financial data into HR strategies. The findings demonstrate that financial statements, such as balance sheets, income statements, and cash flow reports, are pivotal in guiding strategic decisions within HR. Managers who can interpret these financial documents effectively use them to allocate resources more efficiently, structure compensation packages in line with organizational profitability, and ensure that workforce planning aligns with broader financial goals. This aligns with the fundamental concept in financial management, which is that data-driven decisions are essential for maintaining organizational health (Redman, 2008). However, the study also shows that many HR managers struggle to integrate financial insights into their strategies due to insufficient financial training. These managers rely on operational data rather than financial metrics, missing key opportunities to optimize HR practices through a financial lens.

This gap in understanding suggests that organizations must address this shortfall by bridging the divide between operational and financial data. From a conceptual standpoint, the findings reinforce the view that HR management should not exist in isolation but should be closely integrated with financial objectives to maximize resource allocation and overall productivity (Abiola & Adisa, 2020). Moreover, the findings highlight that a comprehensive understanding of financial data can significantly enhance the strategic capabilities of HR managers, aligning HR decisions more closely with organizational financial goals. The study initially hypothesized that HR managers with higher levels of financial literacy would be more effective in using financial data to inform HR decision-making. The results strongly support this hypothesis. Managers with a greater understanding of financial documents were shown to make more strategic decisions regarding compensation and workforce allocation. In contrast, those with limited financial knowledge relied heavily on operational data alone. This disparity supports the hypothesis that financial literacy directly impacts the effectiveness of HR decision-making.

However, the study also revealed that while financial literacy is a crucial factor, other variables, such as organizational structure and access to financial data, also play critical roles. These findings challenge the initial assumption that financial literacy alone is sufficient for improving HR decision-making. Instead, the results suggest that a more holistic approach, including better access to financial data and more vital interdepartmental collaboration, is necessary for HR managers to leverage financial insights in their strategic planning fully. Therefore, while the primary hypothesis is supported, the results suggest that structural and organizational improvements must complement financial literacy. The findings of this study align well with several established HR and financial management theories. For instance, the resource-based view (RBV) theory argues that organizations that can effectively manage and allocate resources, including human capital, gain a competitive advantage (Barney, 1991). In this context, the effective use of financial data in HR decision-making is a crucial component of resource management, as it ensures that human capital is aligned with the organization's financial health. Managers who understand and apply financial data can optimize their workforce to enhance productivity and profitability, supporting the RBV theory's claim that strategic resource management leads to competitive advantages.

The agency theory also supports these findings by highlighting the importance of information asymmetry between different organizational departments (Jensen & Meckling, 1976). The study's findings regarding organizational silos and limited access to financial data illustrate the negative impact of such asymmetries, as HR managers are often left out of crucial financial discussions, leading to suboptimal decisions. By improving financial literacy and fostering better collaboration between HR and finance, organizations can reduce this asymmetry and enable more informed decision-making. The results of this study are consistent with the findings of previous research. For example, Tóth et al. (2021) also identified a strong correlation between financial literacy and decision-making effectiveness in HR managers. Like the present study, their research emphasized that HR professionals with a deep understanding of financial data can align their strategies with the company's overall financial goals. Similarly, Arseneault & Gagnon (2024) noted that integrating financial and HR metrics significantly improves managerial decision-making, particularly in compensation and workforce optimization.

However, the present study also provides new insights by highlighting the structural barriers within organizations that hinder the effective use of financial data in HR. While previous research primarily focused on individual competencies, this study sheds light on the role of organizational silos and limited access to data as significant obstacles. Samson & Bhanugopan (2022) have touched on the issue of departmental silos in the context of HR and finance collaboration. However, the present study illustrates how these barriers prevent HR managers from fully utilizing financial data in their decisions. This broader understanding helps to clarify why simply improving financial literacy is not enough—organizational change is also required. In contrast to some earlier studies that primarily emphasized the need for financial training, this study argues for a more integrated approach that includes educational and structural reforms. This nuanced perspective allows for a more comprehensive solution to HR managers' challenges, mainly when access to financial data is restricted, or collaboration between departments is lacking.

The practical implications of these findings are clear: Organizations need to invest in financial literacy training for HR managers and structural changes that encourage greater collaboration between HR and finance departments. By doing so, companies can create a more integrated decision-making process that leverages operational and financial data. Regarding financial literacy, targeted training programs should be developed to help HR managers better understand how to interpret financial statements and use them to inform decisions about compensation, budgeting, and workforce planning. Organizations should focus on breaking down the silos that exist between HR and finance. This could involve creating shared platforms for data access, holding regular cross-departmental meetings, or establishing joint task forces that bring HR and finance professionals together to work on strategic initiatives. By facilitating better communication and data sharing between these departments, companies can ensure that HR strategies are not developed in isolation but are instead aligned with the company's broader financial objectives.

The findings also suggest that organizations need to rethink their approach to data accessibility. HR managers often need access to the financial data they need to make informed decisions, which hinders their ability to contribute to broader strategic goals. Providing real-time access to relevant financial data, along with tools for analyzing that data, could significantly improve the quality of HR decision-making. For example, by giving HR managers access to cash flow projections or profitability reports, companies can ensure that decisions about compensation or staffing levels are made considering the organization's financial health. The study underscores the importance of fostering a culture of collaboration within organizations. When departments work in silos, the flow of information is restricted, leading to suboptimal decision-making. Encouraging cross-functional teams, where HR and finance professionals collaborate on critical decisions, can lead to more informed and effective strategies. This collaborative approach can help ensure that HR decisions are aligned with financial realities, leading to better resource allocation and improved organizational performance.

Conclusions

This study explored HR managers' perceptions of using financial statements in decision-making processes related to compensation, workforce planning, and budgeting. The findings demonstrate significant variability in financial literacy among HR managers, influencing their ability to integrate financial data into strategic decisions. The research also uncovered barriers such as limited access to financial data, organizational silos, and a reliance on operational rather than financial metrics. The results suggest that financial literacy alone is insufficient; organizational structural improvements are necessary to foster better collaboration between HR and finance departments.

The originality of this study lies in its examination of financial literacy among HR managers and the impact of financial data on HR decision-making. This research contributes to the body of knowledge by emphasizing the importance of financial data integration in HR practices, moving beyond the traditional focus on operational metrics. Practically, the study offers valuable implications for organizations seeking to improve HR decision-making. Companies can ensure more informed, data-driven decisions that align with broader financial objectives by increasing financial literacy through targeted training and promoting interdepartmental collaboration. From a managerial perspective, this study highlights the need for improved access to financial data for HR departments, fostering better alignment between HR strategies and the company's financial health.

Despite its contributions, the study has several limitations. First, the focus on financial literacy and organizational structures did not account for other variables, such as company size or industry type, which may affect HR decision-making. Additionally, the qualitative nature of this study limits the generalizability of the findings. Future research should explore the quantitative aspects of financial data integration in HR and examine how different industries and organizational sizes influence the relationship between financial literacy and decision-making. Expanding the scope of this research will provide more comprehensive insights and practical recommendations for improving HR and financial collaboration in various contexts.

Reference

Abiola, J. O., & Adisa, R. A. (2020). Influence of human resource accounting practices on managerial decision-making. *Archives of Business Review. 8*(5). https://doi.org/10.14738/abr.85.8145

Arseneault, R., & Gagnon, J. (2024). Managerial accounting practices, HR metrics, and firm performance. *Advances in Accounting, 64*, 100730. https://doi.org/https://doi.org/10.1016/j.adiac.2024.100730

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17*(1), 99–120. https://doi.org/10.1177/014920639101700108

Bellingham, R., & Campanello, R. J. (2004). HR optimization: from personnel administration to human and organizational capital development. Human Resource Development.

Carlier, J. (2021). Managing Learning and Development Cost. In D. Pepple & C. Zhang (Eds.), Financial and Managerial Aspects in Human Resource Management: A Practical Guide (pp. 63–74). *Emerald Publishing Limited*. https://doi.org/10.1108/978-1-83909-612-920211007

Cascio, W., & Boudreau, J. (2010). Investing in people: Financial impact of human resource initiatives. Ft Press.

Chaerudin, A. (2018). Manajemen pendidikan dan pelatihan SDM. CV Jejak (Jejak

Publisher).

Cotten, A. (2007). Seven steps of effective workforce planning. IBM Center for the Business of Government.

Faisal, S. (2023). Twenty-years journey of sustainable human resource management research: A bibliometric analysis. *Administrative Sciences, 13*(6), 139. https://doi.org/10.3390/admsci13060139

Flamholtz, E. (1999). Human resource accounting: Advances in concepts, methods, and applications. Springer Science & Business Media.

Forsten-Astikainen, R., Hurmelinna-Laukkanen, P., Lämsä, T., Heilmann, P., & Hyrkäs, E. (2017). Dealing with organizational silos with communities of practice and human resource management. *Journal of Workplace Learning, 29*(6), 473–489. https://doi.org/10.1108/JWL-04-2015-0028

Indrastuti, S. (2020). Manajemen sumberdaya manusia stratejik. UR Press. https://repo.unsrat.ac.id/4583/1/Buku MSDM.pdf

Indriakati, A. J. (2023). Financial Performance Analysis Using the Economic Value Added Method. Advances in Applied Accounting Research, 1(2), 81–92. https://doi.org/10.60079/aaar.v1i2.89

Irfani, A. S. (2020). Manajemen Keuangan dan Bisnis; Teori dan Aplikasi. Gramedia Pustaka Utama.

Iswahyudi, M. S., Tahir, R., Samsuddin, H., Hadiyat, Y., Herman, H., Hamdani, D., & Ramadoan, S. (2023). Strategi Perencanaan Sumber Daya Manusia: Mengelola dan menetapkan SDM yang Berkualitas. PT. Sonpedia Publishing Indonesia.

Jekiel, C. M. (2020). Lean human resources: redesigning HR processes for a culture of continuous improvement. Productivity Press.

Jensen, M. C., & Meckling, W. H. (1976). Also published in Foundations of Organizational Strategy. Journal of Financial Economics, 4, 305–360. http://ssrn.com/abstract=94043Electroniccopyavailableat:http://ssrn.com/abstract=94043http://hupress.harvard.edu/catalog/JENTHF.html

Junaedy, J. (2023). Insolvency Forecasting using model Altman Z-Score dan Springate Score Analysis. Advances in Management & Financial Reporting, 1(2), 95–106. https://doi.org/10.60079/amfr.v1i2.113

Mahapatro, B. (2021). Human resource management. New Age International (P) ltd. https://doi.org/http://dspace.vnbrims.org:13000/jspui/bitstream/123456789/4277/1/Human%20Resource%20Management.pdf.

Negt, P., & Haunschild, A. (2024). Exploring the gap between research and practice in human resource management (HRM): a scoping review and agenda for future research. *Management Review Quarterly*. https://doi.org/10.1007/s11301-023-00397-7

Ningrum, N. A., Pratowi, N. M. I., & Mulyati, D. J. (2024). Pengaruh Anggaran Keuangan Terhadap Efisiensi Pengelolaan Keuangan Program Pelatihan Kerja Pada Upt Balai Latihan Kerja Surabaya. *Musytari: Neraca Manajemen, Akuntansi, Dan Ekonomi, 6*(8), 81–90. https://doi.org/10.8734/musytari.v6i8.4563

Nocker, M., & Sena, V. (2019). Big data and human resources management: The rise of talent analytics. Social Sciences, 8(10), 273.

Noy, I. (2023). The company's financial performance in terms of liquidity and profitability. Advances in Management & Financial Reporting, 1(2), 71–82. https://doi.org/10.60079/amfr.v1i2.99

Nugroho, Y. A. B. (2020). Manajemen sumber daya manusia: Mengelola SDM secara profesional. Penerbit Universitas Katolik Indonesia Atma Jaya.

Olayinka, A. A. (2022). Financial statement analysis as a tool for investment decisions and assessment of companies' performance. *International Journal of Financial, Accounting, and Management, 4*(1), 49–66. https://doi.org/10.35912/ijfam.v4i1.852

Oluwatoyin, A. S. (2014). Human resources accounting and disclosure in financial statement: literature review. Human Resources, 5(22).

Ortiz-de-Mandojana, N., & Bansal, P. (2016). The long-term benefits of organizational resilience through sustainable business practices. *Strategic Management Journal, 37*(8), 1615–1631.

Phillips, J. J. (2009). Accountability in human resource management: connecting HR to business results. Routledge.

Pillai, R., & Sivathanu, B. (2022). Measure what matters: descriptive and predictive metrics of HRM-pathway toward organizational performance. *International Journal of Productivity and Performance Management, 71*(7), 3009–3029. https://doi.org/10.1108/IJPPM-10-2020-0509

Redman, T. C. (2008). Data driven: profiting from your most important business asset. Harvard Business Press.

Samson, K., & Bhanugopan, R. (2022). Strategic human capital analytics and organisation performance: The mediating effects of managerial decision-making. *Journal of Business Research, 144*, 637–649. https://doi.org/https://doi.org/10.1016/j.jbusres.2022.01.044

Shet, S. V., Poddar, T., Wamba Samuel, F., & Dwivedi, Y. K. (2021). Examining the determinants of successful adoption of data analytics in human resource management – A framework for implications. *Journal of Business Research, 131*, 311–326. https://doi.org/https://doi.org/10.1016/j.jbusres.2021.03.054

Suwarno, S., Fitria, F., & Azhar, R. (2023). Optimizing Budget Allocation: A Strategic Framework for Aligning Human Resource Investments with Financial Objectives and Business Goals. *Atestasi: Jurnal Ilmiah Akuntansi, 6*(2), 835–855. https://doi.org/10.57178/atestasi.v6i2.880

Tóth, R., Zéman, Z., Túróczi, I., Kása, R., Popp, J., & Oláh, J. (2021). The system of relationships between sustainable corporate governance and corporate financial literacy. *Polish Journal of Management Studies, 23*.

Tuffour, J. K., Amoako, A. A., & Amartey, E. O. (2022). Assessing the effect of financial literacy among managers on the performance of small-scale enterprises. *Global Business Review, 23*(5), 1200–1217. https://doi.org/10.1177/09721509198997

van Wyk, L.-M., & Wesson, N. (2021). Alignment of executive long-term remuneration and company key performance indicators: An exploratory study. *Journal of Economic and Financial Sciences, 14*(1), 17. https://doi.org/10.4102/jef.v14i1.564