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# INTEGRATING HRM PRACTICES WITH FINANCIAL PLANNING: A STRATEGIC APPROACH TO WORKFORCE MANAGEMENT

**Shilpa Bhakar[1*], Smitha Shine[2], Nittan Arora[3], Manoj P. K[4], Indrajit Dutta[5], Venu Gopala Rao Chowdary[6], Satish Chander Sharma[7]**

*[1]Associate Professor (Senior Scale), TAPMI School of Business, FoMCA, Manipal University Jaipur, Dhami Kalan, Ajmer Road, Jaipur, Rajasthan, India. Email: shilpabhakar@gmail.com, Orcid Id: 0009-0004-4413-8068*

*[2]Assistant Professor, Department of Business Administration, Siva Sivani Degree College, Affiliated to Osmania University, Hyderabad, India. Email: smithaonatt@gmail.com, https://orcid.org/0009-0007-2507-4048*

*[3]Associate Professor, Department of Business Management, CT Institute of Engineering, Management and Technology, India. Email: nittan.arora@gmail.com, ORCID ID: 0000-0002-1111-0219*

*[4]Professor and Head, Department of Applied Economics, Cochin University of Science and Technology (CUSAT), Kochi, Kerala. Email: manoj_p_k2004@yahoo.co.in, ORCID ID: 0000-0002-5710-1086 Scopus ID: 36827726100*

*[5]Associate Professor, Department of Travel and Tourism Management, The Assam Royal Global University, India. Email: rondutta72@gmail.com, Scopus Id: 59705844700, ORCID ID - 0000-0001-5660-3984*

*[6]Associate Professor, K L Business School, K L Education Foundation, A Deemed to be University, Guntur, Andhra Pradesh, India. Email: Drchowdary959@gmail.com, https://orcid.org/0000-0003-3176-9907*

*[7]Pro Vice Chancellor and Professor, Department of Management, BBD-BABU Banarasi Das University, Lucknow, Uttar Pradesh, India. Email: drsatishchandersharma@gmail.com, ORCID ID - 0000-0002-6682-2133*

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*Corresponding Author: Shilpa Bhakar (shilpabhakar@gmail.com)*

## ABSTRACT

*The study explored the strategic integration of Human Resource Management (HRM) practices with financial planning to advance organizational effectiveness and workforce sustainability. Utilizing a qualitative, exploratory design, data were collected through a comprehensive literature review and in-depth semi-structured interviews with 12 experienced HR and finance professionals. Thematic analysis revealed five core themes: strategic alignment, collaborative workforce budgeting, financial accountability in HR, use of people analytics, and barriers to integration. Among integration strategies, talent-linked budgeting and joint HR-finance planning sessions were perceived as most effective. Challenges such as siloed decision-making, limited executive support, and insufficient financial literacy within HR functions hindered implementation. The findings underscore the necessity for cross-functional training, executive buy-in, and the adoption of integrated digital tools. Strategically, the study emphasizes that effective HR-finance collaboration is critical to driving data-informed decision-making and ensuring long-term organizational resilience.*

**KEYWORDS:** HRM-Finance Integration, Strategic Alignment, Workforce Planning, People Analytics, Financial Collaboration.

## 1. INTRODUCTION

The fast-changing global economy requires organizations to unite their Human Resource Management (HRM) strategies with financial planning approaches. Throughout history HRM concentrated on recruiting talent and developing employees alongside finance which handled resource allocation and durability. Companies struggle to succeed with the outdated departmental segregation model since we live amid globalization and digitalization and workforce diversity (Boxall & Purcell, 2022). Global market demands now require organizations to build strategic linkages between HRM and financial operations for maintaining corporate competitiveness.

Strategic Human Resource Management (SHRM) provides organizations with a method to unite human capital management with broader business targets through treating employees as essential organizational assets (Becker & Huselid, 2006; Wright & McMahan, 2011). The strategic approach leads to better employee engagement and productivity and retention rates through data-based methods (Reilly, 2018; Wuen, 2024). Although HRM has gained increasing strategic importance businesses continue to separate their human resource management decisions from financial planning processes which results in suboptimal resource utilization as well as talent optimization.

Recent research supports an integrative strategy which merges HRM with financial planning to make talent strategies support financial goals (Cappelli, 2009; Boudreau & Ramstad, 2007). Organizations which unite these domains create flexible business operations that help them address workforce trends and economic fluctuations and advancements in technology. The integration of planning systems enables organizations to enhance their initiatives related to succession planning and leadership development and compensation strategies according to Rothwell (2015) and Lawler & Boudreau (2009).

People analytics together with artificial intelligence (AI) continue to spread in business operations which reinforces the necessity for integration between HRM and financial planning. The transformation of recruitment and performance tracking and workforce forecasting by AI has led to an expectation for HR departments to demonstrate financial-level value similar to other units (Reilly, 2018; Wuen, 2024). A theoretical breakthrough and a modern digital economy necessity drive the combination of HRM with financial planning.

Several companies fail to merge HR and finance functions which causes their organizational goals to become misaligned and their talent investments to be underutilized along with their forecasting to suffer (Becker & Gerhart, 1996; Delaney & Huselid, 1996). The main obstacle emerges from the need to unite HR's subjective information with finance's numerical measurement system. The difference in evaluation methods between HR and finance creates barriers to HR spending approval in strategic forums since HR bases decisions on employee satisfaction and culture fit and finance requires ROI measurements (Snell, Youndt, & Wright, 1996). The disconnect between HR and financial approaches to evaluation creates critical challenges in uncertain economic times because excessive budget cuts reduce organizational talent reserves (Cappelli, 2009).

Empirical research presents mixed findings. Research shows that HRM generates positive impacts on firm performance according to Huselid (1995) and Ichniowski et al. (1995) but Lepak and Snell (1999) and Ployhart et al. (2014) emphasize the requirement of integrative models that connect HR metrics to financial returns in specific contexts. The existing gap proves why researchers need to develop new frameworks which integrate HRM as part of financial planning structures.

The study operates at the intersection of HRM and finance, aiming to develop an integrative framework for strategic workforce management. It investigates how HR practices—such as talent management, succession planning, and performance appraisal—can be connected to financial tools including budgeting, forecasting, and investment planning (Jackson, Schuler, & Jiang, 2014; Snell et al., 1996).

The study's scope is conceptual, relying on theoretical synthesis rather than empirical validation. As such, its applicability may vary across industries, organizational scales, and regions. It does not focus on technical AI implementation or macroeconomic policy but remains anchored in strategic and managerial domains (Saha & Minz, 2025; Di Battista et al., 2023).

By proposing a unified HR-finance model, the research contributes to SHRM literature and addresses the rising demand for HR accountability and financial coherence (Ulrich, 1996; Boudreau & Ramstad, 2007). It aligns with emerging trends in workforce finance and offers value for HR leaders, financial planners, and policymakers seeking sustainable, performance-driven human capital strategies (Cascio & Boudreau, 2016; Ostin & Maršíková, 2023; Parajuli, Mahat, & Kandel, 2023).

## 2. LITERATURE REVIEW

The integration of Human Resource Management

(HRM) practices with financial planning represents an evolving paradigm in organizational strategy, rooted in the broader field of Strategic Human Resource Management (SHRM). SHRM emphasizes aligning human resource practices with long-term business objectives to enhance organizational performance (Becker & Huselid, 2006; Wright & McMahan, 2011). As firms navigate a rapidly changing global economy, the need for a more synergistic relationship between HR functions and financial strategy has gained prominence (Boxall & Purcell, 2022).

### *2.1. Strategic HRM Foundations and Performance Impact*

The foundational theories of SHRM are built on the resource-based view of the firm, which positions human capital as a critical asset in achieving sustainable competitive advantage (Lepak & Snell, 1999). Becker and Gerhart (1996) assert that HRM can significantly influence organizational performance, provided practices are strategically aligned with business goals. Huselid's (1995) empirical analysis highlighted the positive relationship between high-performance work systems and metrics such as productivity, employee retention, and financial performance. Complementing this, Delaney and Huselid (1996) emphasized that firms that invest in employee-oriented HR practices perceive stronger organizational performance outcomes.

Research by Jackson, Schuler, and Jiang (2014) advanced the theoretical conversation by presenting an aspirational framework that integrates human capital strategies into broader organizational systems. These perspectives reinforce the view that HRM must transcend administrative tasks and become an active participant in strategic planning and value creation (Ulrich, 1996).

### *2.2. Linking HRM with Financial Planning*

Despite well-established SHRM frameworks, the integration of HRM with financial planning remains underexplored in many organizational contexts. Boudreau and Ramstad (2007) argue for a decision science approach to human capital, where HR investments are evaluated similarly to financial assets. Their work promotes tools and metrics that link workforce initiatives to financial outcomes, thereby improving the strategic legitimacy of HRM.

Cappelli (2009) also emphasizes managing talent with financial foresight, introducing the concept of "talent on demand," which aligns workforce planning with fluctuating economic conditions. Similarly, Lawler and Boudreau (2009) advocate for HR functions to be guided by measurable results that connect people strategies to business performance, arguing that HR must evolve to meet the quantitative rigor expected of other departments.

Snell, Youndt, and Wright (1996) propose merging organizational learning with resource-based theory to create frameworks where HR practices inform strategic financial decisions. This perspective is further supported by Ployhart, Nyberg, Reilly, and Maltarich (2014), who argue that while human capital as a concept has matured, its practical application in financial modeling still lacks clarity and standardization.

### *2.3. Succession Planning, Talent Development, and Workforce Analytics*

Rothwell (2015) underscores the importance of succession planning and internal leadership development as critical elements of integrated workforce management. Organizations need to incorporate talent pipelines into their strategic and financial planning over the long term according to his recommendation. Cascio and Boudreau (2016) extend the discussion by showing how global talent management connects with financial choice processes within multinational corporations.

The interface between human resource and financial departments undergoes transformation due to the recent analytical and artificial intelligence (AI)-based advancements in technology. The adoption of AI tools in HR delivers predictive information about hiring and employee retention and performance which becomes available for financial forecasting according to Reilly (2018). People analytics allows HR departments to validate budget expenditures and forecast labor requirements according to organizational financial plans according to Wuen (2024).

### *2.4. Contemporary Trends and Workforce Finance*

Recent literature also points to emerging paradigms such as workforce finance and sustainability. Saha and Minz (2025) introduce workforce finance as a field examining labor costs, returns, and risk in the same manner as capital assets. Their work urges HR leaders to partner with financial strategists in co-developing policies that support economic resilience.

At a macro level, reports like the *Future of Jobs Report* (Di Battista et al., 2023) suggest that future-ready organizations must prioritize adaptable skillsets, data-driven decision-making, and cross-functional collaboration between HR and finance. Ostin and Maršíková (2023) similarly emphasize building competencies for sustainable work environments, where employee well-being and financial performance are not mutually exclusive but mutually reinforcing.

## 3. MATERIALS AND METHODS

The methodological approach for the study was carefully developed to explore the strategic convergence between Human Resource Management (HRM) practices and financial planning within organizational settings. Given the growing academic and professional interest in integrated workforce strategies, the study sought to uncover both theoretical underpinnings and practical insights through a combination of literature-based and field-based data. The methodology was designed to ensure rigor, relevance, and contextual sensitivity, enabling a comprehensive analysis of how HR and financial planning intersect in real-world environments. Emphasis was placed on capturing both qualitative insights and conceptual linkages to contribute meaningfully to the development of a strategic workforce management framework.

### *3.1. Research Design*

The research explored strategic Human Resource Management (HRM) practice integration with financial planning through a qualitative and exploratory design. Given the conceptual and emerging nature of the topic, a qualitative approach allowed for a comprehensive understanding of theoretical perspectives, industry practices, and strategic frameworks relevant to workforce management. The exploratory design was chosen to investigate the underlying mechanisms and patterns of integration between HR and financial functions, which are not yet well-defined in existing empirical literature. The study was framed within the strategic management and human capital theoretical paradigms, particularly emphasizing the resource-based view of the firm and SHRM frameworks.

### *3.2. Data Collection Methods*

Table 1 summarized the data collection methods used in the study. The literature review provided a theoretical foundation, drawing from 28 relevant sources throughout the research period. Semi-structured interviews offered practical insights from 12 professionals, each conducted virtually and lasting 45–60 minutes over a two-month duration.

***Table 1: Data Collection Methods.***

| Method | Purpose | Duration/Frequency |
|---|---|---|
| Literature Review | To establish a theoretical and conceptual foundation on SHRM, financial planning, and human capital. | Ongoing throughout the study; included 28 key references selected for relevance. |
| Semi-Structured Interviews | To gather in-depth insights from professionals on integrating HRM with financial planning. | 12 virtual interviews; each lasting approximately 45–60 minutes over a 2-month period. |

### *3.3. Population and Sampling*

The population for the study included professionals from both the HR and finance domains who were actively involved in strategic planning and talent management in their organizations. The target group consisted of individuals working in industries such as manufacturing, information technology, healthcare, and finance—sectors known for structured HR systems and measurable financial operations. The research utilized purposive sampling for selecting participants who excelled at HR practices and financial management standards. The non-probability sampling technique helped researchers include informative cases that supported their research targets. The study used data saturation as a principle to determine the final sample of 12 participants because further interviews yielded no additional insights. The research participants consisted of professionals who had worked for seven years or more and occupied managerial positions in both HR and finance departments.

### *3.4. Data Analysis Techniques*

The research data obtained from literature review and semi-structured interview analysis used thematic analysis. The research design helped identify standard patterns and essential strategic themes about the integration of Human Resource Management (HRM) practices with financial planning. An analysis based on Strategic Human Resource Management (SHRM) and the resource-based view guided the investigation of organizational alignment and talent value while promoting financial accountability.

**Step 1:** The researchers transcribed all interview materials directly to maintain the original thoughts of their study participants. The study extracted essential points from reviewed literature which underwent systematic thematic coding.

**Step 2:** The study researchers used manual coding to extract relevant concepts that corresponded with the research focus. The research team applied specific codes to specific passages that covered strategic HR-finance alignment, budgeting in HR and the implementation of people analytics for decision-making.

**Step 3:** The researchers grouped their initial codes into thematic categories which corresponded to their research objectives. The group addressed three main themes which consisted of "collaborative workforce budgeting" and "financial accountability in HR" and "barriers to strategic integration." Through this process researchers extracted shared patterns which appeared both in published works and their field study documentation.

**Step 4:** The research team analyzed themes while considering relevant theoretical foundations in the last phase. The research examined operational methods for using HRM practices together with financial planning to develop long-term workforce strategies. The research findings led to the creation of a conceptual model that identified essential factors and drivers and facilitators and final results for HR-finance integration in strategic workforce management.

## 4. RESULTS

The section contains results from expert interviews and expert response analysis through thematic synthesis. The research findings identify major themes together with assessment of integration methods and primary barriers that organizations face when uniting HRM with financial planning.

### *4.1. Theme Frequency from Interviews*

The statistical information about interview themes emerged in Table 2 from the 12 expert interviews conducted for this study. Strategic Alignment emerged as the most common theme with appearances from 11 participants because it demonstrates how HRM objectives must align with financial goals for effective organization performance. The practice of joint HR and finance department planning known as Collaborative Workforce Budgeting gained recognition from 10 participants. The emergence of financial accountability in HR functions was documented by 9 experts during the research period. Barriers to Integration, mentioned by 8 participants, revealed persistent structural and communication challenges. Finally, Use of People Analytics was noted by 7 professionals, suggesting emerging interest in evidence-based workforce planning.

***Table 2: Frequency of Themes Identified in Interviews.***

| Theme | Frequency of Mention (out of 12 interviews) |
|---|---|
| Strategic Alignment | 11 |
| Collaborative Workforce Budgeting | 10 |
| Financial Accountability in HR | 9 |
| Barriers to Integration | 8 |
| Use of People Analytics | 7 |

The data show that *Strategic Alignment* and *Collaborative Workforce Budgeting* were the most frequently discussed, indicating their perceived importance in achieving integrated workforce strategies. The role of *People Analytics*, while slightly less prominent, still featured significantly in discussions.

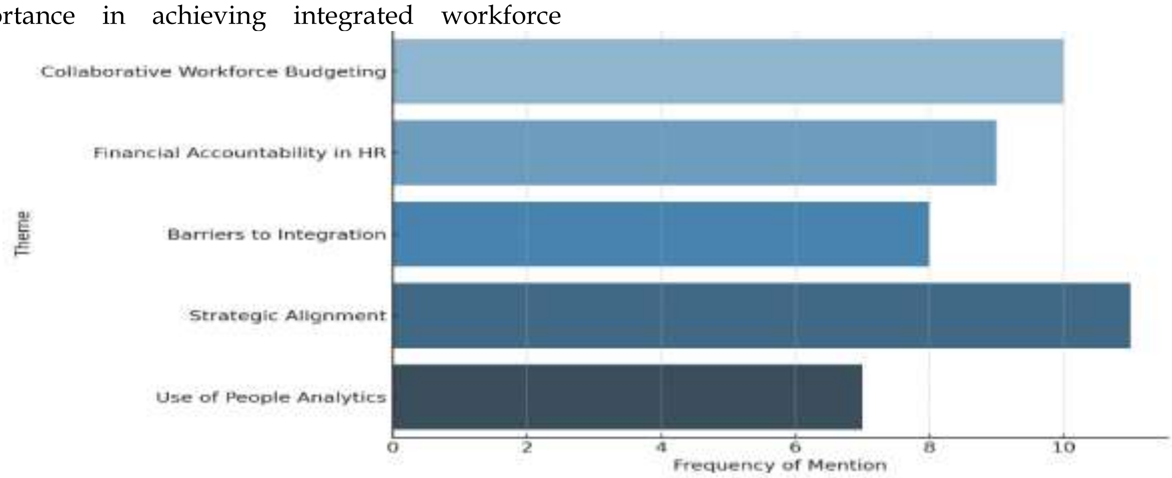


***Figure 1: Frequency of Themes Identified in Interviews.***

### 4.2. *Perceived Effectiveness of Integration Strategies*

Table 3 summarized participants' evaluations of various HR-finance integration strategies using a 5-point Likert scale. Talent-Linked Budgeting received the highest mean effectiveness rating of 4.5 with a standard deviation of 0.6, indicating strong consensus on its value in aligning workforce investment with organizational goals. Joint HR-Finance Planning Sessions followed closely with a rating of 4.3, reflecting its effectiveness in promoting collaboration. Performance-Based Investment Models also scored well (mean = 4.2), suggesting their practical utility in incentivizing productivity. Leadership Succession Plans received a slightly lower rating of 4.0, showing moderate effectiveness. Lastly, People Analytics Dashboards scored 3.9 with the highest variation (SD = 0.9), suggesting mixed experiences or uneven adoption across organizations.

***Table 3: Perceived Effectiveness of Integration Strategies***

| Integration Strategy | Mean Effectiveness Rating (1–5) | Standard Deviation |
|---|---|---|
| Talent-Linked Budgeting | 4.5 | 0.6 |
| Joint HR-Finance Planning Sessions | 4.3 | 0.7 |
| Performance-Based Investment Models | 4.2 | 0.5 |
| Leadership Succession Plans | 4.0 | 0.8 |
| People Analytics Dashboards | 3.9 | 0.9 |

*Talent-Linked Budgeting* received the highest rating, suggesting strong support for integrating HR investment directly into financial performance planning. The comparatively lower score for *People Analytics Dashboards* points to implementation challenges despite their recognized potential.

### 4.3. *Common Challenges in HR-Finance Integration*

Table 4 showed which integration problems participants experienced most frequently when uniting HR and financial planning. Siloed Decision-Making emerged as the main challenge because nine respondents identified the segregation between HR and finance departments. Limited Executive Support emerged as a challenge according to 8 participants because leadership involvement was insufficient to promote integration success. Seven participants highlighted financial illiteracy within the HR function which created difficulties in working with finance teams. The interviewed participants who numbered 6 explained that technological limitations created obstacles for system integration and data accessibility. The issue of Data Inconsistency affected joint decision-making because five participants identified challenges with aligning HR and financial data.

***Table 4: Common Challenges in HR-Finance Integration.***

| Challenge | Number of Participants Reporting |
|---|---|
| Siloed Decision-Making | 9 |
| Limited Executive Support | 8 |
| Lack of Financial Literacy in HR | 7 |
| Technological Constraints | 6 |
| Data Inconsistency | 5 |

*Siloed Decision-Making* presented itself as the main issue facing organizations because it demands better integrated planning frameworks and support between departments. Strategic convergence faces barriers from both limited executive backing and poor financial understanding among HR staff members.

## 5. DISCUSSION

The research data established that HR and finance specialists increasingly agree on the crucial importance of uniting Human Resource Management (HRM) practices with financial planning systems. Strategic Alignment emerged as the dominant theme in the interviews since 11 out of 12 participants mentioned it. Organizations now view HR functions as vital elements which contribute to enterprise-wide strategic execution according to Becker & Huselid (2006) and Wright & McMahan (2011).

Participants declared *Collaborative Workforce Budgeting* and *Financial Accountability* in HR as mandatory elements for achieving alignment. The research points to a transformation in HR departments which requires them to bring value through financial results by controlling costs and investing in people. The organizational culture is evolving to make HR functions responsible for delivering quantifiable business results which aligns with Boudreau and Ramstad's (2007) call for decision science in HR.

The participants identified *Talent-Linked Budgeting* along with *Joint HR-Finance Planning Sessions* as the most successful integration tools. The high effectiveness ratings indicate that participants choose initiatives promoting transparency alongside shared goals and interdepartmental collaboration (Cappelli, 2009; Lawler & Boudreau, 2009). These practices allow organizations to forecast workforce needs based on real-time financial data and business objectives, thus ensuring that human capital investments are both targeted and justified.

Conversely, while *People Analytics Dashboards* were recognized as promising tools, they received comparatively lower ratings due to implementation challenges. Despite the technological potential, participants reported inconsistent data quality, lack of training, and limited system integration. This finding mirrors the caution expressed in recent research that calls for robust digital infrastructures and cultural change to support people analytics adoption (Reilly, 2018; Wuen, 2024).

Several structural and behavioral challenges were also identified. *Siloed Decision-Making*, *Limited Executive Support*, and *Lack of Financial Literacy in HR* emerged as prominent barriers. These challenges point to a disconnect between HR and finance that persists in many organizations and hinders the operationalization of integrated workforce strategies.

The study's results are closely aligned with existing literature on Strategic Human Resource Management (SHRM). Becker and Huselid (2006) emphasize that strategic alignment between HR practices and business goals significantly improves organizational outcomes. Similarly, Wright and McMahan (2011) stress the importance of placing human capital at the center of strategic decision-making. The high frequency of themes related to strategic alignment in the study validates these foundational ideas.

The effectiveness of *Talent-Linked Budgeting* and *Performance-Based Investment Models* supports Boudreau and Ramstad's (2007) argument for quantifying the value of HR activities using models that parallel financial planning tools. By placing human capital investments on par with other capital expenditures, organizations can make more informed, evidence-based decisions.

The emphasis on collaboration also finds support in literature advocating integrated HR-finance governance. Lawler and Boudreau (2009) argue that joint planning sessions and cross-functional leadership teams improve strategic coherence and decision-making speed. The participants in the study confirmed that such collaborative practices not only improve communication but also promote mutual accountability and performance transparency.

The lower score given to people analytics is consistent with observations made by Reilly (2018), who notes that while AI and analytics hold immense potential, their impact is often limited by lack of organizational readiness, fragmented data systems, and insufficient expertise. Wuen (2024) also stresses the importance of building analytical competencies within HR departments to make full use of predictive and diagnostic tools.

The reported challenges further corroborate previous studies. Becker and Gerhart (1996) warned that without leadership support and integrative structures, even well-designed HR systems fail to yield strategic benefits. Snell, Youndt, and Wright (1996) highlighted that HR professionals often lack the financial fluency needed to participate meaningfully in budgetary and investment discussions—a challenge echoed by participants in the study.

The integration of HRM practices with financial planning has profound implications for organizational strategy and governance. It reinforces the need for HR to transition from a supportive to a strategic role. The transformation requires HR managers to link their objectives with financial metrics of the organization while implementing performance measurement systems and budgetary models found in the financial field (Huselid, 1995; Delaney & Huselid, 1996).

The research results demonstrate that organizations need to implement training between different functions and leadership development based on shared responsibilities. Organizations need to establish financial literacy programs specifically designed for their HR professionals to reduce the negative impact of this issue. Organizations should provide finance leaders with training about how HR creates long-term benefits for productivity and engagement and innovation.

People analytics dashboards serve as digital tools which show great promise to improve future workforce planning even though organizations currently do not use them effectively. Better infrastructure combined with training programs will allow these tools to improve forecasting precision and talent maintenance efforts and return on investment calculations (Wuen, 2024; Cascio & Boudreau, 2016).

Organizations should establish formal methods for *Collaborative Workforce Budgeting* through joint budget oversight and co-wrote HR-finance strategy documents with integrated planning periods. The implemented mechanisms serve both to maintain accountability and to make workforce-related decisions with financial awareness.

The research study generated important insights yet important restrictions need acknowledgment. The qualitative nature of the research, while rich in depth, limits the generalizability of findings across industries and cultural contexts. The participant group consisted of experienced professionals but their demographic restricted itself to mid- to large-sized enterprises operating within particular sectors.

The research used interview data that can introduce reporting biases along with memory distortions because of recall errors. The study used literature triangulation but lacked quantitative financial performance indicators which restricted the researchers from establishing links between integration practices and organizational results.

The research study provided limited examination of the policies and regulatory frameworks which influence HR and financial planning activities. The authors Saha and Minz (2025) argue that external elements like labor laws and tax policies and economic instability have vital impacts on workforce planning strategies so additional research should investigate them.

Finally, the technological aspects of integration, such as ERP systems and AI platforms, were beyond the scope of the study. These elements, may significantly influence the effectiveness of people analytics and data-driven decision-making.

Despite increased recognition of the value of integration, several challenges remain. As reported, *Siloed Decision-Making* continues to obstruct strategic coherence. Breaking down these silos require not just joint planning sessions but also structural realignments such as integrated reporting lines and shared KPIs (Boxall & Purcell, 2022; Lawler & Boudreau, 2009).

*Limited Executive Support* indicates that top-level buy-in is still insufficient. Future initiatives should prioritize executive engagement through business cases that clearly demonstrate the ROI of integrated HR-financial strategies (Ulrich, 1996; Becker & Gerhart, 1996).

The issue of *Financial Literacy in HR* suggests that cross-training must become a central part of organizational learning and development. Programs like those suggested by Ostin and Maršíková (2023) could provide competency-building in areas such as budgeting, forecasting, and ROI analysis for HR professionals.

Future research should also explore quantitative models that can measure the impact of integration efforts on key financial and human capital indicators. Longitudinal studies across diverse industries and geographies would provide deeper insights into the evolving dynamics of HR-finance alignment.

Technological enablement remains a largely untapped opportunity. Future work could investigate how integrated HR and financial information systems (e.g., SAP SuccessFactors, Oracle Fusion) influence strategic agility and workforce outcomes (Reilly, 2018; Wuen, 2024).

## 6. CONCLUSION

The study explored the strategic integration of Human Resource Management (HRM) practices with financial planning, emphasizing the significance of aligning people strategies with organizational financial objectives. Through thematic analysis of expert interviews and an extensive literature review, the study identified *Strategic Alignment*, *Collaborative Workforce Budgeting*, and *Financial Accountability in HR* as critical elements of successful integration. Participants also highlighted the growing role of *People Analytics* and emphasized the need for joint planning mechanisms between HR and finance departments. The results indicate that organizations should stop considering HRM and financial planning as separate activities and execute the coordination of cross function. *Talent Linked Budgeting* and *Joint HR Finance Planning Sessions* were highly effective integrated strategies for collaboration and performance driven decision making. But they remain as siloed decision making, little executive support and almost no one in HR is financially literate enough to do a full integration. These insights suggest that organizations make efforts to spend their money on cross functional training programs for enhancing financial competencies in HR teams as well as strategic understanding in finance teams. Evidence based business cases should be developed to support integrated planning that shows the ROI of integrated planning to leadership. Further in this can include shared performance indicators and people analytics dashboards and the use of the digital tools. Future research should integrate qualitative with quantitative measures of the financial impact of the integration efforts using a mixed method approach. The findings also have to be generalized using longitudinal studies across many contexts and a number industry globally. To gain more insight of how digital transformation can help in aligning HR and finance, further investigation of the role of technology, such as artificial investment and enterprise resource planning systems, is needed. Such studies equip organizations with such actionable, future ready strategies for resilient and future ready workforce planning.

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