HR-Finance dictionary:

Speak the same language. Drive the same results.

HiBob

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When HR and Finance teams collaborate, everyone wins. But too often, misaligned terminology creates confusion and slows decision-making. HR talks “engagement.” Finance talks “ROI.” HR’s focus is on people. Finance’s focus is on numbers. But here’s the truth: They’re both aligned to the same goals: growth, retention, productivity, accuracy, risk reduction, and profitability.

This quick-reference HR–Finance dictionary bridges the gap between “headcount” and “human capital.” It’s designed to help both teams understand each other’s language and logic.

Inside, you’ll find:

- Clear, conversational definitions of key terms
- Side-by-side breakdowns of how HR and Finance each use the term
- Common points of confusion and why they happen
- Root causes like mismatched systems (HCM vs. ERP), timing gaps, inclusion rules, and measurement logic
- Guidance on how to align, translate, and move forward—together

Whether you’re sorting through headcount vs. FTE, aligning hiring plans with budget forecasts, or navigating integrated HR and finance systems, this guide is here to help. Because when you speak the same language, you make better decisions faster.

This is HR and Finance collaboration done right.

Compensation and total rewards terms

Base salary

Used by: HR and Finance

What it means: Base salary is the fixed amount of pay someone receives for doing their job. It excludes bonuses, commissions, equity, or other variable incentives.

Synonyms: fixed pay; guaranteed compensation; annual salary

Why it causes friction: HR may discuss base salary as part of the total compensation conversation. Finance may isolate base salary as a specific budget line item and model it differently from bonuses or equity.

Root causes of misunderstanding:

- **Data sources:** HR pulls from HRIS or comp tools. Finance uses payroll exports or ERP.
- **Timing:** HR may reference current or offer-stage salaries. Finance tracks base salary over fiscal periods.
- **Measurement logic:** HR uses salary to benchmark against the market. Finance uses it to forecast payroll and margin impact.
- **Inclusion rules:** HR includes the offer stage and proposed increases. Finance only includes active salaries that hit the general ledger (GL), i.e., real expenses in the company's accounting system that are currently being paid and logged as financial entries.

How to translate and align

Base salary is just one part of total compensation. It's just the most visible and often the most emotionally charged. Clear alignment ensures both planning accuracy and equitable offers.

For Finance: Confirm whether salary figures include existing employees only, or also future hires. Align base salary inputs to budgeting cycles and ensure increases fit within compensation envelopes.

For HR: Clarify whether figures represent offer-stage proposals, internal benchmarks, or actuals. When proposing increases, explain the rationale (e.g., market adjustment, retention, promotion).

Use shared salary guidelines that document:

- Benchmark salary by level and role
- Annual raise assumptions by performance tier
- Cost impact of proposed increases or equity swaps

This keeps everyone aligned on expectations, budgets, and fairness without surprises at review time or close.

Bonus/variable pay

Used by: HR and Finance

What it means: This is the portion of an employee's compensation that is tied to performance—individual, team, or company-wide. It can be quarterly, annual, or project-based.

Synonyms: variable comp; incentive pay; commission; performance bonus

Why it causes friction: HR focuses on bonuses as tools for motivation and retention. Finance focuses on them as cost liabilities that impact forecasting and cash flow.

Root causes of misunderstanding:

- **Data sources:** HR may use target bonus percentages in offers. Finance uses actual payout data.
- **Timing:** HR may refer to a "target bonus" (what someone could earn). Finance needs to know when bonus payouts hit the books.
- **Measurement logic:** HR calculates eligibility and proration. Finance accrues for bonus cost over time.
- **Inclusion rules:** HR includes bonuses in total rewards language. Finance may split out actual bonuses vs. accruals.

How to translate and align

Variable pay needs to be planned, accrued, and communicated clearly so it motivates your people and fits within financial constraints.

For Finance: Model bonuses based on target payout levels and accrual schedules. Ask HR to forecast bonus scenarios based on performance curves (e.g., at 80, 100, or 120 percent goal achievement).

For HR: Provide Finance with clear definitions of bonus eligibility, payout timing, and performance criteria. Clarify whether you're referring to target bonus (e.g., 15 percent of base) or actuals. Flag proration, stretch goals, or off-cycle awards that might affect budget impact.

Use a shared bonus tracking doc that includes:

- Target bonus by role or level
- Proration rules (e.g., for mid-year hires)
- Accrual timing (monthly or quarterly)
- Final payout windows

HR can design programs that motivate performance, and Finance can model and manage spend predictably.

Compensation benchmarking

Used by: HR

What it means: Comparing your internal pay rates against external market data—and sometimes across internal peer groups—to ensure fairness and competitiveness. Benchmarks can vary by role, level, location, tenure, or function.

Synonyms: salary comparison; market matching; comp review; external alignment

Why it causes friction: HR uses benchmarking to inform equitable and competitive pay. Finance may view it as a cost escalator or worry it will increase salary pressure.

Root causes of misunderstanding:

- **Data sources:** HR uses providers like Mercer or Radford. Finance may reference internal trends or budget constraints.
- **Timing:** HR uses benchmarks during hiring, merit, or retention moments. Finance wants to control raises over time.
- **Measurement logic:** HR uses percentiles (e.g., 50th or 75th). Finance wants exact budget impact.
- **Inclusion rules:** HR includes benchmarking in comp strategy. Finance uses it only when justifying increases.

How to translate and align

Benchmarking ensures pay is competitive, but translating market data into real costs requires genuine partnership between HR and Finance.

For Finance: Ask for benchmarking transparency, especially when it's used to justify salary increases or equity refreshes. Understand how benchmarks translate into budget impact across roles and departments.

For HR: Share benchmarking sources, percentile targets (e.g., 50th, 75th), and rationale for any proposed increases. Clearly link benchmarking decisions to retention, offer acceptance, or internal equity challenges.

Use a shared comp benchmarking matrix that includes:

- Market benchmarks by level, role, and location
- Internal vs. external comp comparison
- Rationale for any proposed adjustments
- Estimated cost impact of changes across departments

Together, both teams can ensure offers are competitive, raises are justifiable, and budgets are grounded in real-world data and not just market pressure.

Equity/equity refresh

Used by: HR and Finance

What it means: Equity is non-cash compensation (like stock options or RSUs) that gives employees partial ownership in the company. A refresh is an additional grant after the initial hire.

Synonyms: stock; RSUs; stock options; ownership incentive; long-term incentive

Why it causes friction: HR uses equity to retain and reward. Finance views it through the lens of dilution, burn rate, and investor expectations.

Root causes of misunderstanding:

- **Data sources:** HR uses cap table tools or spreadsheets. Finance needs alignment with board-approved budgets.
- **Timing:** HR refreshes equity to extend retention. Finance may only model annual grant cycles.
- **Measurement logic:** HR focuses on perceived value to the employee. Finance tracks dilution and expense recognition.
- **Inclusion rules:** HR includes refresh plans in total rewards conversations. Finance includes only approved grants and board-vetted scenarios

How to translate and align

Equity is more than compensation. It's a long-term incentive. But to manage it responsibly, HR and Finance must align on both value and cost.

For Finance: Model equity as part of total rewards. Understand dilution impact, vesting schedules, and board-approved grant pools. Align with HR on when equity is an investment and when it's just extra cost.

For HR: Explain equity strategy in terms of retention, competitiveness, and lifecycle planning (e.g., hire grants, refreshes, cliffs). Flag upcoming grant cycles, refresh needs, or attrition risks tied to expiring equity.

Use a shared equity plan tracker that includes:

- Equity allocation by role and level
- Refresh policies and timing
- Forecasted dilution and cost-to-company
- Vesting cliffs and payout risk

That way, HR protects retention, and Finance protects ownership. Both avoid grant surprises that throw off strategy or funding conversations.

Fully loaded cost

Used by: Finance

What it means: The total cost of employing someone, including base salary, bonuses, benefits, taxes, tools, and overhead. Not just what's on the paycheck.

Synonyms: total employment cost; burdened cost; all-in cost; true cost of headcount

Why it causes friction: HR may think of compensation in terms of salary and bonus. Finance sees the whole iceberg—the visible pay and all the hidden costs like tools, workspace, systems, and employer taxes.

Root causes of misunderstanding:

- **Data sources:** HR may focus on HRIS data. Finance integrates payroll, benefits, and GL data.
- **Timing:** HR thinks in terms of the offer stage. Finance models monthly or annual run rates.
- **Measurement logic:** HR = direct comp. Finance = fully burdened cost.
- **Inclusion rules:** HR includes comp + benefits. Finance includes everything that affects profit and loss (P&L).

How to translate and align

Fully loaded cost helps teams understand the true cost of a hire. It includes more than just their salary. It includes everything else that comes with employing someone.

For Finance: Share your cost assumptions transparently with HR so they understand how salary translates into budget impact. Ask for clarity on tool usage, benefit levels, or geographic variables that might affect projections.

For HR: When proposing new roles, include fully loaded cost estimates that cover salary, benefits, bonuses, taxes, and tools when proposing new roles. Partner with Finance to standardize how costs are calculated by region or role type.

Build a shared cost calculator that includes:

- Base salary
- Bonus target
- Benefits/taxes (as a percentage of base)
- Additional costs (tools, equipment, travel)

This ensures that when a role is proposed, both teams know the actual financial impact and can make decisions with eyes wide open.

Merit cycle

Used by: HR

What it means: A designated period (usually annual) when salary increases, bonuses, and promotions are reviewed and approved.

Synonyms: annual comp review; raise cycle; compensation planning window

Why it causes friction: HR views merit cycles as moments to recognize and retain talent. Finance may see them as cost spikes or threats to margin.

Root causes of misunderstanding:

- **Data sources:** HR collects manager recommendations. Finance controls raise budgets.
- **Timing:** HR plans around performance reviews. Finance plans around fiscal close or forecast freeze.
- **Measurement logic:** HR models increase by performance band. Finance models total raise budget and impact on burn.
- **Inclusion rules:** HR may include stretch increases for high performers. Finance only approves raises within a fixed percentage envelope.

How to translate and align

Merit cycles are where performance, equity, and budget intersect—making HR–Finance collaboration essential for a smooth process.

For Finance: Communicate total budget envelopes per department and any constraints (e.g., max 3 percent increase company-wide). Ask HR to flag any high-impact exceptions or risk-driven raises.

For HR: Share performance-based raise recommendations with Finance early. Include average and max increase guidelines by performance tier. Clarify any exceptions or strategic adjustments (e.g., market adjustments, equity offsets).

Use a shared planning doc that includes:

- Performance tiers and recommended increases
- Total proposed merit cost by team
- Comparison to previous cycle
- Budget envelope vs. actual ask

This ensures merit planning is proactive, not reactive, and that both people goals and financial guardrails are respected.

Qualified (benefit plans)

Used by: HR and Finance

What it means: A qualified benefit plan meets government regulations and offers tax advantages. These plans are often tied to retirement, savings, or health benefits and must meet nondiscrimination requirements.

Synonyms: tax-qualified plan; regulated benefit; compliant retirement plan

Why it causes friction: HR focuses on employee experience and benefit design. Finance focuses on compliance, cost, and tax treatment. Misalignment creates risk, confusion, or reporting gaps.

Root causes of misunderstanding:

- **Data sources:** HR pulls from benefits administrators. Finance uses payroll and tax reports.
- **Timing:** HR manages enrollment and employee communication. Finance manages filings and audit readiness.
- **Measurement logic:** HR = engagement and participation. Finance = cost and compliance.
- **Inclusion rules:** HR may not track plan qualifications in detail. Finance needs documentation for tax and legal review.

How to translate and align

Compliance is a shared responsibility—with shared upside.

For Finance: Request documentation on plan qualification status. Ensure contributions and costs are mapped accurately to tax and financial reporting.

For HR: Confirm which plans are qualified and communicate eligibility clearly. Flag plan changes or vendor updates in advance.

Together, teams can offer benefits that attract talent while meeting every regulatory requirement.

Salary band

Used by: HR

What it means: A defined pay range for a specific role and level used to guide hiring, promotions, and internal equity.

Synonyms: pay band; comp band; grade range; level-based salary

Why it causes friction: HR creates bands to support fairness and pay transparency. Finance wants to ensure those bands don't stretch the budget or create comp inflation.

Root causes of misunderstanding:
- **Data sources:** HR uses benchmarking data. Finance checks historical internal comp.
- **Timing:** HR builds salary bands into job architecture. Finance needs real-time cost modeling.
- **Measurement logic:** HR uses ranges and midpoints. Finance wants actuals and averages.
- **Inclusion rules:** HR may include band increases tied to market shifts. Finance prefers bands stay static unless reapproved.

How to translate and align

Salary bands support both pay equity and budget control—but only when HR and Finance define, manage, and apply them together.

For Finance: Ensure salary bands align with compensation budgets and raise guidelines. Use them as a tool for evaluating proposed hires, avoiding compensation inflation, and modeling long-term costs.

For HR: Share how bands are developed (e.g., based on benchmarking, internal equity, location) and how they guide hiring, promotions, and merit planning. Flag when band updates are needed due to market shifts.

Use a shared band library that includes:
- Role level and title
- Low/mid/high salary range
- Geo-adjustments if applicable
- Approved variance thresholds

This creates a single source of truth for compensation planning and keeps offers fair, promotions consistent, and forecasts reliable.

Total rewards

Used by: HR and Finance

What it means: The full package of what an employee gets from the company. It includes salary, benefits, bonuses, equity, recognition, flexibility, and culture.

Synonyms: compensation package; value proposition; employee offering; perks and benefits

Why it causes friction: HR sees total rewards as essential to engagement and retention. Finance may see it as intangible or hard to quantify in budget terms.

Root causes of misunderstanding:

- **Data sources:** HR references total rewards strategy. Finance tracks only cost centers.
- **Timing:** HR uses total rewards language in recruiting and retention. Finance needs numbers they can model into forecasts.
- **Measurement logic:** HR = value delivered to employees. Finance = dollars spent by the company.
- **Inclusion rules:** HR includes things like recognition programs and time off. Finance only includes spend that hits the GL.

How to translate and align

Total rewards are about employee value, but they only work when both HR and Finance understand their full scope and strategic impact.

For Finance: Evaluate total rewards by cost category and ROI. Ask HR to flag new initiatives or program expansions, and provide data on participation, retention impact, and potential savings (e.g., reduced turnover, higher productivity).

For HR: Communicate total rewards holistically, beyond base and bonus. This includes benefits, perks, time off, recognition programs, equity, flexibility, and culture. Highlight how total rewards drive retention, engagement, and employer brand.

Use a shared total rewards map that includes:

- Compensation (base, bonus, equity)
- Benefits (health, wellness, time off)
- Recognition and perks
- Cost-to-company and retention impact

Together, HR and Finance can measure, fund, and evolve total rewards in a way that's people-first and financially sound.

Financial metrics and modeling terms

Budget variance

Used by: Finance

What it means: Budget variance is the difference between what was planned or budgeted and what was actually spent during a specific period.

Synonyms: plan vs. actual; spend deviation; forecast miss

Why it causes friction: HR might not always understand the financial impact of delays or unplanned hiring changes. Finance flags variance as a risk to credibility, forecasting accuracy, or board confidence.

Root causes of misunderstanding:

- **Data sources:** HR uses people data. Finance pulls financial data from the GL.
- **Timing:** HR sees changes in real-time. Finance closes books monthly or quarterly.
- **Measurement logic:** HR may see variance as a delay or reschedule. Finance sees it as a financial risk or red flag.
- **Inclusion rules:** HR includes roles in flux or under negotiation. Finance only counts spend that has already occurred.

How to translate and align

Budget variance is a signal, not a failure. It shows where reality diverged from the plan and gives HR and Finance a chance to recalibrate.

For Finance: Share budget vs. actuals on a monthly or quarterly basis, and flag any material variances. Ask HR for a breakdown of causes (e.g., "Two roles delayed by 30 days," "New hire negotiated a higher salary") and collaborate on action steps.

For HR: Explain the story behind the variance. Was it due to hiring delays, backfills, comp changes, or structural shifts? Anticipate variances and notify Finance early so they can reforecast with confidence.

Use a shared variance log that includes:

- Role/department impacted
- Budgeted vs. actual cost
- Variance amount and percentage
- Root cause and next steps

This shifts conversations from blame to business alignment and helps both teams improve accuracy and agility over time.

Burn rate

Used by: Finance

What it means: The rate at which a company is spending money, especially cash reserves. It's often calculated monthly and used to estimate how long the company can operate before needing new funding.

Synonyms: monthly spend; cash runway rate; operating outflow

Why it causes friction: HR may not realize how closely headcount ties to burn. Finance sees each new hire as extending or shortening the company's runway.

Root causes of misunderstanding:

- **Data sources:** HR sees hiring as future impact. Finance uses cash flow statements and forecasts.
- **Timing:** HR sees when people are hired. Finance sees when that cost hits cash.
- **Measurement logic:** HR = value of the role. Finance = financial sustainability.
- **Inclusion rules:** HR might include planned hires. Finance includes only approved and active payroll costs.

How to translate and align

Burn rate connects spend to survival, so every headcount conversation needs to consider how it affects cash flow and company runway.

For Finance: Share burn rate thresholds and runway targets early. Ask HR for updated hiring forecasts and ramp assumptions that may accelerate or ease monthly spend.

For HR: Show how each role contributes to growth or risk reduction when proposing new hires. Flag roles that are strategic vs. optional. Understand how total people cost affects monthly burn, and communicate any shifts in hiring timelines.

Use a shared burn tracker that includes:

- Monthly burn rate target
- Approved and pending hires
- Cost-per-hire (fully loaded)
- Projected burn impact of planned roles

This ensures hiring decisions are informed by financial sustainability and that spending supports strategy, not stress.

Cap table

Used by: Finance

What it means: Short for “capitalization table,” this is a document that outlines who owns what percentage of the company, including founders, investors, and employees with equity.

Synonyms: ownership structure; equity ledger; share distribution

Why it causes friction: HR may use equity as a retention or attraction tool. Finance must ensure equity grants don’t disrupt investor ownership or dilute it too aggressively.

Root causes of misunderstanding:

- **Data sources:** HR pulls from equity planning tools. Finance uses legal, investor-approved cap tables.
- **Timing:** HR proposes grants as needed. Finance manages equity pools across funding rounds.
- **Measurement logic:** HR = perceived employee value. Finance = dilution and share price
- **Inclusion rules:** HR may include proposed refresh grants. Finance includes only board-approved equity.

How to translate and align

The cap table isn’t just a financial document. It’s a roadmap of ownership, retention, and growth. Equity decisions affect it deeply, so HR and Finance must stay in sync.

For Finance: Share updates on board-approved equity budgets, grant limits by level, and burn targets. Help HR translate ownership into impact—so equity can be used strategically without creating unexpected dilution.

For HR: Check in with Finance to ensure there’s enough capacity in the equity pool before issuing or refreshing equity. Understand dilution thresholds and how your decisions affect investor stakes and future funding rounds.

Use a shared equity planning doc that includes:

- Grant guidelines by role/level
- Refresh windows and logic
- Estimated dilution and burn impact
- Link to live cap table or summary view

This helps HR retain top talent with confidence. It also helps Finance protect ownership integrity and funding strategy.

Cost center

Used by: Finance

What it means: A cost center is a department or function that doesn't generate direct revenue but still incurs costs, e.g., HR, IT, or legal.

Synonyms: non-revenue team; operational department; support function

Why it causes friction: HR is often labeled a cost center, which can feel reductive. Finance needs to track spending and assign accountability by team or department.

Root causes of misunderstanding:

- **Data sources:** HR sees team structure and impact. Finance pulls costs by cost center from the ERP.
- **Timing:** HR may reorganize or merge teams mid-quarter. Finance tracks fixed cost centers over the fiscal year.
- **Measurement logic:** HR = impact on people, productivity, retention. Finance = spend per department.
- **Inclusion rules:** HR may align teams by function or business unit. Finance may assign costs based on where salaries and expenses are booked.

How to translate and align

Cost centers aren't just accounting buckets. They shape how teams are funded, evaluated, and supported. Aligning on their use helps tell the full business story.

For Finance: Clarify how cost centers are used for budget allocation, reporting, and forecasting. Provide visibility into the financial impact of each center and ask HR to flag structural shifts that could affect cost attribution.

For HR: Ensure roles are tagged to the correct cost center in the HRIS/HCM and that team structures reflect how work is actually done. Communicate org changes that affect budget ownership or reporting lines.

Use a shared cost center map that includes:

- Department/function
- Headcount allocation
- Budget and actuals tracking
- Org chart alignment

This ensures budget decisions are tied to operational reality and that both sides can explain where money goes and why.

EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)

Used by: Finance

What it means: EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is a key financial performance metric that shows profitability from core operations before external or non-operational costs are considered.

Synonyms: operating earnings; core profit; pre-tax profit proxy

Why it causes friction: HR might not understand how people costs like headcount or equity impact EBITDA. Finance uses it to evaluate company performance, support valuations, or justify investment decisions.

Root causes of misunderstanding:

- **Data sources:** HR pulls from HRIS and comp tools. Finance uses GL and financial systems.
- **Timing:** HR decisions affect EBITDA quarterly, but may not align with Finance's reporting cycle.
- **Measurement logic:** HR = team effectiveness and engagement. Finance = core profitability.
- **Inclusion rules:** HR may track all compensation and retention efforts. Finance isolates operational impacts only.

How to translate and align

EBITDA is a key financial signal, but people investments directly impact it.

For Finance: Explain how EBITDA targets influence workforce decisions. Ask HR to forecast the cost implications of hiring, attrition, or comp changes on margin health.

For HR: Understand how compensation, headcount, and productivity affect EBITDA performance. Share expected cost impacts with Finance ahead of planning cycles.

Use a shared view that connects people metrics to operational performance.
This aligns teams on the true cost and value of talent.

Forecasting

Used by: HR and Finance

What it means: Forecasting is the process of predicting future outcomes—like revenue, expenses, or headcount—based on past trends and expected inputs.

Synonyms: financial projection; budgeting outlook; forward modeling

Why it causes friction: HR often deals with dynamic people needs, uncertain timelines, and messy realities. Finance builds precise forecasts based on models..

Root causes of misunderstanding:

- **Data sources:** HR uses hiring pipeline and organizational plans. Finance uses ERP, revenue, and spend history.
- **Timing:** HR adapts to shifting headcount needs in real time. Finance works in locked forecasting cycles.
- **Measurement logic:** HR = people planning that evolves with the business. Finance = models based on fixed drivers.
- **Inclusion rules:** HR includes aspirational plans and potential hires. Finance may include only confirmed hires.

How to translate and align

Forecasting isn't about predicting the future perfectly. It's about aligning assumptions and updating them together as the business evolves.

For Finance: Communicate key dates (e.g., forecast freeze) and which inputs you need from HR. Clarify how roles are modeled into cost—monthly, quarterly, or annually—and what assumptions are baked into compensation and ramp.

For HR: Share hiring forecasts with clear timing, role type, and confidence levels. Highlight risks (e.g., niche roles, delayed approvals) and provide context around hiring velocity and ramp time. Update forecasts regularly, not just at planning time.

Use a shared forecast dashboard that includes:

- Planned hires with estimated start dates
- Role status (approved, in process, at risk)
- Ramp assumptions
- Estimated cost and ROI timeline

This gives Finance better forecasting inputs. It also gives HR a seat at the strategic table.

Operating margin

Used by: Finance

What it means: Operating margin is the percentage of revenue left after paying for operating expenses, like salaries, benefits, software, and rent.

Synonyms: profitability ratio; operating efficiency; margin rate

Why it causes friction: HR may focus on people investments. Finance needs to ensure costs—including headcount—don't shrink margin below healthy thresholds.

Root causes of misunderstanding:

- **Data sources:** Finance calculates margin from revenue and total operating expenses. HR impacts spend but may not track margin
- **Timing:** HR may propose roles throughout the year. Finance ties all headcount changes to quarterly margin forecasts.
- **Measurement logic:** HR sees the ROI of people. Finance sees margin as the bottom line.
- **Inclusion rules:** HR doesn't always see the full expense stack. Finance includes all operating costs, not just HR-driven ones.

How to translate and align

Operating margin is where strategy meets sustainability. It reflects how efficiently the company turns revenue into profit after expenses, including people costs.

For Finance: Share target margin thresholds with HR during planning cycles. Collaborate on scenario modeling to show how hiring decisions or compensation increases will affect operating margin across quarters.

For HR: Understand how headcount, compensation, and benefits directly affect margin. When proposing new roles or programs, include expected ROI, productivity impact, or risk reduction. Frame requests in terms of margin-neutral or margin-accretive outcomes.

Use a shared planning doc that includes:

- Margin targets by quarter or business unit
- Headcount cost assumptions
- Impact of proposed changes (e.g., new teams, raises, restructures)
- ROI justification for margin-sensitive hires

This ensures both teams are steering the business toward growth without compromising financial health.

P/E (Price-to-earnings ratio)

Used by: Finance

What it means: The P/E (price-to-earnings) ratio measures a company's market value compared to its earnings. It's a common valuation metric for investors and analysts.

Synonyms: earnings multiple; valuation ratio; market multiple

Why it causes friction: HR may not see how their hiring, retention, or equity refreshes influence long-term earnings or investor perception. Finance may focus on the company's valuation relative to earnings.

Root causes of misunderstanding:

- **Data sources:** HR draws from compensation and people performance data. Finance uses investor materials and earnings reports.
- **Timing:** HR focuses on current team health. Finance projects long-term earnings impact.
- **Measurement logic:** HR = talent engagement and retention. Finance = earnings per share and valuation.
- **Inclusion rules:** HR may not be looped into metrics that influence earnings. Finance models only quantifiable impacts.

How to translate and align

P/E reflects long-term value, and people decisions shape it over time.

For Finance: Share valuation targets and explain how people performance and cost discipline affect earnings. Partner with HR on equity strategies that align with market perception.

For HR: Understand how compensation and retention contribute to earnings growth. Use this context when discussing equity refreshes or high-cost hires.

A shared understanding connects people impact with shareholder value, especially during growth or fundraising.

People cost

Used by: HR and Finance

What it means: The total cost associated with employing people, including salaries, benefits, bonuses, taxes, and tools. It's often the largest single line item in the budget.

Synonyms: labor cost; employee expense; human capital cost

Why it causes friction: HR talks about people. Finance talks about cost. The human side and the financial side often clash unless aligned around impact.

Root causes of misunderstanding:

- **Data sources:** HR = HRIS/HCM and comp tools. Finance = payroll, ERP, and GL.
- **Timing:** HR looks at the planned people cost. Finance tracks actuals and forecasts.
- **Measurement logic:** HR = talent investment. Finance = fixed and variable costs.
- **Inclusion rules:** HR may exclude tools, taxes, or equipment. Finance includes everything on the P&L.

How to translate and align

People cost is more than payroll. It's the full financial footprint of your workforce. To manage it effectively, HR and Finance need to speak the same cost language.

For Finance: Share how people costs are modeled into forecasts and what assumptions are used (e.g., average comp increase, benefit load factor). Ask HR for visibility into role pipelines, expected changes, and upcoming compensation events (e.g., merit cycles, promos).

For HR: When proposing or planning roles, include the fully loaded cost (salary, bonus, benefits, taxes, tools). Break out elements that may vary (e.g., benefits by location, equity refresh timing). Be prepared to connect people investments to business value, like retention or productivity gains.

Use a shared people cost tracker that includes:

- Cost per role or level
- Compensation breakdown (fixed, variable, equity)
- Cost by team and cost center
- Hiring and attrition impact

This helps both teams make informed decisions that balance headcount goals with financial realities.

Privately owned

Used by: Finance

What it means: A privately owned company is not listed on a public stock exchange. Ownership is held by founders, employees, VCs, or institutional investors.

Synonyms: private company; non-public; venture-backed

Why it causes friction: HR may not have visibility into investor reporting or growth mandates. Finance works closely with board stakeholders and may deprioritize people investments without financial justification.

Root causes of misunderstanding:

- **Data sources:** HR uses headcount and comp data. Finance uses internal financials, board decks, etc.
- **Timing:** HR plans people initiatives quarterly. Finance aligns decisions to board meetings or investor updates.
- **Measurement logic:** HR = internal equity and experience. Finance = cost and performance reporting.
- **Inclusion rules:** HR may push forward people plans independently. Finance filters priorities through board expectations.

How to translate and align

Private ownership still demands transparency and discipline.

For Finance: Share board goals and timelines. Ask HR to connect people strategy to those outcomes (e.g., retention before a fundraiser).

For HR: Align people plans with business milestones. Communicate the impact of hiring or engagement on investor confidence.

This helps both sides shape a company that's investment-ready—from product to people.

Publicly traded

Used by: Finance

What it means: A publicly traded company is listed on a stock exchange and must meet strict compliance, reporting, and investor transparency standards.

Synonyms: public company; listed firm; stock market entity

Why it causes friction: HR may be unaware of how people moves impact investor relations, earnings guidance, or stock performance. Finance prioritizes predictability and reporting discipline.

Root causes of misunderstanding:

- **Data sources:** HR uses performance and engagement data. Finance uses SEC filings and investor materials.
- **Timing:** HR may plan initiatives around internal priorities. Finance manages quarterly earnings and investor calls.
- **Measurement logic:** HR = employee engagement and retention. Finance = EPS, margin, and market expectations.
- **Inclusion rules:** HR may suggest changes without timing sensitivity. Finance needs visibility into people moves that affect shareholder communication.

How to translate and align

Public companies need internal alignment to protect external trust.

For Finance: Share investor relations timelines and explain how people decisions influence perception and valuation.

For HR: Coordinate people changes around earnings and governance calendars. Highlight how talent investments support leadership narratives.

This ensures internal activity aligns with external accountability—building a stronger public story.

ROI (Return on Investment)

Used by: HR and Finance

What it means: ROI is a measure of how much value or benefit you gain from an investment, relative to its cost. For HR, this might look like improved retention, faster onboarding, or reduced burnout. For Finance, it means measuring the return using quantifiable business outcomes like cost avoidance, increased efficiency, or revenue impact. **For example:** "We invested in onboarding software and saw a 30 percent reduction in new hire ramp time. That saved time, improved productivity, and reduced early attrition."

Synonyms: return; value realization; payback; impact vs. cost

Why it causes friction: HR initiatives often focus on long-term or qualitative outcomes that don't always translate neatly into financial models. Finance teams need measurable proof of value to prioritize spend. When the connection between people programs and business results isn't clear, it's harder to justify investment.

Root causes of misunderstanding:

- **Data sources:** HR = engagement surveys, attrition data. Finance = financial systems and models.
- **Timing:** HR might show long-term ROI. Finance wants impact within 12 months.
- **Measurement logic:** HR = qualitative + quantitative indicators. Finance = cost out vs. value in.
- **Inclusion rules:** HR might include productivity gains. Finance may only include cost savings or revenue increases.

How to translate and align

ROI helps connect people investments to business results, but it only works if both teams define success in measurable terms.

For Finance: Ask HR to quantify the benefits of proposed initiatives. Help translate qualitative wins (like engagement or retention) into financial terms using cost savings, avoided spend, or performance gains.

For HR: Frame proposals for new tools, roles, or programs in terms of expected outcomes like reduced attrition, faster ramp, or increased productivity. Estimate the cost of doing nothing to provide a comparison point.

Use a shared ROI calculator that includes:

- Investment cost (setup + ongoing)
- Time to impact
- KPIs tied to business outcomes
- Comparison of cost vs. benefit over time

This turns ROI from a buzzword into a practical tool for making evidence-based, business-aligned decisions.

Runway

Used by: Finance

What it means: Runway refers to how many months a company can operate before it runs out of cash, based on its current burn rate.

Synonyms: cash runway; financial timeline; months of life left

Why it causes friction: HR may not feel runway pressure day-to-day. Finance lives and breathes it, especially at startups. Hiring too quickly can shorten runway dramatically.

Root causes of misunderstanding:

- **Data sources:** HR references headcount plan. Finance uses burn rate and cash balance.
- **Timing:** HR focuses on long-term team building. Finance monitors month-by-month cash usage.
- **Measurement logic:** HR = what's needed for scale. Finance = what's survivable today.
- **Inclusion rules:** HR might plan hires beyond the current funding window. Finance includes only what fits inside available cash.

How to translate and align

Runway reflects how long the business can sustain operations with its current cash, so every headcount decision should factor into that clock.

For Finance: Share runway status openly with HR, especially during budget cycles or when fundraising timelines shift. Ask for updated hiring forecasts and attrition risks to refine runway calculations.

For HR: Understand how hiring velocity and fully loaded costs affect cash runway. When proposing new roles, include projected monthly spend and how it contributes to or draws from runway. Help prioritize roles based on strategic urgency vs. fiscal flexibility.

Use a shared planning model that includes:

- Cash on hand
- Monthly burn (including hiring impact)
- Hiring pipeline and timing
- "Runway delta" for each planned hire

This lets HR support sustainable growth and gives Finance the insight to forecast risk and opportunity with confidence.

Scenario planning

Used by: HR and Finance

What it means: The process of modeling different "what-if" situations to understand their financial or operational impact. e.g., "What happens if we delay hiring by one quarter?"

Synonyms: what-if modeling; sensitivity analysis; contingency planning

Why it causes friction: HR owns the people data. When they're not aligned, scenarios are inaccurate or totally siloed. Finance owns the tools and assumptions.

Root causes of misunderstanding:

- **Data sources:** HR = headcount, recruiting, ramp. Finance = forecast models.
- **Timing:** HR updates as plans evolve. Finance locks models in cycles.
- **Measurement logic:** HR = operational feasibility. Finance = budgetary risk.
- **Inclusion rules:** HR might test aspirational plans. Finance wants constraints clearly defined.

How to translate and align

Scenario planning turns uncertainty into alignment. When done together, it helps HR and Finance prepare, not just react.

For Finance: Provide structured planning windows and assumptions. Ask HR to collaborate on input variables, like how long roles take to fill, where signing bonuses might be needed, or how DE&I targets could influence timing or cost.

For HR: Bring people-specific variables into each scenario: hiring velocity, ramp time, attrition risk, and compensation tradeoffs. Help Finance model what happens if hiring is delayed, accelerated, or reprioritized.

Use a shared modeling sheet that includes:

- Role count and timing by scenario (best case, expected, constrained)
- Ramp assumptions by function
- Compensation sensitivity (e.g., market pressure, equity refreshes)
- Forecasted impact on burn, margin, and runway

This gives both teams a clearer view of what's coming—and the flexibility to shift quickly when plans change.

VC (Venture capital)

Used by: Finance

What it means: Venture capital. Venture capital (VC) is funding given to startups or growth-stage companies in exchange for equity. VC expectations influence growth goals and cost discipline.

Synonyms: startup capital; early-stage funding; growth investment

Why it causes friction: HR owns headcount growth and team retention. Finance manages investor expectations and burn. Without alignment, growth plans may overshoot runway or hiring may stall.

Root causes of misunderstanding:

- **Data sources:** HR uses hiring plans and workforce metrics. Finance uses fundraising models and investor pitch decks.
- **Timing:** HR recruits for quarterly or annual team needs. Finance plans to funding milestones.
- **Measurement logic:** HR = talent as a growth driver. Finance = return on team investment.
- **Inclusion rules:** HR may plan aspirational growth. Finance may budget only for funded hires.

How to translate and align

VC funding defines the pace and scope of growth.

For Finance: Share funding timelines and expectations with HR. Explain how growth targets relate to hiring plans, comp strategy, and headcount pacing.

For HR: Align hiring velocity to funding milestones. Flag when talent market realities or recruiting speed may affect burn or traction.

This ensures growth goals are grounded in capacity and investor goals are supported by people strategy.

Headcount and workforce planning terms

FTE (full-time equivalent)

Used by: Finance (primarily), sometimes HR

What it means: A way to measure employee labor capacity that normalizes part-time and variable-hour team members into full-time units. Two people working 50 percent schedules = 1 FTE. It's used to model costs and productivity.

Synonyms: labor units; budgeted headcount; working capacity

Why it causes friction: HR often talks about actual people. Finance thinks in units of cost. So while HR might say, "We have 100 people," Finance might count 85.4 FTEs.

Root causes of misunderstanding:

- **Data sources:** HR uses HCMs. Finance uses ERP or payroll.
- **Timing:** HR plans hiring based on ramp and recruiting time. Finance measures quarterly impact.
- **Measurement logic:** HR counts humans. Finance counts costs.
- **Inclusion rules:** HR includes people on leave or with signed offers. Finance includes only active, cost-incurring employees.

How to translate and align

Start every conversation by clarifying the context: "Are we talking about people or FTEs?"

Then define what matters for each team.

For Finance: Provide FTE breakdowns tied to cost forecasting—especially when roles are part-time, seasonal, or international.

For HR: Ensure the Finance team understands which FTEs represent actual personnel and where fractional values might obscure the actual headcount.

Use a shared template that maps headcount to FTE by department or cost center. Align on inclusion rules and update timing so both sides can model accurately and track changes without surprises.

Headcount (average vs. ending)

Used by: HR and Finance

What it means: Headcount may be reported as:
- **Average:** The mean number of employees over a certain time period
- **Ending:** The total number of employees at a given point (e.g., end of quarter)

Synonyms: people; employees; team members; noses (HR); resource count (Finance)

Why it causes friction: HR might say, “We have 100 employees.” Finance may report 96. Different snapshots yield different numbers, resulting in reporting misalignment.

Root causes of misunderstanding:
- **Data sources:** HR pulls org charts. Finance pulls from payroll.
- **Timing:** HR tracks real-time org changes. Finance freezes data at close.
- **Measurement logic:** HR uses actuals. Finance may rely on pro-rated cost data.
- **Inclusion rules:** HR includes people on leave or starting soon. Finance may exclude people who are not active during the reporting window.

How to translate and align

Always confirm which type of headcount you're referencing: average (over time) or ending (snapshot). This small distinction makes a big difference.

For Finance: Use ending headcount for reporting and forecast alignment, but request clear context if HR numbers differ from what’s in the financial reports. Ask clarifying questions like: “Does this include future starts or just current active employees?”

For HR: Flag the nature of your data—whether it's a live view of the org, includes pending hires, or accounts for leaves. If headcount has changed significantly mid-quarter, explain why and how.

Create a shared glossary of inclusion rules and a headcount dashboard that breaks down:
- Total people
- FTEs
- Ending vs. average headcount
- Active vs. pending

This helps both teams tell the same story in different formats with confidence.

Hiring plan

Used by: HR and Finance

What it means: A forecast of when and whom a company plans to hire, including roles, timing, and budget impact.

Synonyms: workforce plan; staffing model; people plan

Why it causes friction: HR sees the hiring plan as a directional plan based on hiring capacity and pipelines. Finance sees it as a financial commitment. When hiring is delayed, budget assumptions break.

Root causes of misunderstanding:

- **Data sources:** HR's plan might live in the ATS or spreadsheets. Finance works in FP&A tools.
- **Timing:** HR measures when roles are opened and filled. Finance measures when they start costing money.
- **Measurement logic:** HR tracks recruiting capacity. Finance ties plan to salary forecasting.
- **Inclusion rules:** HR may include planned or stretch roles. Finance may only include approved, budgeted roles.

How to translate and align

Align early and update often. Treat the hiring plan as both a people strategy and a financial commitment.

For Finance: Ask HR to provide start date assumptions, approval status, and cost estimates for each role. Clarify which roles are fully approved vs. proposed or stretch.

For HR: Understand Finance's budget timing and runway sensitivities. Align your role timelines to financial periods. Communicate when offers are delayed, declined, or fast-tracked.

Use a shared hiring plan format that includes:

- Role title and department
- Status (e.g., approved, pending, stretch)
- Target start date
- Expected fully loaded cost
- Probability to fill (high/medium/low)

This way, both teams can sync on what's planned, what's at risk, and what will hit the books—no surprises.

Hiring velocity

Used by: HR

What it means: The speed at which open roles are filled. It's often measured as time to fill, or the number of roles filled within a certain time period.

Synonyms: time to fill; recruiting pace; open-to-close time

Why it causes friction: Finance may assume immediate hiring post-approval. HR deals with talent pipelines, interview drop-off, and negotiation timelines, all of which take time.

Root causes of misunderstanding:

- **Timing:** Finance assumes start dates align with budget. HR knows ramp takes time.
- **Measurement logic:** HR uses sourcing and interview metrics. Finance plans by start date.
- **Inclusion rules:** HR might measure from request open to offer. Finance may assume offer = start.

How to translate and align

Translate hiring velocity into business impact and financial timing.

For Finance: Don't assume roles are filled as soon as they're approved. Ask HR for historical hiring velocity benchmarks by role or department. Use these to model realistic cost impact by quarter.

For HR: Communicate average time to fill for each role type, and how external factors (market trends, compensation constraints) may affect speed. Use velocity to proactively manage Finance's expectations on hiring delays or accelerations.

Build shared assumptions like:

- "This role type averages 60 days from req open to signed offer."
- "This quarter, we're on track to fill 70 percent of roles by target start dates."

Modeling hiring as a ramp—not a switch—keeps both teams aligned on people capacity and cost flow.

Inclusion rules

Used by: HR and Finance

What it means: The logic that determines which team members are included in headcount, FTEs, comp reporting, or budget forecasts.

Synonyms: eligibility criteria; data filters; who's counted

Why it causes friction: The same question—"How many employees do we have?"—can produce multiple answers depending on the inclusion logic.

Root cause of misunderstanding:

- **Data sources:** HRIS/HCM vs. payroll vs. FP&A tools.
- **Timing:** HR may reflect near-future state. Finance reports on past actuals.
- **Measurement logic:** HR counts humans in the employee lifecycle. Finance focuses on cost.
- **Inclusion rules:**
  - » **HR might include:** People on parental or medical leave; new hires with signed offers; interns or contractors in engagement programs
  - » **Finance might include only:** Active, cost-incurring employees; salaried roles tied to cost centers

How to translate and align

Document and agree on inclusion rules before running reports or building plans, because even a simple headcount number can vary wildly depending on who's counted.

For Finance: Clarify exactly which employee statuses should be included in each metric. Ask: "Are we counting only cost-incurring employees? What about those on leave or with delayed starts?"

For HR: Share the logic behind HR's counts, such as including signed offers, people on leave, or contingent workers for engagement tracking. Flag any roles that might show up in your HR system but not in payroll or ERP data.

Build a shared data dictionary that outlines:

- What "active," "on leave," "contractor," and "pending start" mean in each system
- Which employee statuses are included in each report or forecast
- How often the inclusion logic is reviewed and synced

This turns potential friction into clarity—and sets a clean foundation for collaborative planning.

Open req/requisition

Used by: HR

What it means: A job role that's been approved for hiring. It signals the beginning of the recruiting process.

Synonyms: open headcount; unfilled role; hiring slot

Why it causes friction: Finance may treat an open req as a budget line that's already incurring cost. HR sees it as a placeholder that may be on hold, delayed, or hard to fill.

Root causes of misunderstanding:

- **Timing:** HR sees reqs as sourcing opportunities. Finance treats them as cost triggers.
- **Measurement logic:** HR tracks time to fill. Finance models by expected start date.
- **Inclusion rules:** HR might include paused or future-dated reqs. Finance includes only actively recruiting roles with near-term starts.

How to translate and align

Not all open reqs are created equal, so make sure both teams know which ones are truly in motion and which ones are just placeholders.

For Finance: Ask HR to categorize open reqs by status (active, paused, or future-planned). Clarify expected start dates and budget impact. Don't model open reqs as immediate hires unless confirmed.

For HR: Communicate the recruiting stage, urgency, and likelihood of fill. Include dependencies like compensation approvals, hiring manager readiness, or external market constraints.

Use a shared open req tracker that includes:

- Req status (approved and active, paused, not yet opened)
- Target start date
- Estimated cost
- Fill probability (high/medium/low)

This helps Finance forecast accurately and helps HR manage expectations on hiring timelines and deliverables.

Org design

Used by: HR

What it means: The intentional structuring of teams, roles, and reporting lines to align with business goals.

Synonyms: org structure; reporting lines; people architecture

Why it causes friction: Org design changes impact financial models. If Finance isn't looped in early, they get blindsided by changes to headcount, costs, and reporting structures.

Root causes of misunderstanding:

- **Data sources:** HR uses org charts and modeling tools. Finance tracks payroll and cost center mappings.
- **Timing:** HR may implement org changes mid-cycle. Finance closes books quarterly.
- **Measurement logic:** HR looks at team efficiency. Finance measures compensation and cost center shifts.
- **Inclusion rules:** HR may include proposed roles in the new structure. Finance only includes costed roles tied to current budgets.

How to translate and align

Treat org design as both a people decision and a financial model update, because every reporting line or structural change affects cost, approval flows, and strategic priorities.

For Finance: Ask HR to provide side-by-side org snapshots ("current" vs. "proposed") with cost implications. Confirm how changes affect compensation, department budgets, and reporting structure.

For HR: Share proposed org changes with Finance early, including rationale (e.g., span of control, team performance, regional shift). Highlight roles that are being created, consolidated, or reclassified.

Use a shared format that shows:

- Reporting line changes
- Role reclassifications
- New role justifications
- Timeline and financial impact of structural shifts

This makes org design a shared exercise in scale and sustainability, not just a headcount chart update.

Ramp time

Used by: HR and Finance

What it means: The time it takes a new hire to reach full productivity.

Synonyms: time to productivity; onboarding runway; efficiency ramp

Why it causes friction: Finance may assume new hires are productive (and cost-justified) from day one. HR knows most people need 30–90 days to ramp.

Root causes of misunderstanding:

- **Timing:** HR accounts for training curves. Finance forecasts impact immediately.
- **Measurement logic:** HR tracks learning milestones. Finance assumes uniform output.
- **Inclusion rules:** HR includes new hires in headcount immediately. Finance may model a productivity discount for new employees.

How to translate and align

Think of ramp time as a delay in value, not just a hiring milestone. It's crucial to set expectations for when new hires will start delivering measurable results.

For Finance: Incorporate ramp assumptions into headcount forecasts and ROI models. Don't assume new hires are productive on day one. Factor in onboarding time, training, and tool access.

For HR: Communicate average ramp time by role, based on historical data or onboarding benchmarks. Explain how ramp time affects productivity, performance reviews, and time-to-impact.

Use a shared assumption like: "This sales role reaches 50 percent productivity in 30 days, full productivity in 90."

This way, HR can build better onboarding and support, and Finance can plan for delayed ROI and adjust models accordingly.

TBH (to be hired)

Used by: HR and Finance

What it means: TBH stands for "to be hired." It refers to a role that is planned but not yet filled. These roles may be approved, requested, or hypothetical depending on where they sit in the planning process.

Synonyms: open headcount; unfilled role; placeholder; planned hire; future req

Why it causes friction: HR may use TBH roles to map org structure or forecast capacity. Finance often sees TBH as speculative or unapproved, which can create tension when teams assume those roles are "real" in budget conversations.

Root causes of misunderstanding:

- **Data sources:** HR builds org models with TBH placeholders. Finance tracks costed roles in budget/forecast tools.
- **Timing:** HR may present future-state plans with TBH roles included. Finance operates within fiscal-year constraints, where those roles may not be funded.
- **Measurement logic:** HR includes TBH to show long-term growth. Finance needs TBH roles tied to exact cost and timing.
- **Inclusion rules:** HR may include TBH roles in headcount forecasts. Finance only includes TBH roles if budgeted and approved.

How to translate and align

Treat TBH roles as a shared planning signal, not a guarantee. They help both teams map future needs, but only if they're clearly defined and regularly updated.

For Finance: Include TBH roles in forecasts only if approved and budgeted. Clarify with HR whether these are speculative or committed so they don't inflate cost projections.

For HR: Label TBH roles by status (e.g., approved, pending, stretch) and include timing, cost assumptions, and hiring likelihood. Use TBH to map future-state org design and recruiting capacity.

Use a shared TBH tracker that includes:

- Role name and department
- Approval status (approved, proposed, stretch)
- Estimated start date and fully loaded cost
- Hiring confidence level (high/medium/low)

That way, HR and Finance can model best-case and realistic scenarios without overcommitting resources or underserving growth needs.

Workforce planning

Used by: HR and Finance

What it means: Workforce planning is the strategic process of aligning headcount and skills with business goals. It answers: Who do we need, when do we need them, and what will it cost?

Synonyms: talent planning; capacity planning; strategic workforce model; staffing strategy

Why it causes friction: HR often owns the qualitative input (skills, roles, capacity), while Finance owns the quantitative constraints (budget, FTEs, timing). Misalignment on either side causes last-minute tradeoffs and fire drills.

Root causes of misunderstanding:

- **Data sources:** HR uses HRIS or HCM, talent plans, and org design models. Finance pulls from ERP, budget templates, and forecasting tools.
- **Timing:** HR thinks long-term (skills needed in 6–12 months). Finance plans by fiscal quarter or annual forecast.
- **Measurement logic:** HR focuses on role availability and readiness. Finance ties roles directly to expense forecasting.
- **Inclusion rules:** HR may include signed offers and pipeline roles. Finance counts only costed, approved, or currently active roles.

How to translate and align

Workforce planning works best when it's a joint effort between HR and Finance—not a handoff.

For Finance: Use workforce plans to forecast expenses, not just headcount. Ask for context behind hiring waves (e.g., backfills, expansions, restructures) and identify what's time-sensitive vs. flexible.

For HR: Provide workforce plans that include timing, costs, role levels, and hiring risks. Clearly label roles as approved, proposed, or stretch. Include recruiting feasibility and historical fill velocity.

Build a shared workforce plan model that includes:

- Role type and level
- Status (approved, TBH, stretch)
- Start date and ramp assumptions
- Cost per hire
- Attrition offsets or backfills

This enables both teams to scenario-plan with agility and allows them to align hiring goals with budget realities.

Performance and productivity terms

Attrition/turnover

Used by: HR (primarily) and Finance

What it means: Attrition is the rate at which people leave the organization, either voluntarily or involuntarily. Turnover is often used interchangeably, although attrition may imply more long-term exits that are not immediately backfilled.

Synonyms: exit rate; employee churn; separation rate

Why it causes friction: HR sees attrition through a people lens: culture, engagement, employee morale, retention. Finance sees it as a cost (especially if it's unplanned or high-volume).

Root causes of misunderstanding:

- **Data sources:** HR pulls from exit surveys and employee lifecycle data. Finance sees the cost of attrition via backfills and ramp time.
- **Timing:** HR tracks rolling attrition. Finance reacts when attrition impacts budgets or productivity.
- **Measurement logic:** HR may analyze by regrettable vs. non-regrettable. Finance focuses on backfill cost and disruption.
- **Inclusion rules:** HR might include voluntary and involuntary exits. Finance may only consider roles that impact spend.

How to translate and align

Attrition isn't just an HR metric. It's a business cost. Aligning on what it means and how it's tracked helps both teams take proactive steps.

For Finance: Track attrition trends over time and model their financial impact: replacement cost, lost productivity, ramp time, and recruiting spend. Ask HR to flag spikes or trends before they affect the bottom line.

For HR: Break down attrition into voluntary vs. involuntary and regrettable vs. planned. Explain the impact on team morale, recruitment pressure, and institutional knowledge. Estimate the cost to replace key roles.

Use a shared attrition dashboard that includes:

- Turnover type (voluntary/involuntary, regrettable/planned)
- Cost per exit (by role type)
- Impact on budget and workforce plan
- Retention actions in motion

This turns attrition into a shared early warning system, rather than a surprise reported at the end of the quarter.

Engagement

Used by: HR

What it means: Engagement measures how connected, motivated, and committed people are to their work and the company. High engagement typically leads to better performance, retention, and collaboration.

Synonyms: employee sentiment; commitment; motivation; discretionary effort

Why it causes friction: Engagement is often seen by HR as a leading indicator of business health. Finance may struggle to quantify or directly link outcomes like revenue or margin.

Root causes of misunderstanding:

- **Data sources:** HR uses surveys, pulse tools, and sentiment analysis. Finance looks for performance and cost metrics.
- **Timing:** HR uses engagement to predict future attrition or productivity. Finance wants evidence of ROI today.
- **Measurement logic:** HR uses eNPS, survey participation, and driver scores. Finance needs data linked to business outcomes.
- **Inclusion rules:** HR may include anecdotal insights and qualitative themes. Finance needs quantitative justification.

How to translate and align

Engagement drives performance, retention, and morale. To prove its value, HR and Finance need to connect sentiment to spend.

For Finance: Ask for KPIs that translate engagement into business results—like lower attrition, improved ramp, or higher sales per rep. Track investment in engagement initiatives and how they support company goals.

For HR: Share engagement trends and how they correlate with attrition, productivity, or team performance. Highlight actions taken (e.g., manager training, recognition programs) and link them to outcome shifts.

Use a shared engagement report that includes:

- eNPS or pulse score trends
- Links to retention, productivity, or performance outcomes
- Budget for engagement initiatives (e.g., surveys, tools, training)
- ROI where available (e.g., lower backfill cost, shorter ramp time)

This gives Finance data-driven confidence in HR initiatives and helps HR secure support for programs that drive people-first, business-smart outcomes.

Headcount-to-revenue ratio

Used by: Finance

What it means: This ratio measures how efficiently a company is generating revenue relative to its headcount. It shows how much revenue is produced per employee or per FTE.

Synonyms: revenue per head; productivity ratio; efficiency metric

Why it causes friction: HR may see this as an oversimplification, ignoring role complexity, ramp time, or market dynamics. Finance uses it to assess operational efficiency.

Root causes of misunderstanding:

- **Data sources:** HR = headcount and org structure. Finance = ERP and revenue reports.
- **Timing:** HR experiences headcount changes in real time as teams grow or shift. Finance calculates quarterly.
- **Measurement logic:** HR = contextual performance by team and function. Finance = revenue divided by average headcount.
- **Inclusion rules:** HR might reference upcoming hires or explain dips due to ramping. Finance includes only active FTEs.

How to translate and align

This ratio helps measure efficiency, but it only makes sense when HR and Finance both understand what's driving it and how to use it.

For Finance: Share ratio targets by department or business unit. Ask HR to flag structural changes (e.g., big hiring waves, reorganizations) that may shift the ratio short-term, and work together to project when ROI will kick in.

For HR: Provide context for changes in the ratio, like ramping teams, backfills, or long-term growth investments. Explain when a dip reflects smart scaling rather than inefficiency.

Use a shared view that includes:

- Ratio over time by function
- Hiring phases and ramp assumptions
- Revenue impact expectations for new hires
- Productivity thresholds to track ROI

This helps ensure the metric doesn't get used out of context and that both teams are measuring efficiency in a way that's fair and forward-looking.

Productivity

Used by: HR and Finance

What it means: Productivity measures output per employee or per hour. It helps assess how effectively people are working toward business goals.

Synonyms: efficiency; output; performance yield; results per resource

Why it causes friction: HR might define productivity through engagement and performance. Finance defines it in terms of output per cost.

Root causes of misunderstanding:

- **Data sources:** HR = performance reviews, engagement surveys. Finance = revenue, utilization, and cost data.
- **Timing:** HR sees productivity as ongoing and qualitative. Finance wants quarterly numbers they can model.
- **Measurement logic:** HR = human-centered view. Finance = cost-effective output.
- **Inclusion rules:** HR includes productivity drivers (wellbeing, DE&I, collaboration). Finance includes only measurable output tied to margin.

How to translate and align

Productivity is where people and performance meet, but it means different things to different teams. Define it together to use it meaningfully.

For Finance: Define how productivity ties to financial results. Ask HR to provide context for performance metrics and help link them to margin, growth, or efficiency.

For HR: Clarify how productivity is measured across different functions (e.g., tickets closed, features shipped, deals closed). Share how engagement, wellness, and culture initiatives influence performance outcomes.

Use a shared productivity model that includes:

- Role-specific output metrics
- Productivity trends over time
- Ramp assumptions and performance benchmarks
- Links to revenue or cost per output

This ensures productivity isn't just a buzzword but a shared metric tied to business health.

Retention

Used by: HR

What it means: Retention is the ability to keep employees over time. High retention usually signals strong culture, engagement, and leadership. Low retention leads to increased costs and business disruption.

Synonyms: loyalty; employee stickiness; tenure preservation

Why it causes friction: HR sees retention as a reflection of culture and management. Finance sees it as a cost control lever. If HR doesn't communicate the business impact, Finance may deprioritize investment in retention programs.

Root causes of misunderstanding:

- **Data sources:** HR = lifecycle data and exit interviews. Finance = hiring, backfill, and ramp costs.
- **Timing:** HR tracks rolling tenure trends. Finance flags spend spikes when replacements are needed.
- **Measurement logic:** HR = reduce regrettable attrition. Finance = minimize rehiring and training costs.
- **Inclusion rules:** HR might count all exits equally. Finance may only flag high-cost replacements.

How to translate and align

Retention isn't just about keeping people. It's about protecting performance, continuity, and cost efficiency. Both HR and Finance benefit from seeing it as a shared success metric.

For Finance: Monitor retention rates over time and correlate them with cost impact—backfills, recruiting expenses, onboarding, and lost productivity. Ask HR to forecast retention risk and how investments in people may reduce it.

For HR: Track retention across high performers, key roles, and vulnerable departments. Share the cost of turnover and actions taken to improve stickiness, like mentorship, growth paths, or total rewards adjustments.

Use a shared retention view that includes:

- Retention by segment (e.g., top talent, early-tenure, high-cost roles)
- Cost of turnover per role
- ROI on retention initiatives (e.g., equity refresh, L&D, recognition)
- Forecasted impact of high/low retention scenarios

This turns retention into a proactive, budget-aligned priority, not a lagging indicator.

Utilization rate

Used by: Finance (and sometimes HR in services orgs)

What it means: Utilization rate is the percentage of available working hours that are spent on billable or productive work. It's often used in professional services, tech, or agency models.

Synonyms: billable rate; productive hours; time usage ratio

Why it causes friction: HR may see utilization as too narrow or stressful a measure. Finance uses it as a critical productivity and margin driver.

Root causes of misunderstanding:

- **Data sources:** HR = work-life balance, burnout signals. Finance = timesheets, project tools.
- **Timing:** HR considers team capacity over time. Finance uses weekly or monthly data.
- **Measurement logic:** HR = focus on sustainable workload. Finance = optimize revenue per hour.
- **Inclusion rules:** HR includes non-billable but high-value tasks (e.g., mentoring, onboarding). Finance includes only billable hours in the calculation.

How to translate and align

Utilization measures how effectively people's time translates into business value. But it needs context to be used constructively.

For Finance: Use utilization to assess team efficiency and capacity planning. Ask HR for realistic thresholds by function and ensure utilization targets don't drive unhealthy work patterns or short-termism.

For HR: Provide visibility into how utilization is tracked across roles (especially in services, R&D, or support). Flag risks like burnout, imbalance, or underutilization. Emphasize non-billable but high-impact work (e.g., mentoring, onboarding, internal projects).

Use a shared utilization tracker that includes:

- Billable vs. non-billable hours (if applicable)
- Target utilization by team/role
- Trends over time
- Context for anomalies (e.g., onboarding wave, strategic project)

This keeps the metric human-centered and helps both teams optimize without overextending.

Systems and alignment terms

Close calendar

Used by: Finance

What it means: The close calendar outlines key dates for monthly, quarterly, and annual financial closing processes. It's when Finance finalizes books, locks numbers, and prepares reports.

Synonyms: financial close; accounting close; GL lock dates

Why it causes friction: HR may keep updating headcount data in real time. But once Finance has closed the books, those updates don't get reflected, leading to misalignment.

Root causes of misunderstanding:

- **Data sources:** HR uses real-time people data. Finance pulls from GL and accounting systems.
- **Timing:** HR may revise headcount after close. Finance freezes data to prepare reports.
- **Measurement logic:** HR = dynamic, rolling updates. Finance = strict cutoff and snapshot.
- **Inclusion rules:** HR includes late-arriving updates. Finance excludes anything post-close.

How to translate and align

The close calendar is a critical Finance workflow. But when HR understands the timeline, everyone can work faster and with fewer surprises.

For Finance: Share close deadlines in advance and clarify what data you need from HR and when. Flag when updates are too late to be included, and offer guidance on how they can be captured in the next cycle.

For HR: Plan headcount updates and reporting timelines around close dates. Share any last-minute changes (e.g., hires, exits, cost adjustments) before Finance finalizes books. Label updates clearly if they fall after the close freeze.

Use a shared calendar that includes:

- Monthly/quarterly close deadlines
- HRIS/HCM data sync cutoff dates
- Expected inputs (headcount, comp changes, org shifts)
- Review and reconciliation windows

This lets both teams close confidently without retroactive rework or confusion.

Data sync

Used by: HR and Finance

What it means: Data sync refers to the process of integrating and aligning people data (from HR systems) with financial and planning systems used by Finance.

Synonyms: system integration; data alignment; HCM-ERP sync

Why it causes friction: HR may think their data is up-to-date. Finance may be working from stale or mismatched datasets. When systems aren't integrated, trust breaks down.

Root causes of misunderstanding:
- **Data sources:** HR = HRIS, HCM, or other HR tech point solutions. Finance = ERP, payroll, or planning platforms.
- **Timing:** HR data may update hourly or daily. Finance pulls data based on fixed schedules.
- **Measurement logic:** HR = accuracy for people ops. Finance = accuracy for forecasting.
- **Inclusion rules:** HR may include inactive employees for visibility. Finance may filter to only costed roles.

How to translate and align

A strong data sync is the backbone of trust between HR and Finance, because misaligned systems lead to misaligned decisions.

For Finance: Share which tools and reports you rely on for planning and forecasting. Ask HR to align naming conventions, job codes, and cost center mappings to ensure clean data flow.

For HR: Clarify which systems you're pulling data from (e.g., HCM, ATS, comp tools) and how often they sync with Finance systems. Flag known gaps (like role status mismatches or org chart delays) and share how updates are validated.

Use a shared sync log that includes:
- Sync frequency and last update time
- Source systems and ownership
- Known discrepancies and resolution plans
- Data audit checkpoints

This builds a shared foundation where both teams work from the same numbers on the same page, every time.

ERP (Enterprise Resource Planning)

Used by: Finance

What it means: ERP (Enterprise Resource Planning) systems manage financials, procurement, inventory, and accounting. Finance uses ERPs as a source of truth for company spend and structure.

Synonyms: financial system; accounting platform; GL system

Why it causes friction: HR doesn't typically operate inside the ERP, so the org structure, cost center mappings, or FTEs reflected there may not match HR's systems.

Root causes of misunderstanding:

- **Data sources:** HR = HRIS/HCM, ATS, and payroll systems. Finance = general ledger, accounting, and financial reporting systems.
- **Timing:** HR reflects real-time org changes. Finance updates ERPs on a set schedule.
- **Measurement logic:** HR = people impact. Finance = cost structure.
- **Inclusion rules:** HR may include signed hires or proposed changes. ERPs include only active, processed transactions..

How to translate and align

The ERP is Finance's system of record, but it needs to reflect real people data from HR to be truly useful.

For Finance: Clarify how ERP structures influence reporting and budget tracking. Ask HR to validate data mappings during integration updates or fiscal planning to catch misalignment before it impacts forecasts.

For HR: Ensure role titles, departments, and cost center assignments in the HR platform match those in the ERP. Share planned org changes and approved TBH roles early so Finance can prep ERP updates.

Use a shared ERP–HR platform mapping guide that includes:

- Job codes and level alignment
- Cost center and department mappings
- Data ownership (who updates what, where, and when)
- Sync audit checkpoints

This ensures the ERP reflects the real org and that headcount, cost, and structure match across systems.

Forecast freeze

Used by: Finance

What it means: A forecast freeze is a point in time when Finance locks the forecast and stops accepting data changes until the next planning cycle.

Synonyms: budget lock; model cutoff; freeze date

Why it causes friction: HR might update hiring plans after a freeze. But Finance needs consistency to finalize models and share them with leadership.

Root causes of misunderstanding:

- **Data sources:** HR = real-time hiring updates. Finance = static snapshot until next cycle.
- **Timing:** HR makes decisions continuously. Finance operates in fixed planning intervals.
- **Measurement logic:** HR = continuous improvement. Finance = accuracy and accountability.
- **Inclusion rules:** HR may still modify TBH roles or timing. Finance does not accept changes post-freeze.

How to translate and align

A forecast freeze locks the plan, but it shouldn't freeze collaboration. Aligning early helps both teams commit to the numbers with confidence.

For Finance: Communicate freeze dates well in advance and explain the downstream impact (e.g., leadership reporting, board materials). Ask HR for pre-freeze updates on hiring risks, comp changes, or org shifts that could affect assumptions.

For HR: Know when Finance freezes the forecast, and plan hiring updates accordingly. Provide finalized role data—including TBHs, start dates, and cost estimates—before the freeze. Afterward, clearly mark any changes as out-of-cycle.

Use a shared planning calendar that includes:

- Freeze dates by cycle (monthly, quarterly, annual)
- Deadlines for HR inputs
- Documentation guidelines for post-freeze changes
- Reforecast windows

That way, HR and Finance stay in sync, and the numbers hold up under scrutiny.

HRIS/HCM

Used by: HR (and more frequently, Finance)

What it means: A Human Resources Information System (HRIS) or Human Capital Management (HCM) system is the central platform for managing employee data, job structures, compensation, and more.

Synonyms: HR platform; HR system; people platform; employee system of record

Why it causes friction: Finance may not have access to the HRIS/HCM or may distrust its structure if it doesn't align with ERP data. When HR makes org changes in the HR platform but doesn't sync them with Finance, confusion follows.

Root causes of misunderstanding:

- **Data sources:** HR = HRIS/HCM. Finance = ERP or GL.
- **Timing:** HR updates daily or ad hoc. Finance expects structured data flow.
- **Measurement logic:** HR = organizational structure, compensation, engagement. Finance = headcount cost, FTEs, span of control.
- **Inclusion rules:** HR includes TBHs, pending offers, and non-traditional employees. Finance may include only costed, active roles.

How to translate and align

The HRIS/HCM is HR's source of truth. Its value multiplies when it's synced and trusted across Finance systems too.

For Finance: Ask HR to provide data extracts in a format that maps easily into your planning tools. Work together to resolve mismatches between what's shown in the HR system and what's needed in the ERP or forecast models.

For HR: Keep data in the HRIS/HCM clean, consistent, and up to date. Align fields like job title, department, and cost center with Finance's structure. Communicate which data fields are dynamic (like manager changes) and which are fixed (like job level).

Use a shared HRIS–Finance data map that includes:

- Common fields and formats (e.g., employee status, location, comp)
- Data update frequency and ownership
- Known sync gaps and how they're addressed
- Access protocols for key stakeholders

This strengthens alignment on people data and turns the HR platform into a trusted, integrated asset across the business.

Source of truth

Used by: HR and Finance

What it means: A "source of truth" is the single, agreed-upon system or dataset that both teams rely on when reporting or planning.

Synonyms: canonical system; system of record; data authority

Why it causes friction: HR might say the HCM or HRIS is the source of truth. Finance might say it's the ERP. When those systems are out of sync—or teams don't agree on which one to trust—it leads to confusion and misalignment.

Root causes of misunderstanding:

- **Data sources:** HR = HRIS/HCM or planning docs. Finance = ERP or FP&A tool.
- **Timing:** HR sees immediate changes. Finance sees reporting lags.
- **Measurement logic:** HR = employee experience and structure. Finance = dollars and forecasts.
- **Inclusion rules:** HR includes all team structure nuance. Finance includes only what's model-ready.

How to translate and align

When everyone works from the same data, trust grows. Defining a source of truth ensures both teams align on decisions, not just definitions.

For Finance: Ask HR to validate data sources regularly, especially before planning cycles or board reporting. Share which systems drive forecasts and reporting and when a system mismatch could throw off assumptions.

For HR: Clarify which systems are authoritative for each type of data, e.g., the HCM for org structure, the ATS for hiring status, and comp tools for salary bands. Be transparent about when and how data is updated and what Finance can rely on.

Use a shared "source of truth" matrix that includes:

- Type of data (e.g., headcount, comp, org structure)
- Primary system of record
- Sync frequency
- Data owner(s) and contact

This makes collaboration smoother, reporting cleaner, and decision-making faster, because both sides are working from the same starting point. Document it. Communicate it. Update it as systems evolve.

Different terms, same goals

Behind every headcount number and every budget line is a shared mission: to build a resilient, high-performing company. But HR and Finance often get stuck at the starting line and find that they're misaligned on vocabulary, systems, and assumptions.

This HR–Finance dictionary isn't just a glossary. It's a collaboration tool built to help HR and Finance professionals become true partners in planning, performance, and growth.

It helps HR leaders understand how their data flows into financial forecasts and how Finance sees that data through a cost lens. It helps Finance leaders recognize the complexity of people planning and the time, systems, and context it takes to hire, ramp, and retain talent.

So the next time someone says, "We have 120 employees," and someone else says, "I only see 107 FTEs," you'll know it's not a disagreement. It's a difference in inclusion rules, systems, and timing. This resource provides the shared language you need to align.

Meet Bob

At HiBob, we've built a modern **HR platform** designed
for modern business needs—today and beyond.

An HR platform such as Bob offers a one-stop shop
for all things HR. It sits at the center of your HR ecosystem,
is fully customizable, and grows with your organization.

For HR

It delivers automation of many common processes, allows greater oversight and visibility of the business, and centralizes all people data in a secure, user-friendly environment.

For managers

It provides access to data and insights to help them lead more effectively and streamline processes.

For employees

It's the tools and information they need to connect, develop, and grow throughout their journey.

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