Financial Acumen: The Missing Skill in Reward

In today's organisations, Reward is no longer a "HR thing" and Finance is no longer a "numbers thing." The companies that outperform their competitors are those where Reward and Finance operate as true strategic partners. Aligned, informed, commercially minded, and laser-focused on attracting, retaining, and motivating the talent that drives business performance.

Yet many organisations still treat Reward as a cost centre and Finance as the gatekeeper. In reality, both functions are stewards of value creation, and the bridge between them is **financial acumen.** The ability for Reward leaders to understand the business model, margin pressures, and commercial realities, and for Finance leaders to understand the human levers that drive performance, culture, and long-term organisational health.

I've worked in both worlds, over a decade respectively in both Finance and Reward where I've seen firsthand how powerful this combination is. Putting it simply: **It builds trust**. It accelerates decision-making. It gets things over the line, and it ensures organisations make reward decisions that are not only fair and competitive, but commercially sound and strategically aligned.

Reward Is More Than Pay: It's a Commercial Engine

Reward is often reduced to salary reviews or bonus cycles, but its impact is far broader. A financially literate Reward function understands how each element influences cost, behaviour, and business outcomes:

- **Compensation:** Base pay, short-term incentives, long-term incentives, car allowances, and other cash allowances all sit directly on the P&L. Poorly designed pay structures erode margin; well-designed ones strengthen it.
- **Benefits:** Health, retirement, wellbeing, insurance, and lifestyle benefits are long-term commitments. They influence retention, productivity, and employer brand, each with measurable financial impact.
- **Recognition:** Often underestimated, recognition drives culture, engagement, and discretionary effort. It's one of the highest-ROI components of Reward when aligned with business priorities.

Reward is not simply an expense. It is an investment portfolio. And like any portfolio, it requires financial discipline, strategic clarity, and a deep understanding of risk, return and value.

Why Financial Acumen Matters in Reward

1. Protecting Margin While Supporting Talent

Reward leaders must understand margin pressures, cost structures, and the levers that influence profitability. Without this, reward decisions become disconnected from commercial reality.

Financial acumen allows Reward leaders to:

- Model cost scenarios with confidence
- Understand affordability vs competitiveness
- Anticipate CFO concerns before they arise
- Build proposals that withstand financial scrutiny

This is how Reward earns credibility, trust and approval.

2. Designing Incentives That Actually Drive Performance

Short-term and long-term incentives are only effective when they align with how the business makes money. Financially informed Reward leaders can link incentive design to:

- Revenue drivers
- Margin improvement
- Cash flow priorities
- Strategic growth areas

This ensures incentives motivate the right behaviours and deliver measurable business impact.

3. Strengthening Attraction and Retention

Finance teams know the cost of turnover. Reward teams know the human reasons behind it. When both perspectives combine, organisations make smarter decisions about:

- Pay positioning
- Market competitiveness
- Top Talent
- Retention risk
- Investment in high-impact roles

Top talent doesn't stay because a spreadsheet says they should. They stay because the organisation understands their value, contribution and rewards them accordingly.

4. Building a Culture of Fairness and Performance

Reward shapes culture. Finance shapes sustainability. Together, they create a culture where:

- People understand how performance links to reward
- Leaders make consistent, fair decisions
- Reward practices reinforce organisational values
- Investments in people are aligned with long-term strategy

Culture is not fluffy. It is a financial asset. And Reward is one of its most powerful levers.

Finance Needs Reward, Too

Financial acumen is essential for Reward but the partnership works both ways. CFOs and Finance teams benefit enormously from understanding the human side of value creation.

Finance leaders who understand Reward:

- Make better investment decisions about talent
- Appreciate the cost of losing top performers
- Understand the competitive landscape for critical skills
- Support strategic workforce planning
- Build trust with HR and Reward leaders

When Finance understands talent, reward conversations shift from "cost control" to "value creation."

The Power of Dual Experience: What I've Seen Firsthand

Having worked in both Finance and Reward, across different industries, I've seen how this dual perspective transforms outcomes.

It improves:

- **Relationships:** Finance trusts Reward more when proposals are commercially grounded. Reward trusts Finance more when talent considerations are understood.
- **Decision-making:** Conversations move faster. Approvals come easier. Debates become constructive rather than defensive.
- **Strategic alignment:** Reward becomes a lever for business performance, not an annual cycle of cost management.
- **Execution:** Projects get over the line because both sides understand the "why," not just the "how much."

This is the future of Reward: commercial, strategic and collaborative.

Reward and Finance: A Strategic Partnership, Not a Transaction

The organisations that win in today's market are those where Reward and Finance operate as one integrated system. Not HR vs Finance. Not people vs numbers. But a unified approach to value creation.

Reward leaders must build financial acumen. Finance leaders must build talent acumen. And together, they must design reward strategies that support culture, performance, and sustainable growth.

Because at the end of the day, Reward is not just about paying people. It's about powering the business.