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Our Learning Objectives

1. Describe the value and role of the HR Scorecard/Dashboard.
2. Discuss the difference between *leading and lagging* indicators as measures of HR effectiveness.
3. Identify the components of the HR Scorecard.
4. Identify the key performance drivers and enablers that constitute the primary HR deliverables.
5. Develop some preliminary HR Scorecard/Dashboard measures for your HR department and company.
HR Balance Scorecard

- The HR Balanced Scorecard includes four perspectives:
  - Strategic Perspective
  - Measures success in achieving the five strategic thrusts. Since the basis for the HR Balanced Scorecard is achieving business goals, the aligned HR Strategic objectives are the drivers for the entire model.

- Operations Perspective
  - Measures HR’s success in operational excellence. The focus was primarily in three areas: staffing, technology, and HR processes and transactions.
HR Balance Scorecard

- Customer Perspective
- • Includes measures of how HR is viewed by the key customer segments. Survey results were used to track customer perceptions of service as well as assess overall employee engagement, competitive capability, and links to productivity.
HR Balance Scorecard

- Financial Perspective
- Addresses how HR adds measurable financial value to the organisation, including measures of ROI in training, technology, staffing, risk management, and cost of service delivery.
Building and Using the HR Scorecard/Dashboard

- Developing an HR Scorecard/Dashboard for Assessing and Reporting HR’s Impact on Your Company’s Bottom Line
The Failure of HR Strategy

• In a 2002 industry survey by SHRM...
• Only 34% of executives view HR as a strategic partner
• Only 44% of respondents indicated that their organization communicates its strategy well
• Only 22% indicated that general employees understand company’s strategy
• 21% indicated that HR only deals with operational issues vs. strategic ones
• Only 23% indicated that HR strategy was tightly integrated with company strategy
• Only 25% of HR departments use a balanced scorecard on HR’s contribution to strategy

[SHRM Research, N=1310, Aligning HR with Organization Strategy Survey]
What is the Value of Tracking HR Effectiveness?

How are you currently measuring HR effectiveness?
Why Track HR Effectiveness?

• To guide decision making — It helps HR staff in how best to manage the HR system to support the company.

• To evaluate program/department effectiveness — It constitutes a “report card” to guide improvement efforts.
To Be Most Effective . . .

• The most effective measures of HR:
  1. Identify a clear, consistent, and compelling *connection between the company’s strategy* and the work of each employee.
  2. Zero in on the *critical few measures that* have the greatest impact on the company’s bottom line.
  3. Document the effects of HR on company performance in *credible ways that* employees, line supervisors, and managers can understand.
The HR Deliverables

• HR Performance

Drivers → Results

• HR Performance

Enablers → Reinforcing the Drivers
Lagging Indicators

• Lagging indicators are *outcome measures that help you gauge* your HR progress by examining the final end result or *outcomes* of your collective efforts.

• Use of the “lagging” term reflects the delay or gap between your actions and a change in the final end result.
Lagging indicators have a *direct bearing on a company’s* bottom line. There is a business interest in and a direct financial benefit from improvement in these areas.
Leading Indicators

• Leading indicators are *process measures that help you gauge incremental progress you are making toward key HR outcome (lagging) measures.*

• Since leading indicators measure the results from your processes, there is less of a delay between your actions and a change in the system.

• They are the *performance drivers — the key factors that enable the overall end result (outcome) you want to achieve.*
Characteristics of Leading Indicators

- Process measure.
- Immediate feedback to the system.
- Tells you what *is* happening now.
- Can be tracked over time.
- Provides an “early warning” of emerging results.
- Very responsive to changes in the system.
Leading Indicator Examples

• HR Examples . . . Increasing retention
  A reduction in absenteeism in key positions.

• % increase in internal people expressing interest in position

• Number of positive comments from customers
Leading indicators have an *indirect bearing on a company’s* bottom line. While there is a business interest in improvement in these areas, there may not be an immediate financial benefit to the company.
The HR Scorecard

1. Focuses on *leading indicators*.
2. Identifies the differences between HR
   *doables and HR deliverables*.
3. Demonstrates HR’s contribution to strategy
   implementation and to the company’s
   bottom line.
4. Helps HR managers focus on and manage
   their strategic responsibilities.
5. Encourages HR flexibility and change.
How's Your HR Scorecard?
HR Scorecard Key Benefits

- Formulate HR strategy that is aligned with the overall corporate strategy
- Clarify the vision / mission of the organization
- Create a consensus and ownership of the strategy in the management team
- Improve communication of the strategy across the enterprise
- Prioritize HR initiatives by linking activities to business goals
- Helps support functions identify and communicate their unique strategies
- Create a framework for initiative prioritization and budgeting
- Align measurement with business goal achievement
- Measure HR’s strategic contribution in concrete and clearly understood terms
- Provide real time graphical display of Key Performance Indicators

Figure
The HR Dashboard

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HR and the Business Scorecard

• HR Scorecard
  - HR Systems
  - HR Strategic Focus
  - HR Practices

Business Balanced Scorecard
  - Financial Results
  - Core Business Strategy
  - Customer Satisfaction and Results
  - Business Process and Systems Improvement

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Developing Your Scorecard

2. Develop a Strategy Map.
3. Identify the High Leverage HR Deliverables.
4. Identify Key Components of the HR Architecture that Support the HR Deliverables.
5. Develop the HR Scorecard/Dashboard
Your Turn . . .

• Define your company’s business strategy . . .
• Begin developing your strategy map . . .
• Identify high leverage HR deliverables . . .
High Leverage

• Specific actions where a small, well-focused effort could produce the most significant and *enduring* improvements or changes in the target outcomes.
The HR Scorecard

- Balancing value creation with cost controls and efficiencies
- Involves identifying both performance drivers and enablers to support the company’s strategic priorities
HR Competencies

- Operational efficiency
- High Performance Work System — knowledge and use of best practices in HR
- Employee relations/advocacy
- Strategy execution
- Change agent
High Performance Work System

• Links selection and promotion decisions to a validated competency model.
• Develops strategies that provide timely and effective support for skills required for strategy implementation.
• Enacts compensation and performance management policies that attract, retain, and motivate high-performance employees.
Example Elements of HPWS

• Average merit increases granted by job classification and performance
• Number and quality of cross-functional teams
• Number of employee suggestions generated and implemented
• Percent of total salary at risk
• Quality of employee feedback systems
• Number of hours of training received by new employees
• Merit pay differential between high-performing and low-performing employees
• Proportion of the workforce that receives formal performance feedback from multiple sources (360 feedback)
• Number of exceptional candidates recruited for each strategic (key) job opening

From The HR Scorecard
HR Practices

- Staff competency model
- Recruitment and selection
- Employee orientation
- Compensation and benefits
- Performance measurement
- Labor-management relations
- Effective work design
Contd

- Internal customer
- satisfaction
- Communication
- Training and development
- Succession planning
HR Systems

• Internal HR alignment
• HR alignment with company strategy
• Matching HR strategy to the company culture
• Differentiating HR services to match the different needs of different departments/strategic business units
Your Turn . . .

- Building from your HR Deliverables . . .
- Identify your key “high leverage” HR “doables” and enablers in your:
  - HR Competencies
  - HR Practices
  - HR System
Developing Your Scorecard

2. Develop a Strategy Map.
3. Identify the High Leverage HR Deliverables.
4. Identify Key Components of the HR Architecture that Support the HR Deliverables.
5. Develop the HR Scorecard/Dashboard.
Creating Measures of Your HR System Alignment

• Assessing staff perceptions of the *internal alignment* of your HR practices — Are they internally consistent with one another?

• Assessing staff perceptions of the *external alignment* of your HR practices:
  ✓ To what extent do your HR deliverables enable the company’s performance drivers and strategic objectives?
  ✓ To what extent do your HR practices enable/support your HR deliverables?
So Why Consider the BSC?

• As an HR Professional --
  – Strategic Thinker
  – Business Leader

• As an organization --
  – Welcomes change – vital culture today
  – Achieves strategic objectives
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Keys to Success

- Educate your Executive and Teams
- Devise the right metrics
- Follow through to completion
- Start *small* – *Report immediately*
- Don’t over measure
1. Describe the strategy – burning platform?
   – Strategy Map
2. Measure the strategy
   – Develop the measures; critical data points
3. Manage the strategy
   – Gather detailed information about the measure and initiative
The Successful Scorecard...

- Is a dynamic process –
  - continues to set higher targets and achieves them –
- Define jobs strategically
  - from the perspective of where it fits in with the strategic business goals
- Supports joint decision
  - making about what you do/don’t do based on strategic goals
Successful Execution

• Research conducted by the Harvard Business School demonstrates that overall only one out of every ten companies that formulate strategy can effectively implement it.

• Many factors make it difficult to implement strategy today. The pace of change continues to accelerate, technology changes frequently and the workforce is more diverse and mobile than ever before.

• While the business world continues to evolve, management systems have not kept up. The majority of measurement and management systems were designed to meet the needs of a stable, incrementally changing world not the needs of today’s dynamic economy.

• Statistics confirm that a Balanced Scorecard approach has emerged as the most effective way of managing and executing enterprise strategy.