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Develop a Human Capital Strategy Scorecard

“Of all the factors affecting firm performance that CEOs and senior managers can directly influence, workforce success – or the extent to which a firm can generate a workforce with the culture, mindset, competencies, and strategic behaviours needed to execute its strategy – is both the most important and most underperforming asset in most businesses”. “The Workforce Scorecard” by Huselid, Becker and Beatty

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Develop a Human Capital Strategy Scorecard

1. Introduction

“If you can’t measure it, you can’t manage it” – a phrase attributed to many people, the most famous of whom include Peter Drucker and Robert Kaplan, separately. But, whoever coined this phrase, the fact remains, unless you know what “good” looks like and can measure it, you can never know whether or not you are achieving it.

Research over the past 15 years has demonstrated unequivocally that, the Human Capital Capability of an organization is a major differentiator between top-performing and non-top-performing organizations, globally! And is also a strong indicator of future strength of the organization. Human Capital Capability is the sum of all knowledge, skills, competencies, experience, attitudes and performance available to the organization to employ in wealth creation. Human Capital Capacity is a stronger indicator to investors today, than financial indicators.

As a result there is increasing interest in Human Capital Management and the use of a HR scorecard to provide a framework within which to measure and monitor. However,

experience of HR scorecard implementation has been mixed. In this White Paper we try to provide insights into the reasons why, and outline the key steps that must be undertaken for Human Capital measurement to be effective.

The emergence of the HR scorecard¹ concept has tried to address the struggle that HR have had with appropriate and effective measures to quantify the “value-add” of HR to the business. The Workforce Scorecard² introduced Workforce Measures to bridge the gap between the performance of HR, and the implementation of Business Strategy through people – a measure not included in the HR Scorecard.

In other words, there are ultimately two elements to HR measurement:

1. Measuring the efficacy of HR as a function in the organization
2. Measuring the efficacy of the workforce of the organization in achieving the business strategy.

A framework in which a Human Capital Strategy³ can be effectively defined and implemented was introduced that

¹ Mark Huselid, Brian Becker and Dave Ulrich, “The HR Scorecard”, Harvard Business School, 2001

² Mark Huselid, Brian Becker and Richard Beatty, “The Workforce Scorecard”, Harvard Business School, 2005

³ Bradley Hall, “The New Human Capital Strategy”, Amacom, 2008.

brings both the HR Scorecard and the Workforce Scorecard into an integrated system for Human Capital Management.

Our approach is to bring these together to form a more realistic measure of the value of HR to the organization as a whole. We call this the Human Capital Management (HCM) Scorecard.

2. Approach to HCS Scorecard

Rather than trying to immediately compile a list of measures that are easy to quantify and readily accessible, we take a more structured approach to compiling the HCS Scorecard.

a. Reason for Implementing HCS Scorecard

What is the underlying reason for wanting to implement a Human Capital Strategy scoring system?

- Is the Balance Scorecard, or some other scorecard-type, system being implemented across the organization?
- Does a newly established HR Shared Service centre require a Scorecard-type system?
- Is it being implemented as part of a Human Resource Information System (HRIS) being installed?
- Is it considered as “best practice”?

The answers to these questions should not alter the type of measures and metrics used, but will certainly impact on how the scorecard system will be deployed and used.

A common mistake is trying to put all HR measures on a single layer. Realistically, this is not so. The HCS Scorecard metrics hierarchy consists of:

- A framework within which the HCS Scorecard may operate effectively and consistently
- Values-based HR metrics linked to corporate-based metrics that reflect value-based measures
- HR outcome measures that focus on business outcomes
- Operational HR metrics that focus on efficiencies
- Workforce metrics that measure the quality of the workforce and workforce success.

b. The Business Context of HR

The next thing to consider is the overall context of the HCS Scorecard in which HR and Line Management operate:

- What are the value drivers of each of the business units?
- What is HR's value proposition to each of the business units?
- Which are HR's biggest value points?
- How is HR's contribution recognised – by senior management, the line, employees, HR itself and/or investors?

- What does the HR function currently measure?
- Are the metrics activity-driven or value-driven?
- What human capital metrics are included in the general business reporting?

These questions will help to determine the relevance of certain measures in terms of impact before the next step of defining HR value.

c. Defining HR Value

Most current HR metrics are operational in nature (efficiency metrics) and are of good value to HR itself, but have limited or no value to the business.

The HCS Scorecard seeks to derive HR metrics that relate to outcomes or contribute to value creation. Using the HCS Scorecard, HR value (or contribution to this) is seen and measured from three different perspectives:

- The value of the HR function to the business as a whole
- The value of HR processes as practised throughout the organization, (e.g. performance management, career management, succession planning) and the fit

with core fundamentals, such as culture, structure, business strategy, etc.

- The quantification of people value to the organisation, and their input to strategic decision-making.

For many organizations the inclusion of value-based metrics, running alongside the efficiency-based metrics can be dramatic, and a well thought-out Change Management Plan must be implemented to ensure success.

d. Develop the HR Value Map and Construct HCS Metric Trees.

This is potentially the most difficult step in terms of mapping the touch points – those where HR involvement or intervention has impact on business performance. This map provides the base for constructing a hierarchical link of HR metrics with business metrics (financial/process/customer).

For instance, if the Strategic Goals of a Sales Department are to increase sales while improving customer retention, what would the HR “touch points” be to ensure that Sales achieves its goals? The metrics would be similar, however - by how much did sales increase and how much of this

was due to HR’s interventions; by how much did customer retention improve and how much of this was due to HR’s interventions? So, HCS metrics would possibly measure improvement in sales skills and improvement in customer relations skills.

e. Selecting the Relevant Measures and Metrics

This step is unfortunately the one at which most scorecard enthusiasts begin! The trick here is to construct a set of relevant metrics that meet with the initial rationale for the HR scorecard design, HR’s value drivers, and the hierarchical link between HR and business.



The diagram above shows the four quadrants of Human Capital Management and the processes within each

quadrant. Traditionally HR is strongest in the two right-hand quadrants – acquiring human capital and developing human capital. These represent the operationally-focused areas of HR.

The “strategy” areas of HR lie in the left-hand quadrants – human capital planning, and aligning human capital performance with business performance.

For an effective Human Capital Strategy, there should be metrics across all four quadrants that link directly to business performance.

The outcome of this stage should result in some form of draft scorecard framework of strategic metrics and measures. That is, not how much training did we do, but, by how much did training increase overall sales.

f. Maintaining the HCS Scorecard Framework

The scorecard is an organic design – one that changes with the business. Thus this step is most important in continually updating and reviewing the scorecard framework, ensuring that it continues to report relevant metrics and discontinuing those metrics that are no longer required. This is sometimes the hardest task.

Following the steps outlined above, whilst by no means definitive, will at least ensure a HR scorecard design that will be relevant to the business rather than reflective of a loose collection of HR metrics.

3. Measuring HCM effectiveness – HCS Scorecard design

Having explained the steps and the theory around developing the HCS Scorecard, in the next part of this workshop, we will provide a guided facilitation for your HCS Scorecard process.

The steps, or phases, need to be accomplished in the order presented, and each step, or phase, needs to be completed before moving on to the next step or phase.

It is suggested that each step should be a 4 to 8 hour session, and that steps should be at least 24 hours apart in order for notes to be distributed and attendees to evaluate the notes and take note of anything that was not included in the session. The process should be as participative and consultative as possible.

a. Pre-workshop Work

Before the workshop, all attendees should complete at least one of the following HCM diagnostic tools, available from the www.TalentAlign.com website – the same organization to complete the same questionnaire! Each HR Business Partner and Line Manager should complete

these questionnaires separately, and the results should be available to the workshop.

- Human Capital Strategy Quiz
- Human Capital Capability Model – Level 2

Analyse the results of the questionnaire – what do these results tell you? Your organization is likely to fall into one of the following three categories.

1. The organization has little or no emphasis on Human Capital Management. There is little evidence of Human Capital metrics or practices evident from the results. HR is focused inwardly – i.e. focused on providing better HR services, and is organized in traditional silos – Remuneration, Recruitment, Training and Development, etc. HR does not appear in the organization’s Business Plan. HR processes are fairly well defined but are inconsistently applied throughout the organization. Automation of business processes is virtually limited to HR Administration.
2. Focus on HR Services and HR as a Business Partner. There is some evidence of aligning HR focus with business, but this is, generally, limited to processes and offerings by HR to the business, e.g. Recruitment, Training and Development, etc. Limited information

is provided to business from HR, e.g. staff turnover, number of recruits, time to fill positions, cost per headcount, leave schedules, etc. Performance Management is limited to historic Performance Reviews with a subjective scoring system – these may even be automated. The time frame is generally 6 to 12 months, and within the current budget period.

3. Moving to Human Capital Management with limited Metrics in place. There is an understanding of “Talent” Management, and a move to use the 9-box matrix for talent positioning. This is done on subjective measures, however. Goals are set by division/department/business area, but there is no cascading of goals from the Business Plan, or roll-up of results to measure organizational performance. Key positions have been identified, but competencies have not been identified and/or defined. Succession Planning is limited to management positions, and is not measured across the organization.

It is acknowledged that there are organizations that go beyond these categories into fully fledged HCM focused organizations. These organizations, in fact, provide the proof to the rest of us that skilful and strategic HCM has significant impact on:

- The organization's bottom line
- Customer satisfaction and retention
- Investor value

These “high performing” organizations establish “best in class” HCM concepts and practices and provide a benchmark for other organizations. It is therefore likely that they already have a HCS Scorecard of some form. This document is, therefore, not intended, necessarily for them – unless, of course, there is additional information that they may find useful.

b. Business Context

Under “Business Context”, the key points of the Business Strategy that influence and impact on HR and HCM, need to be identified. Areas to be taken into consideration are:

- Mission, purpose, values and culture – what areas of Human Capital Management are impacted by these, and how can HCM add value?
- Goals and Objectives – look at both long- and short-terms goals and objectives, what elements flow through scorecard perspectives and how do they impact these perspectives?

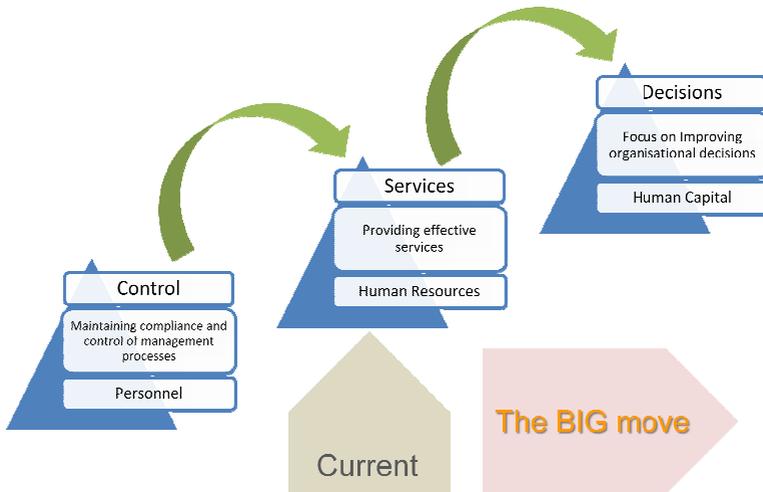
- Organization Structure – is the organization structured optimally to enable it to achieve goals effectively, does the structure reflect the mission, purpose, culture and goals of the organization, what should change to deliver what needs to be done and achieved?
- External influences – what is the organization's current operating environment, what is the economic impact, what resources are readily available and which are in short-supply?
- Internal influences - how does the business currently perceive HR's capability, what does HR need to do to change any adverse perceptions?

Each of these areas needs to be expanded and debated, ensuring that honest and accurate answers are elicited. Basing a strategy on a “wish list” will not add value to the organization.

The outcome of this step is an understanding of the type and "depth" of metrics framework that is both possible and feasible within the timeframe

c. HCM Capability Development

It is highly likely that the HCM capabilities, as defined in “The New Human Capital Strategy”⁴ will not be fully present in the organization. This will negatively impact the ability to achieve a successful HCS Scorecard as buy-in is both expected and critical to this success.



⁴ Bradley Hall, “The New Human Capital Strategy”, Amacom, 2008

This diagram depicts the changing role of HR, and highlights the current move required for a HCS Scorecard.⁵

In the “Control” environment the focus is on maintaining compliance and control by:

- HR generalists who are “brokers” of HR systems and processes
- HR doing what is required by law,
- HR professional value defined by technical expertise (programs and requirements),
- HR systems that achieve goals by “requiring” participants to do what they must do,
- HR measures costs and compliance
- HR creates people related policies,
- HR controls people costs,
- HR administers HR operations, and
- HR ensures efficiency.

⁵ Derived from “Can HR evolve faster” by John Boudreau, and “HCM Models” by Jon Ingham

In the “Services” environment the focus is on providing effective services by:

- HR leaders who are “at the table”,
- HR engaging with business to determine the services needed,
- HR professional value defined by personal credibility and history with constituents,
- HR implements changes by “encouraging”,
- HR measures external benchmarks and perceived quality of services from internal customers
- HR manages people costs,
- HR delivers the required services to the business, and
- HR ensures an alignment between business and the HR services provided.

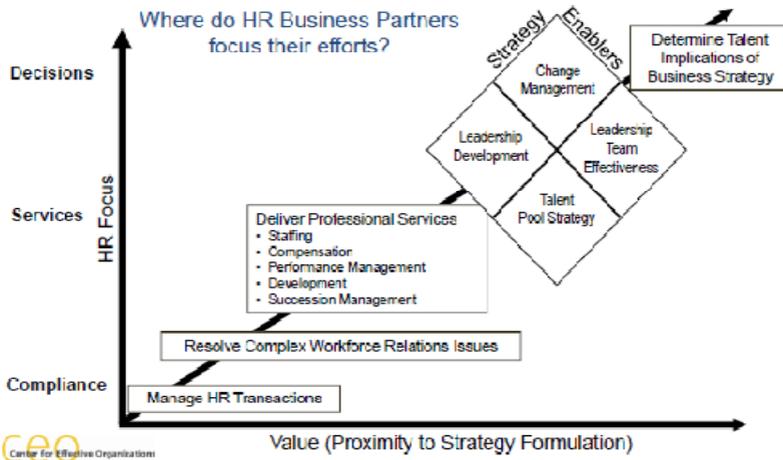
In the “Decisions” environment the focus is on improving organizational decisions by:

- HR leaders that bring a unique decision perspective to the organization,
- HR facilitates resource allocation decisions based on the talent implications of the strategy,

- HR professional value defined by a unique strategically relevant functional discipline,
- HR systems that achieve goals by “teaching” participants and providing the tools to improve decisions,
- HR measures the quality of talent decisions,
- HR Optimizes return on investment in people,
- HR creates capability for the future, driving and accelerating business strategy,
- HR takes advantage of opportunities, and
- HR provides people-related solutions to business problems.

This evolution is summarized in the diagram on the following page⁶:

⁶ John Boudreau “Can HR evolve faster”



As HR evolves through these perspectives, the previous perspective does not go away. It remains and becomes foundational for the next perspective. So it is entirely feasible for all three perspectives to exist within a single organization. However, each perspective requires different levels of commitment, a different skill-set, and different processes, procedures and reporting relationships. The “Decision” perspective needs different HR people to “Services” which, in turn, needs different HR people to “Control”.

The capability needed by the organization in order to move to the “Decision” perspective – Human Capital Strategy – is⁷:

Human Capital Strategy (HCS) Owner	Senior manager responsible for defining and managing the HCS Scorecard, insisting on results, establishing and running the Governance Body.
Human Capital Strategy (HCS) Leader	Top HR leader who is a content expert, project manager, organization-wide change leader
Governance Body	Senior leadership (line) team that are the role model for HCM in the organization, advises the HCS Owner, uses influence and resources to enable HCS Leader to leverage organization members to deliver results.

When the capability infrastructure is in place, the process of deciding what should be measured can begin.

7 Bradley Hall, “The New Human Capital Strategy”, Amacom, 2008.

d. Define Success

Linking Human Capital Strategy to Business Strategy is a critical item at this point. The organization itself has “strategies” that it wants to follow. The table below gives an indication of the organizational capabilities needed when following a specific business strategy⁸:

Business Strategy Focused On	Organization needs to be able to ...
Product	<ul style="list-style-type: none"> • Create new products faster than the competition • Build depth of expertise, particularly in research and development • Produce leading-edge products • Offer a diverse product line • Encourage innovation

⁸ Galbraith, Downey, Kates, “Designing Dynamic Organizations”, Amacom, 2002.

<p>Business Strategy Focused On</p>	<p>Organization needs to be able to ...</p>
<p>Operations</p>	<ul style="list-style-type: none"> • Create common standards • Become a low-cost producer • Continually increase process efficiency
<p>Customers</p>	<ul style="list-style-type: none"> • Build long relationships with customers and grow repeat business • Deliver high levels of customer satisfaction • Customize products at a customer's request • Cross-sell and bundle products • Create preferred sourcing relationships with customers • Exploit multiple distribution

Business Strategy Focused On	Organization needs to be able to ...
	channels <ul style="list-style-type: none"> • Create alliances with other organizations in order to deliver comprehensive solutions.

The strategic focus of the organization needs to be taken into consideration when defining the Human Capital Strategy, which includes the structure of the organization as a whole – not just the HR department. How will the organization’s strategic focus impact the structure of the organization, type of employee, how products are created and delivered, and the strategy needed to optimize business performance through people?

These aspects need to be defined in the Human Capital Strategy taking into consideration the impact on key processes, culture, people and measures of success.

Defining success means deciding what the future should look like, and how to know that it has been achieved. As this is a “change” environment, this process should not start with reviewing the current situation at this stage.

This process acknowledges the change and takes it into account.

What will success look like? What is the organization's view of Human Capital Strategy success? What is going to be the key "theme" of the Human Capital Strategy?

- Fairness and equity across the organization?
- Employer of Choice?
- Diversity and transformation?
- Lawsuit prevention (important in some industries)?
- Talent excellence?
- Performance excellence?
- Employee Engagement?
- Employee Development?
- Profit Improvement?

The list is not exhaustive. No organization can be "all things to all people". Decide on a single view of success that is appropriate to the level of change needed and the business strategy.

Once the Human Capital Strategy key theme has been decided, the Key Performance Indicator of this theme needs to be set. Examples of HCM theme Key Performance Indicators are:

HCS Theme	Key Performance Indicator
Fairness and equity	Satisfaction survey of employees
Employer of Choice	Best Company, or IT Leading Employer finalist or winner
Diversity and transformation	Employment Equity statistics
Employee Engagement	Survey of employees
Employee Development	Internal promotions

This is the “Goal” to be achieved by the Human Capital Strategy. Now it’s time to development the Strategy.

e. Human Capital Strategy

In order to set the Human Capital Strategy (HCS), it is important to understand where the organization is at present in terms of the HCS theme and Key Performance Indicators (KPI).

Assessment instruments need to be acquired or designed that enable the measurement of the selected KPIs. These assessments need to be done at the start of the process as this is the measure against which future interventions will be measured. At this stage the Change Management Plan also needs to be implemented. The HCS theme and KPI's need to be communicated to employees, with the communication that the instrument will be used on a regular basis in order to measure the extent of success of the Human Capital Strategy. Employees have to buy into both the theme and the KPIs to ensure accurate and honest results.

When the current situation is known, the KPI is set for the HCS timeframe, and may be set for periods during the timeframe, for instance, first 12 months, 24 months, 36 months. (Please note: a Strategy Plan is always for a period longer than 12 months).

So, if the theme is Employee Engagement, and the current index is 43% of staff are fully engaged, the measures of success for the HCS might be:

- Within 12 months = 50%
- Within 24 months = 65%
- Within 36 months = 85%

(A recent Aberdeen Group survey established that “best in class” organizations have an 87% employee engagement index)⁹

f. HCS Scorecard Design Framework

The purpose of the Human Capital Strategy is to systematically and deliberately strengthen the organization’s competitive advantage. The design of the HCS Scorecard needs to reflect this while taking into consideration the focus of business strategy and the Human Capital Strategy “theme”.

The “traditional” scorecard as defined by Kaplan and Norton¹⁰ has four specific “perspectives”

⁹ “The 2011 HR Executive’s Agenda” Aberdeen Group, December 2010.

¹⁰ Kaplan and Norton, “The Balanced Scorecard”, HBS Press, 1996.

- Financial – return on investment and economic value-add
- Customer – satisfaction, retention, market, and account share
- Internal – quality, response time, cost, new product introduction
- Development – employee satisfaction, information system availability.

The Human Capital scorecard perspectives should include the following:

- Financial – return on investment
- Internal Customer - satisfaction
- External Customer – satisfaction, retention
- Human Capital – planning, acquiring, developing, aligning
- Workforce - deliverables

Examples of applicable measures for each perspective are:

Perspective	Applicable Measures
Financial	<ul style="list-style-type: none"> • Revenue growth per Employee • Net earnings growth per Employee • Share price • Revenue per Employee (FTE) • Cost per Employee (FTE) • Profit per Employee (PBIT) • Employee Turnover Cost • Employee Cost as a percentage of Total Revenue • Financial Impact of Bad Hires • Average cost of recruitment (by grade, key position, scarce skills, other, etc.) • Employee Benefit Cost as percentage of total employee cost • Accrued annual leave (number of employees and amount) • Return on Investment <ul style="list-style-type: none"> ○ Reward programs ○ Leadership Development ○ Performance Management ○ Online Recruitment ○ Training and Development (by type:

Perspective	Applicable Measures
	<p>coaching, web-based, instructor-led, etc.)</p> <ul style="list-style-type: none"> • Human Resources cost per FTE • Training spend as percentage of total employee costs • Make vs Buy (Train vs Recruit) Costs (by position, key competence, etc.)
Internal Customer	<ul style="list-style-type: none"> • Customer Satisfaction • Customer complaints by HR employee
External Customer	<ul style="list-style-type: none"> • Customer Loyalty • Customer Satisfaction • Market Share • Customer complaints as a proportion of sales • Customer repurchase intent • Percentage of revenue from organic growth • Percentage of revenue from new customers / products • Product value perception of customers by customer category (A, B, C) • Public perception of company as a market leader • Percentage of employees recognized by customers for outstanding

Perspective	Applicable Measures
	performance
Human Capital	<ul style="list-style-type: none"> • Planning <ul style="list-style-type: none"> ○ Percentage of managers with scorecard completed and implemented ○ Percentage of managers with measures identified and quantified ○ Percentage of key positions to total positions (by department, company) ○ Percentage of key competencies to total competencies (by department, company) ○ Percentage of departments with approved and signed off structure ○ Percentage of positions with documented position and authority descriptions ○ Percentage of positions with documented competency descriptions ○ Percentage of positions with measurable and measured Key Performance Indicators (KPIs) ○ Percentage of positions with goals linked to business strategy ○ Percentage of positions with key competencies

Perspective	Applicable Measures
	<ul style="list-style-type: none"> ○ Percentage of staff identified in terms of the Talent Management 9-box matrix. ○ Number of “key knowledge areas” identified and documented ○ Number of “key knowledge areas” easily available to staff ○ Average number of interviewees for open positions (management, key positions, key competencies, other) ○ Percentage of man hours available $((\text{total man hours} - \text{hours absent}) / \text{total man hours}) * 100$ ○ Percentage of temporary or contracted FTE relative to all FTE ○ Average age of current workforce ○ Average span of control ○ Senior management FTE as a percentage of total employees FTE ○ Number of key positions at risk (incumbent leaving, retiring, etc.) ○ Number of key positions with scarce skills ○ Percentage of departments with skills needs for the next 24 months identified and quantified ● Acquiring

Perspective	Applicable Measures
	<ul style="list-style-type: none"> ○ EVP developed and implemented ○ Percentage of recruitment practices relating to EVP ○ Extent to which required competencies are reflected in recruiting and staffing practices ○ Percentage of line managers with an approved onboarding program for new recruits ○ Percentage of new recruits successfully completed onboarding programs ○ Cost per Hire ○ Time to Fill ○ Average open time of job positions (management, key positions, other) ○ Successful recruits by type of recruit (agency, staff recommendation, eRecruitment) ○ Percentage of vacancies filled that followed internal recruitment procedures ○ Percentage of competent applicants for open job positions ○ Average response time between line and management in the recruitment process (both ways)

Perspective	Applicable Measures
	<ul style="list-style-type: none"> ○ Length of Employment ○ Vacant Positions ○ Percentage of new hires achieving satisfactory appraisal at first assessment ○ Percentage of new hires that have had a first assessment ○ Job offer acceptance rate ○ Cycle time (in days) from job acceptance until job start ○ Percentage of screened new recruits ○ Percentage of new recruits assessed for key skills ○ Manager Satisfaction ○ Turnover Rate of New Hires ○ Preventable turnover ○ Diversity turnover ○ Ratio of number of open positions to total number of employee (FTE) ● Developing <ul style="list-style-type: none"> ○ Percentage of departments with completed Skills Audit ○ Percentage time away from work ○ Average time in same position ○ Learning and Growth opportunities ○ Average training days per Employee

Perspective	Applicable Measures
	<ul style="list-style-type: none"> ○ Percentage of courses offered by type of delivery (on-line, web-based, self-service, instructor-led, etc.) ○ Coaching Hours per Employee ○ Training cost per Employee ○ Development cost per Employee ○ Average time to competence (key competencies) ○ Percentage of management successfully completed Leadership Training ○ Percentage of new/potential managers on Leadership Training ○ Percentage of managers with identified successors ○ Percentage of key positions with identified successors ○ Percentage of employees fully competent for current position ● Aligning <ul style="list-style-type: none"> ○ Consistency and clarity of messages from top management and from HR ○ Employee Turnover Rate (by grade, position, manager, talent 9-box matrix, age, tenure, etc.) ○ Average tenure (by grade, position, manager, talent 9-box matrix, age,

Perspective	Applicable Measures
	<p>etc.)</p> <ul style="list-style-type: none"> ○ Employee Engagement index ○ Percentage of employees actively looking for other employment ○ Knowledge Accessibility ○ Ratio of internal promotions to external hires for positions (management, key positions, other) ○ Average lead time to promotion ○ Percentage of employees receiving regular career development review and feedback ○ Percentage of employees participating in a career coaching program ○ Percentage of employees at least 75% competent for identified future position ○ Percentage of employees receiving regular performance review and feedback ○ Percentage of employees whose performance increased/decreased compared with previous year ○ Percentage of performance appraisals completed on time with full agreement

Perspective	Applicable Measures
	<ul style="list-style-type: none"> ○ Percentage of employees on or above KPI and goal targets (by manager, department) ○ Percentage of employees below KPI target (by manager, department) ○ Percentage of employees below goal targets (by manager, department) ○ Percentage of employees in each box of the Talent Management 9-box matrix ○ Remuneration benchmarked against industry ○ Comparative Ratio (by grade, key position, key competencies, top performers, etc.) (Comparative Ratio = salary/midpoint or market rate) ○ Percentage of Total Compensation linked to performance (by position, department, talent 9-box matrix) ○ Percentage of employees on performance-based pay (position, key position, grade, department) ○ Percentage of employees receiving performance-based pay (due to KPI/goal achievement)
Workforce	<ul style="list-style-type: none"> ● Equipment and age of equipment per employee

Perspective	Applicable Measures
	<ul style="list-style-type: none"> • Extent of workforce readiness for change • Effectiveness of information sharing between departments • Extent of cross-functional team-work • Knowledge sharing of organizational best practices • Effectiveness in dealing with poor performers • Extent of adherence to corporate core values and culture • Percentage of women in management positions • Percentage of original ideas implemented (by manager, department, employee) • Percentage of workforce that is promotable • Percentage retention of key competencies • Level of financial literacy among employees • Extent of automation of common HR processes • Extent to which top management shows commitment and leadership

Each of these measures has a “story” to tell. Understanding the story will enable management to identify both problem areas and areas that are performing well, for appropriate management action. One of the problems for HR is that there is an almost limitless choice of HR metrics, the vast majority of which are meaningless outside the HR function but easy to report. When deciding on the measures, the following should be taken into account:

1. There needs to be certain ground rules about the types of metrics that could or should be reported. For instance, only “operational” metrics that impact on strategy should be included.
2. There should be a mix of both operational and strategic measures.
3. Consider which metrics will provide a valuable measure for the business.
4. The metrics should be more knowledge-based than data-based, i.e. they should “tell a story”.
5. Ensure that they can be measured – even if some work needs to be done to collect the information.
6. The measures should be evenly and appropriately distributed across the perspectives.

7. There is no such thing as too many measures – not if they each tell a story that leads to appropriate management action.
8. There can be too few measures – in which case management will not get the right “story”.

g. Populating the HCS Scorecard

The HCS Scorecard design is context-specific and must reflect the company’s needs. Once the goals have been agreed, it is time to ascribe targets to each of the selected metrics and establish the routes that can be taken to achieve the goal and put the Action Plans in place.

Each of the measures should be calculated immediately after the final HCS Scorecard has been agreed and signed off. This is to establish what the current measure is in order to set the goals for the strategy timeframe. Only when the current situation is defined, in terms of the chosen measures, is it possible to set the goals for the next 12, 24, 36 months.

h. Translating into Individual “Scorecards”

Although we generally refer to Individual Performance Contracts or Individual Performance Goals rather than Individual Scorecards, we use this term here to emphasize

that managers need to take the HCS Scorecard and translate into a “Scorecard” for their business area, and, thereafter, the employees in each business area.

If there is no relationship between department and individual performance goals and the HCS Scorecard, there is little chance of tracking and resolving problems with performance relating to the Scorecard – and this is the ultimate aim of the Scorecard.

All measures “downstream” of the HCS Scorecard should be able to be accumulated back to the scorecard to identify and address problem areas, and reward achievement of goals appropriately.

4. Change Management

The importance of Change Management throughout the entire process cannot be over-emphasized. The success of the entire endeavour is put at stake without a well thought-out Change Strategy, Change Plan, and Communication Plan.

This is not just applicable at the start, but should be reinforced throughout the strategy period. Employees need to know what is being measured and how it relates to the achievement of business goals and strategy. They also need to know what the outcomes will be after the analysis of measures during the strategy timeframe. These outcomes, as far as employees are concerned can be: promotion, change of career, more training, higher pay and a host of good incentives. But they, and management, also need to know that consistent poor results will result in less favourable outcomes, including outplacement.

“Of all the factors affecting firm performance that CEOs and senior managers can directly influence, workforce success – or the extent to which a firm can generate a workforce with the culture, mindset, competencies, and strategic behaviours needed to execute its strategy – is both the most important and most underperforming asset in most businesses”. “The Workforce Scorecard” by Huselid, Becker and Beatty

5. Conclusion

Business success requires a disciplined approach to improving the performance of people. All recent research on the subject has demonstrated great rewards for achieving this. Optimizing the performance and investment in people is a key strategic initiative of business today, and is the responsibility of all management, not just HR.



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