

# Strategic HR Management Systems

Series



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Human Resources Information Technology

Do you find yourself having to deal with the “fallout” of strategy decisions dictated by the senior management team? Do these decisions include anything from restructuring, downsizing or rightsizing to a merger or acquisition? HR in many instances is being asked to execute decisions with vast people implications but is not being provided the opportunity to influence the original decision. A top concern of Human Resource executives is, “How do I get to the management table?” Recent research at the Balanced Scorecard Collaborative confirms that many HR organizations lack the tools and the science to elevate support and administrative functions to a strategic level. They are often unable to describe, manage, or measure human capital as a strategic asset in a way that earns them a place at the table.

Becoming a strategic partner to the enterprise requires an alignment between HR and the enterprise at all levels (strategy, resource allocation, budgeting, reporting). New management practices must be adopted to help position HR as a strategic partner to the enterprise. Achieving the status of a strategic enterprise partner requires the implementation of tools, and the adoption of practices not supported or readily available from the majority of current HRMS suppliers. Implementation of a HR Scorecard provides the HR organization with a proven set of tools that will help link and align HR priorities with enterprise strategy. The successful integration and adoption of the HR Scorecard will enable the HR organization to articulate and measure their strategic contribution to the enterprise in concert with overall corporate strategy.

### **What is a Balanced Scorecard?**

The Balanced Scorecard is best seen as a management versus measurement tool. It is a systematic framework for communicating strategy and vision, stressing the fact that the success of an organization is a holistic process.

The Scorecard measures organizational performance across four balanced perspectives: financial, customer, internal business processes and learning and growth. The idea behind the tool is that financial performance does not adequately capture all the factors affecting the organization's competitive performance.

### **The HR Scorecard Approach**

Once integrated, the HR Scorecard aligns support functions with the business strategy illustrating the strategic impact of HR services and projects and enables HR to demonstrate its value through more than short-term financial outcomes. Adopting the HR Scorecard as a strategic management system ensures that HR views all of its activities in terms of their contribution to the organization's goals. By developing a strategic program for measuring and managing Human Capital, HR executives have the opportunity to spearhead the development of better strategic management.

### **Getting Started**

If structured properly, adopting the HR Scorecard would allow the HR organization to take the initiative, instead of being reactive to the demands of the enterprise. A comprehensive approach that creates strategic alignment between HR and the enterprise at all levels including strategy, resource allocation, budgeting, reporting is absolutely essential.

Developing the HR Scorecard as a new management process provides the foundation to make HR a true strategic partner and enable the enterprise to realize the full value of its human capital. The first step in establishing HR as a strategy focused organization requires the development of a HR Scorecard that can be linked to enterprise strategy and achieve perfect organizational alignment.

Successful project execution requires a HR Scorecard, which is a management system project that demonstrates a high level of user friendliness. All scorecard users should be able to manage scorecards unaided by IT specialists or power users. Training must be straightforward to accelerate adoption, and information must be accessible without a tedious navigation process.

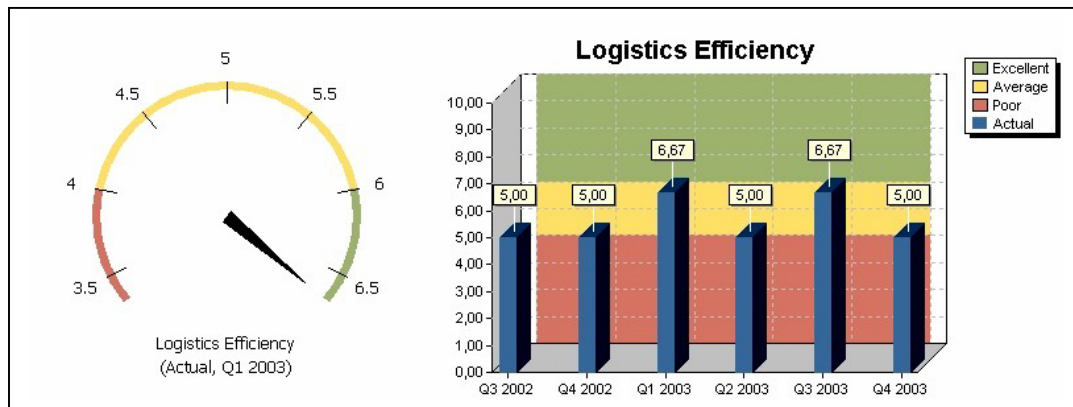


Figure 1 Dashboard summary view of Logistics Efficiency

The HR Scorecard development process will entail the completion of several processes using the following methodology:

1. Development of a Solid Strategy

Development of a solid strategy that is aligned with the enterprise strategy is a keystone to success. Without a solid strategy, success is unobtainable. However, without execution, a solid strategy is meaningless.

2. Strategy Mapping

Development of a strategy map, including selection of performance measures, establish targets, establish objectives, identify initiatives and identify ownership to deliver the strategy.

3. Establish Measures for each Objective

After translating strategy into objectives, managers and employees must know if and when objectives are being achieved. Therefore, each objective is given at least one measurement that is included in the Key Performance Indicators.

4. Cascading of Scorecard

Keeping in mind operational, management and front line employees do the actual work that makes strategies happen. Organizations must develop Scorecards at every level so that each person can see how his or her specific responsibilities align and contribute to the higher level goals.

5. Scorecard Implementation

Finalize Scorecard designs and develop an implementation plan.

6. Post Implementation

After the Scorecards are deployed, managers need to periodically re-examine their existing core processes to ensure they are linked to the corporate strategy

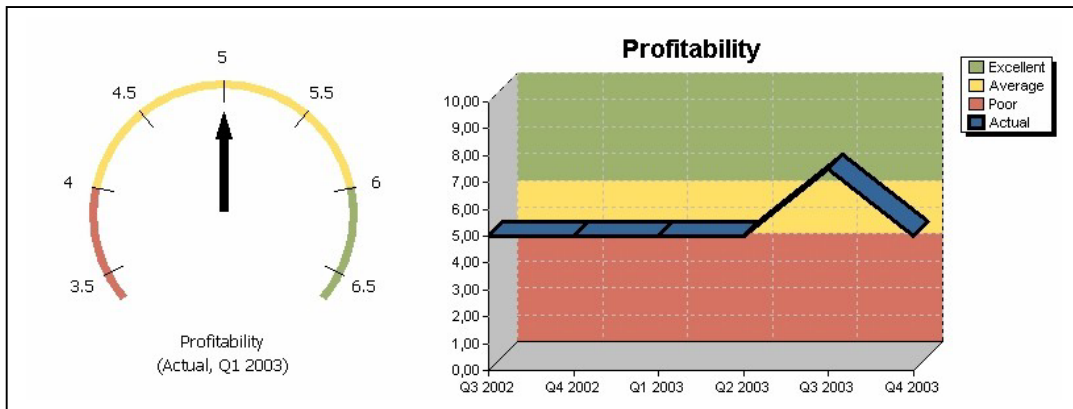


Figure 2 Dashboard summary view of Profitability

**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

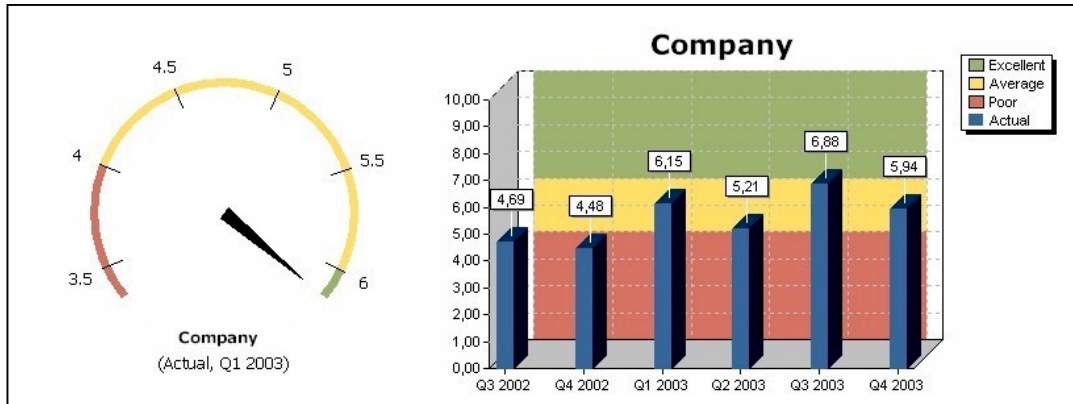


Figure 3 Dashboard summary view of Company

**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.