

**Université de Montréal**

**Development of a Balanced Scorecard as a  
Strategic Measurement System for the Human Resources Function**

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**Mémoire présenté à la Faculté des études supérieures  
en vue de l'obtention du grade de Maître ès science (M.Sc.)  
en Relations Industrielles**

**Septembre, 2001**

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**Université de Montréal  
Faculté des études supérieures**

**Ce mémoire intitulé:**

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Strategic Measurement System for the Human Resources Function**

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**Mémoire accepté le:** 25 octobre 2001

## SUMMARY

New economic realities are putting pressure on HR to widen its focus from the administrative role it has traditionally played, to a broader strategic role as a business partner. This transition has been difficult for many HR functions because in order to play a more strategic role, they have to measure their effectiveness. To date very few have met this challenge.

There are many schools of thought on measuring the effectiveness of the HR function. Some authors propose a quantitative or a qualitative approach, while others propose a global approach. However, they all have limitations. An alternative approach is the Balanced Scorecard concept, which enables organizations to translate their strategy into a balanced set of metrics, combining qualitative and quantitative, and financial and non-financial metrics, helping the organization assess current and predict future performance. Therefore, the objective of this research has been to design a balanced scorecard for the Human Resources function as a potential approach to evaluating its effectiveness.

Based on the literature, the research methodology focused on the design of a scorecard for a large international organization. First, the HR strategy for this organization was clarified and articulated into a series of cause and effect relationships, presented as tangible goals. To assess the performance of these strategic goals, measures were then selected and defined for each one, resulting in a feasible scorecard composed of 38 metrics. The scorecard is ready to implement as a strategic measurement system, enabling the Function's effectiveness to be assessed over time.

Due to the exploratory nature of this research, this application study will hopefully provide insight on the use of the balanced scorecard as an approach to evaluating the effectiveness of the HR function. In the current context facing HR functions, it is key that they find a way to evaluate their effectiveness that will support their evolution as business partners.

## KEY WORDS

- Balanced Scorecard
- Business Partner
- HR Measurement
- HR Effectiveness
- HR Strategy
- Performance Management

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Les réalités économiques étant ce qu'elles sont, une forte pression est exercée sur la fonction ressources humaines (RH) afin d'élargir son horizon du rôle administratif traditionnel, à un rôle stratégique accru en tant que partenaire d'affaires. Cette transition a été difficile pour les fonctions RH car, afin d'assumer un rôle plus stratégique, elles se doivent de mesurer leur efficacité. À ce jour, très peu d'entre elles ont relevé ce défi.

Il y a plusieurs écoles de pensées sur le sujet de la mesure de l'efficacité du rôle des RH. Certaines proposent une approche quantitative ou qualitative, alors que d'autres suggèrent une approche globale. Cependant, toutes ces approches accusent certaines limites. Le concept du Tableau de Bord Équilibré est une approche qui permet aux organisations de mettre sur pied leurs stratégies sous forme de mesures équilibrées, combinant mesures qualitatives et quantitatives, financières et non-financières, permettant ainsi à ces organisations d'évaluer les performances actuelles et d'anticiper les performances futures. En résumé, l'objectif de ce travail a été de concevoir un tableau de bord équilibré comme une approche susceptible de mesurer l'efficacité de la Fonction des Ressources Humaines.

Basée sur la documentation existante, la méthodologie de recherche se concentre sur la création type d'un tableau de bord pour une organisation de taille internationale. D'abord, la stratégie des RH pour cette organisation a été exprimée et conçue en séries de relations de cause à effet, présentées sous forme d'objectifs tangibles. Pour évaluer la performance de ces objectifs stratégiques, des mesures précises furent sélectionnées et définies donnant comme résultat un tableau de bord réalisable composé de 38 mesures. Le tableau de bord est donc prêt à être mis en œuvre en tant que système de mesure stratégique, permettant ainsi d'évaluer l'efficacité de la Fonction au fil du temps.

Ce travail étant de nature exploratoire, il est à prévoir que cette étude d'application fournira un modèle quand à l'utilisation du tableau de bord en tant que méthode d'évaluation de l'efficacité de la fonction RH. Face au contexte actuel, il est essentiel que les fonctions RH trouvent un moyen d'évaluer leur efficacité afin de supporter leur évolution en tant que partenaire d'affaires.

## MOTS CLÉS

- Tableau de bord équilibré
- Partenaire d'affaires
- Stratégie ressources humaines
- Mesures de la Fonction RH
- L'efficacité de la Fonction RH
- Mesures de Performance

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## ACKNOWLEDGEMENTS

This thesis could not have been accomplished without the generous support of several people. I am sincerely grateful for their support in helping me attain this goal.

Firstly, I would like to thank my Research Director, Tania Saba. Her guidance, support, and encouragement have paved the way.

Secondly, I would like to thank the people in this organization's Human Resources Function. They have provided me with both information and insight, and agreed to have it documented.

I would also like to extend my sincere gratitude to my family and friends for their encouragement and understanding over this long journey. A special mention to my good friend Manon, who advised me in the French language throughout the entire program.

Finally, a special thanks to my husband, Des, who inspired me to rise to the occasion. Without him, it would have been an even more difficult journey.

## INTRODUCTION

Organizations are becoming more aware of the importance of their human assets in meeting their business goals and achieving competitive advantage. However, as Fitz-enz says, “in many companies, management does not see the value added by the HR function in effectively managing the human assets of the enterprise” (McKee, 1997, p.150). As Human Resources is expected to play a more strategic role, more organizations will be asking themselves how well they are served by their HR function. Yet, an analysis of the situation to date reveals that few companies have really measured the effectiveness of the HR function (Bergeron, 1993, p.706).

The literature seems to be unanimous in saying that Human Resources as a profession and domain of scholarly inquiry is undergoing a major transition. Traditionally, Human Resources was expected to perform various administrative functions. However, as the environment has changed, organizations have changed their expectations of Human Resources as a function. As Ulrich argues, the Human Resources professional of the future will have to focus on results and guarantee deliverables by deploying practices that create value (1997, p.ix). Ulrich defined the HR professional of the future as being a real business partner, acting as an administrative expert, an employee champion, but also as an agent of change and a strategic partner (1997).

However, to become a business partner, certain conditions must exist. HR must leverage technology, champion HR principles in its own function, and measure the effectiveness of the HR function. While all of these conditions are necessary for HR to transition to a business partner, this paper will focus specifically on measuring the effectiveness of the HR function. The reason for this is that since most decision-makers view results as value, they often view HR activities as costs. Therefore, measuring the HR function is critical for improving both the credibility and the effectiveness of the function. “If you cannot measure its contribution, you cannot manage it or improve it” (Belcourt, 2001, p.36).

There are many schools of thought on measuring the effectiveness of the HR function. The one recurring theme is that it is a complex process. Some authors propose a

qualitative approach or a quantitative approach, while others propose a more global approach. Most of these approaches, however, have their limitations. They do not seem to support the HR function as a real business partner, operating in all four roles.

Recently, another measurement approach has emerged called the balanced scorecard. Kaplan and Norton created the balanced scorecard concept for organizations as a vehicle to translate their strategy into a balanced set of tangible metrics (1996). The balanced scorecard concept looks at the strategy from four perspectives: financial, customer, process and learning and growth. These perspectives enable the organization to identify strategic goals and metrics that are financial and non-financial, qualitative and quantitative, independent and dependent (leading and lagging) which can help the organization assess current performance and predict future performance. The interesting question to ask is whether the balanced scorecard is a potential approach to evaluating the effectiveness of the HR function?

Given the current importance of this issue, the objective of this research paper will be to explore the balanced scorecard as a potential approach to evaluating the effectiveness of the HR function. The paper will be divided into three parts. The first chapter will review the literature, exploring the changing role of the HR function, approaches to measuring its effectiveness and the current measurement situation, and finally, the balanced scorecard approach. The second chapter will discuss the problematic and the research question and methodology. The final chapter will be an application study of the design of a HR scorecard for an organization. The study will actually design a scorecard for the HR function in a large, international organization. It will review the process and recommend the measurement dimensions and definitions for the HR scorecard for this organization. The outcome of this project will be a usable scorecard for the Function to implement.

Due to the exploratory nature of this research, this application study will hopefully provide insight on the use of the balanced scorecard as an approach to evaluating the effectiveness of the HR function, as a business partner. In the current context facing HR functions, it is key that they find a way to evaluate their effectiveness in a way that will support their evolution as business partners.

# CHAPTER I

## Review of the literature

The review of the literature will cover several sections. The first section will review the changing role of the Human Resources function, evolving from the traditional administrative function to that of a business partner. The second section will discuss the different approaches to measuring HR effectiveness. The final section will explore the balanced scorecard methodology as an alternative approach to evaluating the effectiveness of the HR function.

### 1.1 The HR Function as a Business Partner:

The external and internal environment of organizations has traditionally influenced the role of the Human Resources function. The role originated as an administrative function, and over time, has evolved to include the roles of an employee champion, strategic partner and agent of change. David Ulrich describes the Human Resources professional who operates in all four of these roles as a business partner (1997). However, several challenges must be overcome before HR can assume the role of a business partner. The transition requires certain conditions. This part of the literature review will explore the evolution of the HR function, the new role of HR as a business partner, the difficulties the function has faced in managing this transition, and finally, the conditions that are necessary to foster this transition.

#### 1.1.1. The evolution of the HR function:

The Human Resources Function originated when manufacturing was the key driver of industry. An administrative function was created to interpret contracts, keep records, and hire people. Human Resources was expected to focus on hiring and firing people, acting like a purchasing agent (McKee, 1997, p.150). Eventually, with increasing unionization, firms decided that they needed their own representatives to deal with the union. This prompted the development of an employee relations function (Ulrich, 1997).

The function was then influenced by the increase of social and employment legislation in the 1960s and 1970s, which began the trend toward regulation of the workplace beyond contract rules. Shifting demographics and employee relations law saw an increase in litigation and financial judgements rendered against major corporations, where senior management saw that Human Resources could play a role in keeping them out of trouble. This also led to the art of management development (McKee, 1997, p.150). By the late 1970s, literature on the Human Resources function described four core activities: staffing, development, appraisals, and rewards (Ulrich, 1997).

In the 1980s, the function began to play a role in organizational design and communications. During this period, corporations underwent tremendous change through mergers and acquisitions and restructuring, throwing the workplace into chaos (McKee, 1997, p.153). Where Human Resources played a role in organizational design and communications, this became the standard for Human Resources, coupled with the core Human Resources activities (Ulrich, 1997). Therefore, the function as a supportive, administrative, functionally specialised staff began to evolve as staff became more involved in shaping and implementing actions addressing important Human Resources issues (Walker, 1992, p.314).

Throughout the 1980s and 1990s, the function was viewed as providing a service to its customers. The function also had many customers, or stakeholders to service, including senior executives, line managers, employees, contractors, union leaders, community groups, and government agencies. The role of Human Resources in this context is to balance the expectations of these various constituencies (Walker, 1992, p.314). In this perspective, it is the strategic context of the company that influences management's expectations of the function. Therefore, for the most part, it seems as though the function continued to play the traditional administrative and compliance role.

In the 1990s, however, corporations saw the emergence of strategic thinking and planning, allowing for a more orderly approach to change in the corporate organization (McKee, 1997, p.154). Senior management began to increasingly look to Human Resources to help shape management expectations in the broader business interests (Walker, 1992, p.318). The function began to take a new strategic role, while still performing its traditional

roles. In the late 1990s, David Ulrich stated that the role of Human Resources had to continue to evolve to deal with the new agenda for competitiveness. There are many challenges facing organizations which require the Human Resources function to not only excel in its traditional roles, but to also assume a more strategic role including that of a change agent (1997). One of these challenges is that organizations now realize that people are a source of competitive advantage, so sourcing and retaining talent has become a competitive battleground. Human Resources has had to start shifting from attracting, developing and retaining talent to developing a context which attracts and develops people and leaders (Beer, 1997, p.50).

Another challenge is global competition (Ulrich, 1997, p.2). In this competitive era, companies need to be agile and quick to adapt to constantly changing conditions. Business leaders are looking to Human Resources to help them implement the right structures and foster organizational cultures which will enable them to be more agile and effective (Beer, 1999, p.50). A further challenge is that companies are facing a paradox. They must attain profitability through cost, and growth in an era of cost effectiveness. "Increasingly, profitability must come from some combination of increased revenue and decreased cost" (Ulrich, 1997, p.7).

Creating organizations that work across the customer and supplier value chain is another challenge facing organizations, as they build and operate more customer responsive organizations. Human Resources will also have to shift focus from a function to a value chain focus, where all Human Resources activities are rigorously redefined according to customer criteria (Ulrich, 1997, p.6). Organizations must overcome the challenge of learning to change faster and more comfortably. This may even require organizational transformations, actually transforming the business for longer-term sustainability, and not just turnarounds, to be able to create fundamental and enduring change (Ulrich, 1997, p.14).

The new economy is also fuelling challenges for organizations. This economy is being driven by the decreased cost of information and ability to connect with others in and out of the firm, leading to a number of important economic effects that are transforming the business. E-commerce is also threatening the structures of corporate value chains and changing the very nature of competition among firms (Corporate Leadership Council, 2000,

p.3). The new economy is pushing Human Resources into a more strategic role, a change agent role helping organizations become quick and agile.

These challenges will have an impact on the continuing evolution of Human Resources. On the one hand, “HR refers to the organizational systems and processes within a firm (for example, staffing, hiring, communication, and compensation) that govern how work is done. These processes must be judged by the extent to which they enhance competitiveness” (Ulrich, 1997, p.17). On the other hand, HR refers to the HR function or department. HR professionals must champion competitiveness and articulate their role in terms of value created. “They must create mechanisms to deliver HR so that business results quickly follow” (Ulrich, 1997, p.17).

#### 1.1.2. The role of HR as a Business Partner:

To be able to deal with these challenges facing organizations, Ulrich urges a shift in the Human Resources professional’s mentality from “what I do to what I deliver”. He defines human resources deliverables as “the guaranteed outcomes of the Human Resources function” (Ulrich, 1997, p.47). These deliverables represent what Human Resources do to add value to a firm. He identifies four generic deliverables, which are strategy execution, administrative efficiency, employee commitment, and transformation and change (Ulrich, 1997, p.47). In this capacity, the HR professional is a business partner (Ulrich, 1997, p.47). Often, however, the word business partner is narrowly defined as a HR professional working with management to implement strategy, therefore as a strategic partner. But, a true business partner is more dynamic and encompasses all four roles, not just the strategic role (Ulrich, 1997, p.38). Each of these roles is essential to the overall success of the Function.

As the administrative expert, the role of the Human Resources professional is to design and deliver efficient Human Resources processes for staffing, training, appraising and rewards, which meet the requirements of the customers who use their service, line managers and employees. Human Resources professionals can help the organization go through reengineering of business processes, and secondly, reengineer their own Human Resources processes to be able to do more with less (Ulrich, 1997, p.27). Administrative



experts are business partners because “they save their businesses money through more efficient design and delivery of HR systems” (Ulrich, 1997, p.38).

As an employee champion, the Human Resources professional is involved in the day-to-day problems, concerns and needs of the employees. The deliverables of this role are increased employee commitment and competence. In this role, Human Resources professionals must listen and respond to employees, as well as to ensure that employees can meet managers’ expectations (Ulrich, 1997, p.36). They act as business partners because they “ensure that employee contributions to the business remain high, in terms of employee commitment and competence” (Ulrich, 1997, p.38).

As Change Agents, Human Resources professionals need to ensure that initiatives are defined, developed, and delivered in a timely manner. In this role, they need to create the capacity for change, and demonstrate change in their own functions. They should be responsible for aligning internal culture to the desired market identity; understanding the process for creating a shared mind-set; developing a model of change that is used throughout the business; and pressuring the organization to respond to change (Ulrich, 1997, p.150). This could involve revisiting processes and debating fundamental values within an organization to adopt to changing business conditions. They are business partners because they help businesses manage through transformations and adapt to changing business conditions (Ulrich, 1997, p.38).

In the strategic partner role, Human Resources professionals are expected to align Human Resources strategies and practices with the business strategy. They are expected to deliver strategy execution, by translating business strategies into Human Resources priorities (Ulrich, 1997, p.27). They are expected to diagnose strengths and weaknesses and identify Human Resources priorities. Strategic partners are business partners because they align HR systems with business strategy and set HR priorities for a business entity (Ulrich, 1997, p.38).

If the Human Resources professional is operating in all four of these roles, they are acting as a business partner. However, these roles are multiple, complex, and paradoxical. As Ulrich points out, the HR function must fulfill both operational and strategic roles, be

both police and partners, and take responsibility for both quantitative and qualitative goals over short and long term (1997, p.47). In fact, research in leading firms found that high performance Human Resources management requires that Human Resources managers balance several competing roles. They need to enrich Human Resources by expanding activities to include the role of the strategic partner and change agent, whilst not sacrificing, and actually improving, the quality of the more traditional administrative expert and employee champion roles (Becker and Huselid, 1997, p.295). If an HR function is able to balance these roles and achieve both operational excellence and strategic alignment, research has shown that there is a link to a firm's performance (Becker and Huselid, 1997, p.289).

However, while the Human Resources function has been rapidly redefining its historic roles to provide the service that managers need in this new context, for many Human Resources functions, this transition has not been quick enough.

#### 1.1.3. Challenges to becoming a Business Partner:

As a function, Human Resources has had difficulty becoming a business partner. In fact, the operational and strategic roles do not seem to exist well together. There are several difficulties facing the Human Resources function that wants to play a strategic role as well as an operational role. It has been easier for the HR function to play an administrative and employee champion role because traditionally, this is how the function has evolved. However, it has been more challenging for the function to develop the strategic partner and change agent roles. In fact, there are several challenges that the function must overcome in order to become a business partner.

Firstly, the urgent demand for service delivery drives out the more important, ambiguous and longer-term task of assisting line management with organizational and cultural transformation (Beer, 1997, p.51). As McKee points out, a lot of Human Resources functions are still fighting fires which is not enabling them to move into a more strategic role (1997, p.154).

Secondly, the function has been unable to transcend the current value proposition with its customers. "Many of the current services that Human Resources provides are highly valued" (Corporate Leadership Council, 2000, p.v). Quite often, senior management does not understand the implications of a more strategic Human Resources role. They judge the effectiveness of the Human Resources function by service delivery and how well they keep the company out of trouble (Beer, 1997, p.55).

Thirdly, there has been a failure to cut some of the existing activities. Like all other staff functions, HR is being asked to operate in an environment of cost containment in order to help bring the corporate cost structure in line with leaner e-commerce competitors. The Function currently has a lot of pressure to reduce its costs, while at the same time, it has to develop its capacity to take on a range of strategic activities in order to help the organization build itself in the new economy (Conference Leadership Council, 2000, p.iv). This pressure may mean that Human Resources cannot just rely on becoming more efficient, but it must also choose and focus on a new set of tasks. In fact, a research study on how Human Resources activities have changed focus during the past five to seven years indicated that half of the companies have increased their focus in the majority of Human Resources activities. But, it was not clear where they were focusing less. In fact, in only one HR area have companies decreased focus rather than increased it-which is employee record keeping. The function's failure to cut some of its existing activities and focus its efforts has resulted in lukewarm line reviews of its strategic contribution (Corporate Leadership Council, 2000, p.29).

Fourthly, HR functions may not have the necessary competencies to play these roles. The difficulty is that the strategic and transformation roles require a new set of competencies. At this point, a lot of Human Resources professionals are lacking the strategic, analytical and interpersonal skills that are required to assist with change (Beer, 1997, p.55). Where the line is demanding activities that are different from what the Human Resources professional is currently performing, it will also require attracting talent with the necessary competencies to play a strategic role (Corporate Leadership Council, 2000, p.v). However, it must also be noted that if Human Resources professionals can perform both roles, they will not want to do the traditional role (Beer, 1999, p.55).

Another difficulty for Human Resources in playing a strategic role is that it must first determine how it can create an organization to accomplish business objectives (Ulrich, 1997, p.56). To do this, the Function must overcome several other challenges. Firstly, it must avoid creating strategic plans that sit on the shelf by translating them into a set of organizational actions. This is the purpose of strategic management. Traditionally, strategic planning is divided into two phases: strategy formulation and strategy implementation. Strategy formulation articulates a vision-a future direction for the business. Secondly, it allocates resources, as it prioritises the debates about what priorities should be set. Thirdly, it enunciates promises that reflect commitments made through strategy formulation discussion. The implementation phase occurs when organizational practices are aligned with the business strategy. However, all too often “more strategies are created than are implemented” (Ulrich, 1997, p.192). The difficulty for HR is to first overcome this challenge, and secondly, to absorb and be equally accountable for these actions. In this sense, it must determine and recognize its contribution to attaining these goals.

The other difficulty is that each time a business reviews the multiple roles of Human Resources, the question arises of what is the line manager’s responsibility in each area (Ulrich, 1997, p.39). Ulrich states that this is a crucial question and has a two-part answer. Firstly, HR professionals in a business have accountability for ensuring that the deliverables from each role are fulfilled (1997, p.42). Secondly, accomplishing the goals and designing the process for achieving the goals are different issues. While HR must ensure that each of the four roles is accomplished, it may not have to do all the work of the four roles. However, HR must guarantee that a high performance will be achieved for each role, even though they do not have to do it all to make it happen. Depending on the process established for reaching the goal, the work may be shared by line managers, employees, consultants, technology, or other delivery mechanisms for doing HR work (1997, p.42). In fact, in some cases, firms are allocating a certain percentage of responsibility to each group. The difficulty here is that HR must recognize the paradoxical position that it occupies within an organization, accepting accountability for accomplishing results while building the shared commitment needed to achieve those results (1997, p.48).

In summary, there are several challenges that the Human Resources function must overcome in order to balance the more strategic roles of strategic partner and agent of

change along side the more operational roles of employee champion and administrative expert. In fact, there are several conditions that must exist for the Human Resources function to evolve into a business partner.

#### 1.1.4. Conditions required to becoming a business partner:

In order for the Human Resources function to play both the operational role and strategic role of a business partner, several conditions are necessary. Firstly, HR will have to leverage technology. Secondly, HR will have to champion HR principles in its own function. Thirdly, HR will have to measure its efficiency and effectiveness. While all of these conditions are essential to becoming a business partner, this paper will specifically focus on evaluating HR effectiveness. By measuring its effectiveness as other functions do, HR will warrant a place at the boardroom table, showing how it can contribute to strategic decisions (Belcourt, 2001, p.36). Before focusing on this condition, however, it is important to review all of them one by one.

##### A. Leveraging Technology

Firstly, the Human Resources function will need to leverage technology in order to reduce its administrative tasks. The function is still focusing on doing the original range of tactical activities, while attempting to become more strategic at the same time. Although many of the services that are currently being provided are highly valued, transactional tasks will distract Human Resources from doing more strategic things unless they are replaced by technology (Corporate Leadership Council, 2000). Indeed, advances in technology have enabled the most significant changes in Human Resources across the past five years (Spencer, 1995). Most of these breakthroughs have resulted in increasing Human Resources efficiency and reducing head count. The biggest gains, however, are still to come as more line interaction is replaced with technology through web based tools.

Furthermore, with the advent of integrated Human Resources information Systems, such as Peoplesoft and SAP, companies are enjoying the fruits of integrated, enterprise-wide access to employee information. Integrated systems enable different HR expertise silos, such as recruitment and compensation, to share a common terminology and every

administrative and delivery level transaction can generate data which can provide information for Human Resources strategic planning. Quicker access to more and better information about problems and opportunities will enable the staff to become more effective and influential in strategic planning with top management. In this perspective, Human Resources can develop value added decision-support tools for line management (Corporate Leadership Council, 2000). Furthermore, top management can have access to an HR balance sheet of metrics that will enable them to make better decisions, which will help position Human Resources in a strategic role (Spencer, 1995, p.50).

Lyle Spencer also highlights that the technology that is available today and in the future is having a big impact on the HR function. In fact, he states that in the last 45 years, “computer power has increased 28 orders of magnitude more than the technological changes that launched the industrial revolution” (1995, p.38). He argues that advances in technology have made computers small, cheap, user friendly and smart enough so that everyone can have one and can use it to do bigger jobs than they are doing at present (1995, p.50). Currently sixty percent of Human Resources cost, activities and people are devoted to administration: record keeping, compliance, and bureaucratic paper shuffling. However, with computers, these administrative tasks can be transferred to the employees themselves. Enterprise Resource Planning systems and web technology will enable the delivery of Human Resource services on-line. The function can then reverse its current situation, and invest more of its time and money in a strategic and change agent role. In this perspective, HR will be able to operate in all four roles as a business partner.

Both Spencer and the Corporate Leadership Council point out that technological changes will have a big impact on the Human Resources function. The remaining HR professionals will be very different from the administrative “paper shufflers” as their role changes “from doers to consultants for the doers” (Spencer, 1995, p.29). It is evident that leveraging technology is a necessary condition for Human Resources to evolve as a business partner. Moreover, leading companies with HR functions that add value have said that operational excellence, through actions such as leveraging technology, is the first step to becoming a business partner (Beer, 1997). However, as the Corporate Leadership Council highlights, in the era of cost cutting, improving existing activities may not be enough. HR also has to focus its limited resources on a set of tasks that really add value to the business

(Corporate Leadership Council, 2000). In this perspective, Human Resources must champion HR principles in its own function.

B. Championing HR principles in the HR function:

For Human Resources to evolve as a business partner, it is also necessary to build strategic intent for the HR function and then create an organization to deliver that strategy (Ulrich, 1997). Ulrich states that the process of translating strategy into action requires discipline. He defines this process as “the systematic assessment and alignment of organizational practices with business goals” (1997, p.67). HR must partner with the organization in this process to create an organization that can translate strategy into action, set priorities, implement and follow-up. As discussed in the previous section, all too often, more strategies are created than are implemented. In fact, Ulrich states that “many executives maintain that moving from a business strategy to an HR plan is their primary strategic challenge” (1997, p.190). Overcoming this obstacle becomes one primary purpose of strategic Human Resources work and a necessary condition to becoming a business partner.

By definition, strategic Human Resources is the process of linking Human Resources practices to business strategy (Ulrich, 1997). The process serves the stakeholders of the business, the investors, the customers, and the employees, who want the business to deliver results. Strategic Human Resources often connects business strategies to Human Resources actions by defining the critical capabilities required for an organization to succeed. In fact, many argue that this is often the missing link between strategy formulation and implementation. Once business strategies are turned into organizational capabilities, which are turned into actions, Human Resources can then craft a strategy for Function, for example, a Human Resources strategy builds an agenda for Human Resources by creating purpose and focus (Ulrich, 1997). It “shapes the Human Resources function by defining the deliverables or outcomes that result from investing in it, justifying the resources it consumes, and helping to set its priorities” (Ulrich, 1997, p.196).

Overall, to be a business partner, it is necessary that the Human Resources function translates strategy into results in order to build its organization, using the strategy to

strengthen the function and meet business plans (Ulrich, 1997). An organization's Human Resources strategy is "critical to its success" (Grossman, 2000, p.29). Once the Human Resources function has defined a HR strategy, it can then develop a HR organization as the roadmap for getting there. Developing the HR organization refers to the process of "diagnosing and improving the HR function to deliver HR services" (Ulrich, 1997, p.190). This process involves defining the organizational architecture and assessing HR effectiveness to provide leadership in improvement practices and focus the attention of HR on a few critical issues (Ulrich, 1997). For Human Resources to operate as a business partner, it is essential that the function focus its limited resources on the activities that really add value to the business.

#### C. Evaluating HR effectiveness:

Another condition to becoming a business partner is that, as the Human Resources Function becomes more strategic in the organization, it is vital that it evaluates its effectiveness (Belout, Dolan and Gregoridades, 1997). If HR wants to position itself more as a value adding partner rather than a servant, it will have to build its partner role with management. Some management experts say that measurement is a key area (Fitz-enz, 1995). In fact, it has been said that few areas are so important as Human Resources, and yet it is so weak in management skills (Fitz-enz, 1995). It is important that the function develops an approach to measure its effectiveness.

A measurement system is a frame of reference that helps management carry out several responsibilities. It focuses the staff on important issues in complex organizations, enabling trade-offs to be made between cost, time, quality, quantity, and human reactions. It articulates expectations because it is directive, clarifying, and brings HR closer to line management. Essentially, it is key for HR to show the customer that it has something of value to offer and can build links between its work and the bottom line performance of the company (Fitz-enz, 1995).

From a financial perspective, there is a great deal of money that is allocated to managing the Human Resources of a company. With this in mind, it is important to ensure that it is being managed effectively. HR would be a lot more convincing if it measured



itself. Not only would it walk the talk, it would also be able to improve its reputation and prove to Senior Management the importance of the Human Resources function's contribution to organizational success through systematic evaluation of costs and tangible results. It will also be speaking the same language as the leaders. As more and more companies look to outsource Human Resources, it is important to demonstrate the value of Human Resources in a tangible way to non Human Resources people (Grossman, 2000).

Fitz-enz (1995) point out that part of the reason the Human Resources function has laboured under the burden of tight budgets and lean staffs is because of this inability to communicate with management in the language of business. As organizations decide how to allocate capital, they require justification. In fact, the allocation of capital is usually based upon a disciplined application of financial measures. Moreover, in the event of crisis, it is frequently the Human Resources practices that were approved without financial measures or external customer input that are the first to be trimmed or eliminated (Murphy and Zandavakili, 2000, p.94).

From a strategic perspective, it is important to see if Human Resources strategies are being implemented. As one senior Human Resources manager said, the "best plans are meaningless if they are not executed properly" (Grossman, 2000, 29). In this situation, metrics are also required to make the business case that Human Resources is effective. Moreover, as more and more leaders understand the impact that good human resource management has on the success or failure of the company, they will want to know how they compare to the norms of excellence of the competition.

Furthermore, Human Resources should also understand the effectiveness of its policies and programs. This information will enable it to know how to improve its HRM practices throughout the company, given the strategic context of the organization. There is no doubt how important it is that HR programs are effective and strategically aligned. However, without a good evaluation of the HR function, it is difficult to know what to abolish, what to modify, and what to put in place to improve the situation (Bergeron, 1993, p.710).

Overall, with all of the restructuring and reengineering organizations are doing, programs and activities have to be justified in light of their contribution to the overall success of the enterprise. With the current emphasis on demonstrating value to the organization, HR practitioners must begin to justify how they contribute to the company's success. However, most efforts to measure HR's performance are either too general and of limited value, or so complex that managers are unable or unwilling to use them. Yet, for Human Resources to be an effective business partner, measuring its effectiveness is essential.

In summary, in order for HR to contribute as a full business partner, it is important that the function leverages technology, champion's HR principles in its own function, and finally, evaluates its effectiveness. While all these conditions are important, this paper will focus specifically on evaluating the effectiveness of the HR function.

More and more executives feel that the time has come for HR to be evaluate its contribution like other departments are expected to do. In fact, without this type of assessment, HR increasingly risks having its activities outsourced and being marginalized at the strategy table (Belcourt, 2001, p.35). Therefore, measuring the HR function is critical for improving both the credibility and the effectiveness of the function. One can even argue that if HR does measure its effectiveness, it will be easier to justify the investment for technology. In this perspective, some HR organizations are adopting a balanced scorecard approach to measuring their effectiveness. This concept will be explored in greater depth later in this paper. As an overview however, it is a vehicle to translate strategy into tangible goals. Thus, it would require that HR champion HR principles in its own function, create a HR strategy, and develop metrics to track progress and effectiveness. Essentially, in some form or other, a balanced scorecard could enable all three conditions to exist. It is important, however, to first review the literature on evaluating HR effectiveness.

## 1.2 Evaluating the effectiveness of the Human Resources function:

For HR to be a true business partner, it is key that it measures its effectiveness. Yet, despite the increasing importance of measurement, currently fewer than 50% of HR departments measure anything quantitatively (Grossman, 2000). Furthermore, HR functions

vary widely in the ways that they define and measure their effectiveness. There is a lack of theory on this topic and little scientific research, where conclusions often rely on methodologies that lack rigour. In this perspective, the first part of this section will discuss some of the reasons why HR is not measured, and the second part will review the various approaches and techniques that have been proposed to evaluate HR effectiveness. It will conclude with a discussion on an alternative approach to measuring HR effectiveness, the balanced scorecard.

#### 1.2.1 Some reasons why Human Resources is not measured:

While most Fortune 100 organizations are developing metrics programs, they are only allocating about 1% of the HR budget to developing HR metrics (Grossman, 2000). The field of Human Resources Management has seldom used data collected by a scientific methodology or financial metrics in competing for available resources within an organization (Murphy and Zandavakili, 2000). All too often, the outcomes of HR initiatives are not measured, with the result that HR programs are based more on prevalent practices and intuition than on systematic evaluation (Csoka, 1995).

There are many possible reasons why there is a lack of objectivity applied to the Human Resources function. Some difficulties are related to the HR individuals themselves. As Fitz-enz points out, one reason is that Human Resources does not always know *how* to measure itself (1995, p.9). The types of people who have migrated to the HR department are not always interested in adding value and knowing how the business operates. Furthermore, in order to measure the current state of HRM in a company and to attribute these causes to appropriate factors, a minimum level of statistical knowledge is required, and statistics is not always a part of HR training.

When HR is measured, it is less precise because the data tends to derive from softer, qualitative sources- like surveys and interviews-which make it less exacting than the "number crunchers" like. Others think that HR cannot be financially evaluated, or that the time, effort, and cost do not justify the potential benefits. Senior management does not always support this type of initiative. Finally, some individuals simply do not like the idea

of measuring people like they are 'widgets', while others may fear learning things they do not want to know (Grossman, 2000, p.29).

There are also other measurement challenges. There are some conceptual difficulties. "In order to evaluate something, it is important to first define it and then distinguish it from other things that resemble it" (Bergeron, 1993, p.708). Firstly, it is difficult finding agreement on what constitute the activities of the HR function. Secondly, the definition alone of Human Resources effectiveness has so many variations: for example, performance, quality, excellence, etc, and the definitions are not always objective. In fact, they probably vary everywhere. Since the definition is so ambiguous, it is also much more difficult to agree on the criteria and indicators that must be measured during an HRM evaluation. In fact, in HRM, it often seems that there are no absolute standards-everything depends on the situation. It is also challenging to establish cause and effect relationships in Human Resources.

Finally, it is evident that the analysis of even highly quantifiable measures of effectiveness and efficiency require subjective, judgmental interpretation. As a result, companies acknowledge that there is no truly objective measure of either HR efficiency or effectiveness. In fact, they recognise that overemphasis on measurement can cause some companies to lose sight of the purpose of the evaluation. Their effort focuses on scoring well and not making substantive improvements in quality (Walker, 1992, p.337).

#### 1.2.2. Different approaches to evaluating HR effectiveness:

The literature reveals several different approaches and techniques to defining and measuring HR effectiveness. In general, there is a debate on a common definition for Human Resources effectiveness. Furthermore, in terms of measuring HR effectiveness, it seems that some authors adopt a more qualitative approach, some a more quantitative approach, and others adopt a more global approach.

Overall, it is important to note that developing criteria that measure the value and effectiveness of HR activities is a key challenge for practitioners. Several general schools of thought exist. One evaluates HR activities in terms of a single ultimate measure-the bottom

line (Cascio, 1982). Another evaluates the contributions of HR practices to the overall competitive advantage of the company (Ulrich, 1989, 1992). A third approach provides specific measurement formulas for the processes that underlie HR effectiveness (Fitz-enz, 1995). Another evaluates Human Resources effectiveness by its customer satisfaction level (Tsui, 1987).

It is also important to distinguish between evaluating the Human Resources function, Human Resources practices, and Human Resources leadership. To evaluate the effectiveness of the Human Resources function is to use a process to verify the quality of all Human Resources activities supporting the organizational strategy. The global objective is to evaluate to the extent to which the HR function contributes to the successful implementation of strategic and operational objectives. The dominant approach representing this movement is the strategic human resources management concept. The basic premise is that “fitting human resources systems, policies, and practices to the firm’s business objectives and other operational requirements is essential for effective Human Resources management” (Tsui, 1987, p.36).

It is also important to consider whether the analysis will be done at the strategic level, the management level, or the operational level. Tsui and Gomez-Mejia (1988) defined these three levels of human resources management. The strategic level, (often referred to as the corporate level), evaluation focuses more on the integration of HR to the business strategy and the contribution of HR policies and practices to attain business objectives. The managerial level evaluation is more preoccupied with controlling costs and monitoring results, thus focusing on a cost-benefit analysis of HR programs. Finally, at the operational level, evaluation consists of verifying to what point clients are satisfied with HR services and how well users are applying HR policies on a day-to-day basis. A complete evaluation of the HR function would involve all three of these levels.

In general, however, an evaluation of the HR function will involve several decisions. For example, before proceeding with an evaluation, it is important to establish a definition of HR that is acceptable by everyone. It is also important to decide whether the evaluation will focus on the HR service as an administrative unit, or on HRM practices throughout the company. In the first case, the evaluation could consider the HR service as an open system

and analyse the inputs, people, budgets, and the outputs. In the second case, the evaluation target is more diffuse and ambiguous since everyone in the organization practices HR. In this case, the evaluation could focus on several areas, such as the congruency between business and HR strategies; the quality of HR policies, programs, and processes in the organization; the cost of employee behaviours, or the eagerness of senior managers to put HR policies in application (Bergeron, 1993, p.714). Finally, it is also important to distinguish between an efficient HR function and an effective HR function. An efficient HR function is evaluated on whether or not there is an acceptable level of throughout. An effective HR function is evaluated on whether or not the function it producing the right things in an efficient manner (Fitz-enz, 1995, p.22).

In summary, an evaluation of the HR function will involve many discussions and decisions. A complete evaluation of the HR function at all three levels is a huge challenge and requires many different measurement techniques. In general, however, the debate has always been on whether to adopt a qualitative perspective or a quantitative perspective to measuring HR effectiveness, or indeed a more global approach. The next section will review these types of approaches.

#### A. The Qualitative Perspective:

Some authors propose measuring the effectiveness of the HR function by using qualitative techniques (Hercus and Oades, 1982, Gomez-Mejia, 1985 Tsui, 1987, 1990) Essentially, qualitative measures can be termed as “soft” measures (Reilly, Strebler, Kettley, Carter, Tamkin, Robinson, 2000, p.47). These measures require the data collection and analysis of perceptions, opinions and attitudes. Thus, effectiveness is measured by qualitative assessments, as opposed to quantitative measures, such as metrics and ratios. This section will review two qualitative approaches: the stakeholder approach and the internal audit.

##### a) The Stakeholder Approach:

The main approach to measuring effectiveness in this perspective is the Multiple Constituency model. A specialist in the area of HR measurement, Anne S. Tsui introduced

this concept. The objective of this approach is to measure the effectiveness of the Human Resources function by the degree of satisfaction of its clients. From a theoretical perspective, this is inspired by the systemic approach, where the organization is an open and dynamic system with many inner related permanent sub-systems (Dolan, Gregoridades, and Belout, 1997, p.406).

The strategic HR management approach would assess HR effectiveness by the “degree of fit between HR systems and the firm’s business intentions with the ultimate criterion of the extent to which the firm has met its business objectives” (Tsui, 1987, p.36). Tsui’s research challenges the appropriateness and simplicity of focusing solely on business objectives and line executives expectations, as this may not be useful for defining the role and focus of the HR function at the operating level. Her assumption is that management and HR at different levels of the organization confront different sets of strategic variables. Tsui argues that in the operating unit, the HR department is established to serve the interests of particular groups, for example, managers, employees and the operating line executives. Consequently, the activities desired of the HR function at the operating level may differ, depending on the perspective of the person’s requirements. Therefore, the multiple constituency approach assumes that the users of the Human Resources function have different expectations.

The multiple constituency approach looks at the actors as part of an open system composed of several interdependent parties that compete for scarce resources and time. Tsui defines the word constituencies as “clients, customers, or other stakeholders who depend on, yet exert control over Human Resources departments” (1987, p.37). This approach differs from the strategic Human Resources management concept in that Human Resources effectiveness “is measured by the extent to which the constituencies needs and expectations are satisfied by the Human Resources function” (Tsui, 1987, p.38). This is the premise of the marketing concept, where customer satisfaction is an important measure of the effectiveness of not just the sales function, but of the total organization.

This approach assumes that each stakeholder pursues the fulfilment of its self-interested needs. Therefore, if each one is asked for their input on Human Resource’s service effectiveness, they will have different expectations and may not all be interested in

the success of the business. Since they do not have the same objectives, they will not expect the same activities, nor will they use the same evaluation criteria. Ideally, mega criteria should be established to enable choices between the evaluation criteria. Some proposed solutions are the following (Bergeron, 1993):

- focus on the largest group in the organization
- focus on the most powerful groups
- focus on the weakest group (social justice spirit)
- select the criteria that has the most agreement
- select the areas of consensus amongst the most important groups.

In any case, it is evident that determining the effectiveness of the Human Resources function will be quite subjective and will depend on the goals, values, interests, and expectations of the clients. Therefore, a better evaluation of the Human Resources service will result from a combination of several groups, opinions on activities, and distinct evaluation criteria. In her research, Tsui coined this theory as the tripartite approach (1987). In her empirical study, she also verifies the usefulness of this approach for defining the important activities performed by the operating level Human Resources department and for developing meaningful criteria to evaluate its effectiveness.

The multiple constituency theory-from a tripartite perspective bases the effectiveness of the Human Resources function on three perspectives: customers, activities, and the evaluation criteria of the Human Resources function. Her research reveals that Human Resources activities and criteria for effectiveness may vary slightly in different environmental contexts. She also found that there is a divergence in the client's opinions regarding the overall effectiveness of the department, measured by the extent to which the department has satisfied their expectations (Tsui, 1987). The largest differences on perceptions of Human Resources effectiveness were between clients with a strategic focus, and those with an operational focus (Tsui, 1987). Overall, the evidence is strong that the clients' expectations are divergent and simultaneous satisfaction of all is difficult.

Dolan, Gregoridades, and Belout further supported Tsui's conclusions (1997) in their research. They explored the difference between expectations and satisfactions of Human



Resource's customers, and also improved the conceptual framework of the approach by differentiating between customer expectations and satisfaction levels (1997, p.406). They point out that studies have found a positive linear relationship between satisfaction and expectations. Clients who have high expectations have a tendency to have their expectations surpassed (1997, p.407). They define expectations as the desired level of performance of the Human Resources function and satisfaction as the degree that customers are happy with the Human Resources service (Dolan, Gregoridades and Belout, 1997, p.407). They introduced this concept to distinguish between a satisfied customer with no expectations and one with high expectations.

Their research concludes that there are significant differences between satisfaction and customer expectations regarding the Human Resources function. Expectations and frequency of contacts with Human Resources have an impact on customer satisfaction (1997, p.414). Their results propose that the Human Resources function that is evaluated by a customer who has high expectations is more effective (1997, 412). They also point out that this is contrary to current literature, which states that the most powerful, influential groups should be selected. In conclusion, it will depend on the organization whether or not the more credible customer is used, the one with higher expectations and more frequent contact, or the more powerful customer.

Overall, there are strengths with the multiple constituency approach. Firstly, it considers that the Human Resources function is a service that should be evaluated by the satisfaction of its customers. It also relies on a large number of activities and criteria used to evaluate Human Resources, which supports the large, ambiguous concept of HR performance. Furthermore, the approach focuses on the central actor in modern management, the customer (Dolan, Gregoridades, Belout, 1997, p.44).

There are also some weaknesses to this approach. Given the large differences that usually exist between the stakeholders, it is an arduous task to decide between them and requires different choices between social value and business. The concept of satisfaction is complex and it is difficult to identify priority clients (Dolan, Gregoridades, Belout, 1997, p.44).

b) The Internal audit:

Another qualitative method used to evaluate HR effectiveness is the internal HR audit. An internal HR audit really consists of evaluating to what extent HRM policies and procedures are being respected by HR professionals and leaders (Bergeron, 1993, p.723). This can be accomplished by creating a verification list and then asking individuals, or an internal or external group to indicate to what extent the items on the list are respected, according to a gradual rating scale. For this approach to be effective, it is important that the methods used to collect the information are valid. It is very easy to contaminate the information because it can be very subjective.

In conclusion, for the qualitative approach, it is important to note that perceptual data is very important. Since perception often reflects reality, people tend to act on it. Furthermore, qualitative data can be quantified. Quantifying perceptual data requires a measurable scale to detect opinions and attitudes. The best collection tool for this is the survey that will enable measurable indicators to be derived from the analysis of the data. Although the data is still considered softer than evidential information, such as cost and time, it is still quantifiable.

B. The Quantitative Perspective:

There are several approaches that have been proposed to measure the Human Resources function quantitatively. This section will review the metric approach (Fitz-enz, 1996), Work analysis (Carroll, 1960), HR accounting (Cascio, 1982), Utility analysis (Cascio, 1982, Dahl, 1988), the Experimental research approach (Murphey and Zandaivakili, 2000), and the three-prong strategy (Grossman, 2000).

a) The Metric approach:

The goal of the metric approach is to quantitatively measure whether or not HR is meeting certain objectives, compared to industry standards or norms. This method can be used to assess HR practices or the HR function. Jac Fitz-Enz is a proponent of this method. He proposes a quantitative approach to measuring HR to reflect the language of business.

Furthermore, he states that “without some type of objective review, it is very difficult to improve performance” (1995, p.41). He proposes that any object, issue, act, process, and activity that can be described by observable variables are subject to measurement. These variables can be evaluated in terms of cost, quality, time, quantity, or human reaction.

Fitz-enz bases his approach on the theory that Human Resources is a system within a system. “Everything that happens within Human Resources, to one extent or another, affects the larger system” (1995, p.31).” Therefore the quality of the work in one section will affect the process of the next section in the system. He argues that in order for HR to operate at an optimal level, it needs a measurement system to show the customer that it has something of value that can impact the bottom-line of the company (1995, p.31). His approach is to evaluate HR processes as part of the value chain, the objective being to develop ways to measure and evaluate changes in processes, outcomes, and their resulting value. For each HR process, there should be a better result that has an impact on the business.

Although it is not always possible to control all the variables in the environment, it is possible to come up with some usable metrics that are worth measuring. In this perspective, Fitz-enz establishes a variety of formulae for measuring work processes in a Total Quality fashion. The proposed metrics can be applied to an array of HR practices, such as recruitment, retention and compensation. As a result, a variety of HR activities are measured, providing the opportunity for comparisons to benchmarks and improvements. This information enables the Function to assess its effectiveness.

The metric approach is widely used since these measures are easily understood and comparable over time. However, the challenge in this approach is in the selection of metrics that are essential to Human Resources management. Fitz-enz does not propose a process of linking any of these HR activities to the organizational strategy. Furthermore, it is important to ensure that metrics also focus on quality and effectiveness. Quite often, metrics tend to emphasise volume, and larger volume reflects low status activities, countering any attempt by HR to transform itself into an internal consultancy or a strategic function by shedding all the routine administration (Reilly, Strebler, Kettley, Carter, Tamkin, Robinson, 2000).

b) Work analysis:

This method enables the HR function to determine if it is using its time effectively. It consists of observing where HR employees and managers spend their time based on a random sampling of activities. One author, Carroll (1960), did an experiment observing employees and managers on where they spent their time in order to evaluate the work of the HR function. This technique has been refined over the years. It does, however, depend on the collaboration of employees. Furthermore, due to the fluid nature of HRM, this type of approach is less evident to apply versus in a manufacturing environment, and the data is not always valid. It is also very time consuming and is in itself not enough to determine whether or not HR is effective.

c) Human Resources Accounting:

This is another quantitative method that has been proposed to measure Human Resources management. For many years, research has attempted to put a precise number on Human Resource Management. The goal of this HR accounting method is to show the added value of Human Resources themselves in the organization. However, due to the challenge of showing Human Resources as an investment that appreciates over time, this method is not often applied. Cascio evolved this to look at not just the individual, but what the individual would produce in the future (Cascio, 1982). The goal of this method is to give a dollar value to the cost of HR activities and the benefits expected. It assumes that any HR program is inadequate if it does not change the value of future gains.

This approach is challenging in that it is difficult to define everything in a dollar value. In fact, the challenges associated with this approach spurred some researchers to focus instead on how effective HR programs are in reducing the cost of poor behaviour. Given the high costs associated with absenteeism and poor quality, an HR function which is able to reduce these costs will be considered effective (Mirvis and Macy, 1976, Mirvis and Lawler, 1977).

d) Utility Analysis:

The goal of this method is to evaluate the financial consequences of an HR program by measuring, with as much precision as possible, the amount spent or saved due to the program (Cascio, 1982, Dahl, 1988). This method can evaluate the HR service or HRM programs used throughout the organization and are used to compare the financial advantages of using or not using a program. The process measures the benefits associated with implementing the program, without focusing solely on the costs.

The advantage of this approach is that it focuses on what is important from an executive perspective-the financial consequences of HRM. In this sense, HR professionals increase their power to influence. However, the approach is more complicated than it looks. Not all of the elements that make up the equation are always identifiable or measurable. In fact, some researchers have introduced mathematical models to include or introduce other variables. Another challenge is that data is not always available to evaluate the programs. Therefore, given the challenges associated with this method, it should only be used to evaluate critical HR programs that will make a big difference between good and bad HRM (Ulrich, 1989).

e) Experimental Research:

Another method of evaluating the HR service focuses on experimental research. This method measures the effect of an HRM program on attitudes and behaviours on those who profit from the program. It consists of selecting random groups, for a control and experiment group, and measuring them both on a dependant variable that can be affected by the program.

This approach was applied to some extent in the research at Sears that showed the correlation between employee satisfaction and customer satisfaction. The experimenters theorised that designing HR interventions in response to needs assessed through employee research could have a positive impact on morale (Murphey and Zandaviakili, 2000). They learned that changes in morale had a direct relation to customer perceptions of the company.

They tried some HR practices and measured them with employee research, concluding that investing in improvements had predictable, financial consequences. Murphey and Zandaviakili (2000) brought this research further to determine which HR practices are actually improving morale. They compared financial results from piloting and evaluating HRM practices under controlled conditions to establish proof that the intervention caused the change in financial conditions. For further research, they propose using external customer input to HR practices and then to pilot these practices to identify HR practices that will cause a change in financial results (Murphey and Zandaviakili, 2000).

This method can be used to show the positive effects of HR programs on the company, and link it to financial consequences. However, in real life, the ideal conditions required to do experiments are not always possible. It is also difficult and not always possible to link it to a dollar value.

f) Three-prong metric strategy:

Some authors also propose a combination of approaches to be used in a metric strategy. Grossman proposes a metric strategy that requires a three-prong approach in order to implement a manageable metrics program in an HR function (2000).

Table I: Three-prong metrics strategy (Grossman, 2000)

Step	Measures	Objective:
1	Implement HR efficiency metrics	Get the ball rolling.
2	Develop metrics that assess strategic value and effectiveness	Demonstrate the value-added side of HR, and not just expense (quality metrics).
3	Establish ROI metrics	Demonstrate the financial vitality of critical initiatives.

Although Grossman recommends to first set-up basic efficiency metrics, she also highlights that “financial types who believe that less is always better can also turn efficiency measures against you” (2000, p.30). The fundamental implication is that efficiency measures are improved if expenditures are cut. When this is taken out of context, the value-

added side is never considered. In this perspective, it is also important to focus on strategy before determining measures. Furthermore, Grossman also recognizes the downside of metrics in that they focus on the financial side at the expense of people. In this perspective, it is important to maintain a balanced perspective. However, Grossman does not propose a methodology to identify strategic and balanced metrics.

### C. Global Approaches:

Some authors have adopted a more global approach to evaluating HR effectiveness. This approach is not defined in either the qualitative or quantitative approaches because it combines both, finding its basis in strategic HR management. Essentially, the HR function is effective if it contributes to the success of the organization. This section will review two approaches, the Relationship Approach (Ulrich, 1984, 1992, 1997) and the HR Function Audit (Reilly, Strebler, Kettley, Carter, Tamkin, & Robinson, 2000).

#### a) The Relationship Approach:

Ulrich proposes a more global approach to evaluating HR effectiveness, which has evolved over time. In 1984, Ulrich proposed that the HR function is effective if there is a relationship between the organization's strategy and HR practices. This approach finds its basis in strategic HR management. He views this approach as more global because it goes beyond economics and customer satisfaction. He then argues that if HR practices generate and sustain a competitive advantage for the organization, HR is effective (1989). This approach can help organizations make decisions on which HR practices have a strategic impact and where resources should be allocated.

He first proposes a global framework to guide the evaluation of the relationship between HR practices and strategy. The first step is to develop a framework which must consider the competitive environment, the business strategy and HR practices (Ulrich, 1989). Information is then collected on strategy, practices, and financial performance. Once this information is collected, relationships are analysed between HR practices, strategy and organizational performance. These results are then looked at over time to see which HR practices have an impact. The strength of this approach is that it integrates HR practices,

strategy and financial performance and looks at the relationships between them. However, on the other hand, it requires a lot of resources to establish the relationships, and there is a lot of difficult data to collect.

In 1992, Ulrich proposed that HR is effective if HR practices promote attitudes that enable organizations to transform quickly to deal with the competition. He stated that HR practices should enable organizations to satisfy external customers and maintain their competitive advantage (Ulrich 1992). He proposed four criteria that will enable an evaluation of the effectiveness of HR practices (Ulrich, 1992; p.117).

1. To what extent do HR practices add value to customers?
2. To what extent do practices create and sustain a shared mindset both inside and outside the company?
3. To what extent do the HR practices facilitate the development and implementation of strategic, financial, and technological capabilities.
4. To what extent do HR practices help manage change?

At this point, Ulrich argued that it is possible to measure performance by three things. Firstly, if the right questions are being asked. Secondly, if there is alignment between HR systems and strategic intent. Thirdly, if it is possible to see a measurable indicator of customer and employee commitment. In this perspective, Ulrich's research concluded that companies who make a strategic decision to pay close attention to being a preferred customer and an employer of choice achieved higher business results (1992).

In 1997, Ulrich evolved his theory and became the first to insist that HR must promise deliverables with both tactical and strategic objectives. An effective HR function can balance these objectives by promising specific deliverables that will enhance company performance. He proposed a diagnostic process to see how effective the HR function is in accomplishing this feat. He said that once HR has a strategy that is integrated with business strategies, it must then complete an organizational diagnosis to assess and strengthen the HR organization to get there. He proposed an organizational diagnosis that requires four steps (1997, p.67).



1. Define an HR organizational architecture
2. Create an HR assessment process
3. Provide HR leadership for improvement of practices
4. Set HR priorities.

The first step in Ulrich's process is to create an organizational architecture. He proposed the following model.

Table II: Architecture for Human Resources Organizational Diagnosis  
(Ulrich, 1997, pages 71, 212)

<b>Strategic Intent:</b> What are we trying to accomplish? HR strategy: plan, drivers			
<b>Organizational architecture:</b> What organization is required to make this happen?			
<i>Shared mind-set :</i> What do we want to be known as to our customers?			
<i>Competence Pillar</i> What competencies do we need?	<i>Consequence Pillar</i> What standards are required?	<i>Governance Pillar</i> What organization do we need?	<i>Work-processes</i> How do we manage work processes?
<i>Leadership :</i> What is the quality of leadership given our strategy			

The second step in Ulrich's diagnosis is to create an assessment process. Ulrich states that HR functions need to perform an informal or formal audit to establish how well their organization is systematically turning strategy into action. In regards to the formal assessment process, he proposes an organizational audit. In this audit, randomly selected employees are provided a questionnaire to evaluate these areas. The scores become an organizational audit measure for the unit. He compares this form of audit to financial audits, which collect specific information about practices, but then form overall indices to

determine the financial health of the company. "As organizational audits become more common place, an organizational capability index will probably emerge that will indicate the organization's overall ability to accomplish its goals (1997, p.75)".

The HR organization audit is based on perceptual data, so multiple perceptions are important to the process. Sources of input can consist of internal customers, employees, and benchmarking data. The combination of these three sources ensures a thorough organizational audit process. Furthermore, he argues that this perceptual data should be complemented by quantitative, evidential data, such as HR costs. Once this data is collected, it is important that this information be turned into action.

The third step is to provide leadership in improvement practices for the HR organization. Once the current organization has been assessed, it is important to improve it. HR needs to ensure there is a shared mind-set among HR professionals. They also need to ensure that they have the right HR competencies. They must implement consequences, which are understandable, controllable and significant measures and standards that must be met. They must also ensure that the right organization is in place to accomplish the strategy. They also need to ensure that work processes are reengineered to become more speedy, agile and responsive to accomplish the strategy. Finally, it is important to ensure that there is HR leadership. As HR professionals work through this step, they are generating a range of HR practices to be instituted.

The fourth and final step in this diagnostic approach is to establish the HR priorities. It is important to focus on the most important of many critical issues. They need to evaluate the impact of the issues, based on alignment to strategy and customer focus, as well as if the practices can be implemented, in terms of time and resources. It is important to focus on the practices that will have a high impact and can be easily implemented. It is then important that the organization follow through on these priorities.

In summary, it is evident that Ulrich's approach to evaluating HR is more global. In his 1997 literature, he offers a diagnostic model to enable HR to build the structure of the HR function making possible effective delivery of HR strategy. In this sense, HR practices are integrated with business strategies and performance. He also proposes an assessment

process composed of qualitative and quantitative data. However, while Ulrich argues that effective HR has an impact on the performance of the organization through strategy implementation, he is still playing in the soft field because he does not propose a methodology to actually show how HR is contributing to the business.

b) The HR Function Audit:

Current literature also proposes a global approach to evaluating HR effectiveness. Reilly, Strebler, Kettley, Carter, Tamkin, and Robinson propose one of these approaches (2000). They build on Ulrich's work by arguing that HR must define their deliverables, hold themselves accountable, and focus on the outcomes of their work, not the activities. However, they also point out that HR must show how it contributes to the success of the organization. They argue that implementing a measurement strategy is a key step in the audit process.

The framework they propose to audit the HR function involves several key steps and decisions. Overall, they propose six steps in the HR function audit:

1. Clarify HR's role
2. Identify the strategic contribution the HR function should make.
3. Assess the HR structure
4. Identify and assess HR competencies
5. Implement a measurement piece
6. Benchmark

Firstly, the HR function has to determine the role that it needs to play in the organization. Given the contradictory roles that HR is expected to play, it needs to align itself with the needs of the business. Senior management might wish to see HR playing a strategic contribution, while line managers might expect HR to fix their urgent, operational problems. To deal with this contradiction, HR should establish the needs and interests of the stakeholders and then resolve the difference between them. It should use the business strategy to clarify the HR support required to fit the needs. HR can then determine the

activities that it should cover, clarify the respective roles of line managers and HR, and structure itself to deliver these services.

Secondly, the function needs to determine what sort of contribution it should make in the decision-making and business planning process. In regards to formulating a HR strategy, the Cambridge study proposes an integrated approach because it brings together all business and functional inputs. However, what often happens is that the HR strategy is derived from the business strategy. In this case, HR follows the direction laid down by the business, and then sets its own functional plans accordingly (Reilly, Strebler, Kettley, Carter, Tamkin, & Robinson, 2000, p.24). The model begins with the businesses long-term direction setting followed by internal organization and activities, and then the strategic choices in HR and HR outcomes. In any case, it is important to identify the strategic contribution the HR function should make.

Thirdly, it is important to assess how the HR function should be organised. Reilly, Strebler, Kettley, Carter, Tamkin, Robinson propose that HR should determine what it is currently delivering by mapping out the size, shape, and structure of the HR function. Then, “they should identify the key challenges for HR management arising from business requirements” (Reilly, Strebler, Kettley, Carter, Tamkin, Robinson, 2000, p.34). Finally, it should identify the options for re-designing HR delivery and what the re-structured function could look like.

Fourthly, HR needs to identify the skills and competencies required in Human Resources. As the authors state, “to be able to deliver its activities to a high standard of quality, HR staff have to have the right skills and competencies to meet current and future organizational requirements” (Reilly, Strebler, Kettley, Carter, Tamkin, Robinson, 2000, p.40). In order to assess whether, and to what extent HR professionals possess these skills, it is important to conduct an assessment, requiring data gathering, gap identification, and action plans.

The fifth step in the audit process is the measurement piece. The authors state that this is “critical in judging the effectiveness of HR, whichever role is assigned to it- be it a strategic partner, or purely as an expert deliverer of services” (Reilly, Strebler, Kettley,

Carter, Tamkin, & Robinson, 2000, p.45). They also point out that this decision invokes several important dilemmas that must be resolved. Firstly, there is temptation to focus on those aspects of HR that are easy to measure. They also point out, however, that while this focus can get the ball rolling, it can also trap HR into performing a limited operational role and prevent it from playing a strategic role. In fact, the more strategic the objective, the greater the problem in deriving usable measures from broad statements of ambition (2000, 44). They also highlight that some initiatives are perceived to belong to HR even if they operate across the organization. In this sense, the function may then be judged to have succeeded or failed in meeting an objective over which it has little or no control (2000, p.45). Finally, they also argue that the choice of measures is very important. They propose a balanced scorecard approach to bring together a set of qualitative and quantitative data in attempt to demonstrate HR's purpose and function. This approach will be discussed later on in this paper.

The final step in the audit process is benchmarking. This step is designed to help compare the performance of the HR function to other organizations. This step involves an understanding of what is to be achieved and then comparing metrics to other companies to understand the differences in performance (2000, p.54). HR practice benchmarking can consider the internal efficiency of the HR function, organizational-wide operational issues, such as turnover, as well as organizational-wide strategic HR issues, such as culture and management development.

In summary, Reilly, Strebler, Kettley, Carter, Tamkin, and Robinson propose this audit process to enable HR to show that it contributes to the success of the organization (2000). They emphasise the importance of having internal measures of success. This should help in defining HRs deliverables and focusing on the outcomes. However, in this process, there are tough choices to make. If HR becomes a strategic partner, it cannot neglect the delivery of operational services. In this perspective, HR must ensure that its measurement piece reflects its performance in both of these roles.

D. Summary of approaches:

It is evident that there are many different approaches to evaluating the effectiveness of the HR function. While there seem to be numerous contradictions in the literature, the authors tend to be unanimous in the fact that it is a complex process. Overall, it seems that while some adopt either a qualitative or a quantitative approach, others have adopted a more global approach. Recent literature seems to adopt a position that proposes a global approach to measuring the effectiveness of HR using both quantitative and qualitative methods. They also emphasize the importance of internal measures of success that will consider both the operational and strategic role of Human Resources. Furthermore, they indicate that while efficiency measures can get the ball rolling, it is very important to develop measures that are also strategic, which is more challenging, in order to enable HR to become a business partner.

In this perspective, the challenge for the HR function is to develop performance measures that are also non-financial and can describe the organization's current position and at the same time predict future performance (Csoka, 1995, p.3). It is important that HR understands the complex and tenuous relationship between Human Resources and finance to develop and use metrics that can lead to an exploration of deeper issues (Csoka, 1995, p.3). The Cambridge Strategy Group proposes another approach to HR measurement, the Balanced Scorecard concept. Kaplan and Norton designed a specific framework to represent the contribution of various activities to the overall performance of the organization. This concept is being modified and is often taken to mean collecting together several indicators to represent a particular activity. An HR balanced scorecard could bring together a set of quantitative, qualitative measures in a more global approach to defining HR's purpose and function. This approach is attractive because it enables the contribution of people at all levels of HR to be recognized, and acknowledges the importance of different types of measurement (Reilly, Strebler, Kettley, Carter, Tamkin, & Robinson, 2000).

An HR balanced Scorecard is a global approach because in the true sense of a scorecard, the metrics must be related to the Function's strategic objectives in order for it to be coherent. In fact, once the HR strategy is in place with a key set of strategic objectives,

these objectives can be translated into activities, processes, or opinions that can be measured. In this perspective, it combines global, quantitative and qualitative approaches.

An HR balanced scorecard seems to combine the various approaches of measuring HR effectiveness while ensuring that they are aligned with strategy. It also enables the HR function to implement and manage its strategy, which is important to be considered as a business partner. In summary, the scorecard is a process for HR to evaluate the effectiveness of the Function by verifying the quality of all Human Resources activities supporting the organizational strategy. The last section of this literature review will discuss the Balanced Scorecard approach and its usefulness in the HR context.

### 1.3. An Alternative Approach: The Balanced Scorecard:

Robert Kaplan and David Norton propose the Balanced Scorecard concept to help companies translate their strategy into action. A balanced scorecard translates an organization's mission and strategy into a comprehensive set of performance measures that provide a framework for a strategic measurement and management system (1996, p.24). This section will review the reasons why organizations are adopting this approach, explore the balanced scorecard concept, and discuss its application for a Human Resources function.

#### 1.3.1. Reasons for adopting a Balanced Scorecard:

Currently, many companies are adopting a balanced scorecard for their entire organization. A 1998 study by the Gartner group found that at least 40% of Fortune 100 companies would implement a new management philosophy, the balanced scorecard, by the year 2000. Kaplan and Norton present several reasons why companies are adopting the balanced scorecard approach (1996). Firstly, the information era is challenging the operating assumptions developed in the industrial era to manage companies. The financial control systems developed in the past are no longer enough. Organizations have begun to realize that the ability of a company to mobilize and exploit its intangible assets is key to its success. Information technology is linking customers to suppliers so that the value chain is much quicker in organizations, therefore continuous improvement in process and product capability is critical. Furthermore, exploiting the knowledge of every employee is also

becoming critical to success. Yet, despite the fact that many companies have strategic objectives related to customer relationships and organizational capacity, they tend to be measured and motivated by financial indicators only.

The pressure for short-term financial performance can cause companies to reduce spending on development. Financial indicators tell stories of the past and are inadequate for guiding and evaluating organizations through a competitive environment (Kaplan and Norton, 1996, p.23). Therefore, Kaplan and Norton argue that businesses need a measurement system that is not only based on financials, but will link customer, internal process, employee and systems performance to long-term financial success (1996, p.21).

Another reason why companies are adopting the balanced scorecard approach is because they are often lacking the discipline for translating individual vision into a shared vision. The scorecard provides a framework and language to communicate the mission and the strategy, and uses measurement to inform employees about the drivers of current and future success. Essentially, a balanced scorecard translates the organization's mission and strategy into a comprehensive set of performance measures that provide a framework for a strategic measurement and management system. It is a mechanism for strategy implementation, not formulation. Therefore, it should translate the business unit's mission and strategy into tangible objectives and measures. The measures are balanced between financial measures of past performance and measures of future performance, outcome measures and driving measures, as well as easily quantifiable measures and more subjective, qualitative measures.

One of the hallmarks of leading edge organizations, be they public or private, has been the successful application of performance measurement to gain insight into, and to make judgements about; the organization and the effectiveness and efficiency of its programs, processes, and people. "These organizations do more than just collect data, they actually use it to drive improvements and successfully translate strategy into action. They use it to manage their organization" (Procurement Executive Association, 1999, p.vii).

The Balanced Scorecard framework proposes a view of performance from four perspectives: customer, financial, internal business process, and learning and growth, which



will be discussed later. The key is that measures should consist of a linked series of objectives, incorporating both cause and effect relationships, and mixtures of outcomes and performance drivers. The chain of cause and effect should pervade all four perspectives of a balanced scorecard and tell a story of the strategy. It is important to have a balance between outcome and performance drivers. If only outcomes are measured, it is difficult to know how they are being achieved, and if it is only measuring the outcomes after the fact, they are lagging indicators. If only the performance drivers are being measured without any link to the outcome measures, these leading indicators may only affect short-term improvements. It is also important to note that it is difficult to translate improvements in quality and customer satisfaction into bottom-line financial results. The scorecard is a framework that maintains an emphasis on financial outcomes, while keeping track of the impacts of customer satisfaction and quality improvements, leading to questions surrounding fundamental strategic assumptions when there is no tangible benefit (1996, p.34).

### 1.3.2. The Balanced Scorecard concept:

The Balanced Scorecard is built by translating the strategy into concrete objectives from four perspectives: financial, customer, internal business processes, and learning and growth. While the four perspectives can be used as a template, they are flexible. A developed balanced scorecard needs to be a mixture of fifteen to twenty-five financial and non-financial measures grouped into the perspectives (1996, p.150). The first part of this section will review each of these perspectives. The second part will discuss the process Kaplan and Norton propose to build the scorecard.

#### A. The Four Perspectives:

##### a) *The Financial Perspective:*

The financial perspective typically translates how the strategy contributes to bottom-line improvement. From a business perspective, this is the focus of all the measures, the cause and effect relationships that culminate in improving financial performance. Financial measures typically relate to profitability, economic value added, cash flow generation, etc.

(Kaplan and Norton, 1996, p.2). However, financial objectives differ considerably at each stage of a business's life cycle.

For some organizations, like the government, the financial perspective differs from the traditional private sector. For example, the Procurement Executive Association is an informal association of civilian procurement executives who have implemented a scorecard. In their case, financial considerations have an enabling or constraining role, but will rarely be the primary objective for business systems (1999, p.7). In this perspective, organizations should be measured by how effectively and efficiently they meet the needs of their constituencies, the ability to deliver maximum value to the customer. Therefore, cost efficiency is usually emphasized.

b) *The Customer Perspective:*

The customer perspective captures the ability of the organization to provide quality goods and services, the effectiveness of their delivery, and overall customer service and satisfaction. In some organizations, such as the government, the principal driver of performance is different; customers take pre-eminence over financial results (Procurement Executive Association, 1999, p.7).

This perspective identifies the customer segments of focus and the measures of performance in these targeted segments. Therefore, as a first step, the business identifies and targets segments and will then address objectives and measures for them. It is at this point that companies chose what to do and what not to do. They generally select two sets of measurement groups, which are causally related. The first group is generic, the core outcome measures, such as customer satisfaction. The second represents the performance drivers, the leading indicators. This is what the company must do in order to achieve a high degree of customer satisfaction (Kaplan and Norton, 1996, p.63).

In fact, company value propositions represent the drivers, the leading indicators for the core customer outcome measures. The drivers of the core measurements of customer satisfaction can be organized into three groups. They are products and services, encompassing functionality, price and quality; customer relationships, including delivery of

the products and services to the customer, including response and delivery time dimensions and feelings (i.e. knowledgeable people, convenient access, responsive service); and image and reputation. While each organization should develop its own value propositions, the literature finds that all propositions incorporate measures related to response time, quality, and price of customer based processes (1996, p.63).

c) *The Internal Business Process Perspective:*

This perspective is usually identified after defining customer and financial objectives. The process perspective focuses on the internal business processes that lead to financial success and customer satisfaction. It is important to identify the critical business processes in which the organization must excel, and then monitor them to ensure that the outcomes will be satisfactory. These are the processes that will enable the organization to deliver the value propositions that will satisfy expectations.

It seems that most companies have been trying to improve the performance of existing processes through lower costs, improved quality, and shortened response time. However, they have not been identifying the processes that were truly strategic. The consequence of this is that improvement efforts reveal incremental, fragmented results that are not closely linked to strategic objectives. Therefore, it is important to identify the processes that must be performed exceptionally well for an organization's strategy to succeed (Kaplan and Norton, 1996, p.viii).

Internal process quality measurements are typically defined as cost, quality, and time measures. It is important to identify defects in internal processes that could adversely affect shareholder or customer satisfaction, for example inaccurate information and long waiting times. It is important to include measures that incorporate cost, quality and time because all three will provide important information on effectiveness (Kaplan and Norton, 1996, p.119).

d) *The Learning and Growth perspective:*

This perspective develops objectives and measures to drive learning and growth in the organization. It usually looks at the ability of employees, the quality of information and the effects of organizational alignment in supporting the accomplishment of organizational goals. This area is the driver to achieve internal processes, financial success and customer satisfaction (Kaplan and Norton, 1996, p.126). This causal relationship is based on the assumption that processes will only succeed if adequately skilled and motivated employees, supported with accurate and timely information, are driving them (Procurement Executive association, 1998, p.12). When companies are evaluated on short-term financial performance only, it is difficult to enhance the capability of the organization's people, processes and systems.

Most organizations using the Balanced Scorecard Approach have a core employee measurement group that is made up of three outcome measures. These are employee satisfaction, employee retention, and employee productivity. Each one of these outcome measures is then supplemented with situation-specific drivers of the outcomes. Employee satisfaction is generally considered the driver of employee retention and productivity. It is generally measured through an annual survey, or rolling random surveys of a certain percentage of employees a month. The enablers of employee satisfaction are generally competencies, technical infrastructure, and climate for action (Kaplan and Norton, 1996, p.127). Kaplan and Norton state that satisfied employees are a precondition for increasing productivity, responsiveness, quality, and customer service (1996, p.130).

Employee retention is usually measured by key staff turnover, where departures represent a loss of intellectual capital of the business. Employee productivity is an outcome measure of the aggregate impact from enhancing employee skills and morale, innovation, improving internal processes, and satisfying customers. The goal is to relate the output produced by employees to the number of employees used to produce that output. A simple way to measure this is through revenue/ employee. However, this measure must be balanced with other measures of economic success, because costs associated with revenue are not included, and it is an easy figure to manipulate, for example, if some functions are outsourced, this will hide the cost of outsourcing, and increase the revenue.

Once the core measures are identified, it is important to identify and measure the enablers. In general, the drivers are from re-skilling the workforce, focusing on the competencies required for the future; information systems capabilities, focusing on the information that is available for employees on their customers, processes, and the financial consequences of their decisions; and lastly, motivation, empowerment and alignment. Some ways to measure the outcomes of having motivated, empowered employees is looking at numbers of suggestions, where as an outcome of this, a company can look to measure rates of improvement occurring in critical processes. Performance drivers for individual and organizational alignment focus on whether departments and individuals have their goals aligned with the company objectives articulated in the scorecard (Kaplan and Norton, 1996, p.139).

It is important to note that unlike the other perspectives, there are not a lot of specific measures for the learning and growth perspective. As Kaplan and Norton state, “companies have devoted virtually no effort to measuring either the outcomes or the drivers of employee skills, strategic information availability, and organizational alignment.” They continue to say that “this gap is disappointing since one of the most important goals for adopting the scorecard measurement and management framework is to promote the growth of individual and organizational capabilities” (1996, p.144). This is indicative that companies have made limited progress towards linking employees, information systems, and organizational alignment to their strategic objectives. In summary, however, there is an opportunity for future development of customized metrics in this perspective that should be more closely tied to a business unit’s strategy.

#### B. The Implementation Process:

Kaplan and Norton propose a framework to building a balanced scorecard for the entire organization. The following section will review how they position the scorecard, how they propose to create measures linked to strategy, and the process they propose to create the measurement architecture. In the proceeding section, there will be a review of the application of this concept to the HR function.

It is important to first view the Balanced Scorecard as a more global, strategic management system and not a measurement system. It places the strategic vision at the center of the performance assessment structure (Procurement Executive Association, 1999, p.42). In this perspective, it bridges the gap between the formulation of the strategy and its implementation. The measures in these four perspectives must be linked to the strategy, as the ultimate objective is to motivate all managers and employees to successfully implement the business unit's strategy. In order to do this, it is important to ensure that each strategic objective is operational, resulting in questions such as "how would you know if the objective was achieved?" (Kaplan and Norton, 1996, p.150).

The measures should be linked to the strategy by several principals. Firstly, given that the strategy is a set of hypotheses about cause and effect relationships that can be expressed by a sequence of if-then statements, the system should make the hypotheses among objectives and measures explicit so that they can be measured and validated (1996, p.149). Secondly, the scorecard is made up of outcome and performance driver metrics. Outcome measures are typically generic, lagging indicators, and without performance drivers, they offer no information on how to achieve the goals. Performance drivers are lead indicators that tend to be unique to the business unit, and if they are not linked to the outcome measures, they may not deliver the long-term benefits (Kaplan and Norton, 1996, p.166). Finally, the ultimate causal paths should be linked to the business's financial objectives.

Traditionally, there has been a disconnect between strategy and implementation caused by barriers in traditional management systems. One barrier is that when the strategy and vision are not actionable. The scorecard will translate the vision into terms that can be understood and acted upon. A second barrier is when the strategy is not tied to departmental, team, and individual goals. Long-term requirements of the strategy need to be translated into goals for departments, teams, and individuals. In the past, strategy was often held secret. To share strategy, it is important to communicate, educate, align individual goals to strategy, and once the data is reliable, link rewards to achievements (Kaplan and Norton, 1996, p.222). Another barrier is that feedback is tactical and not strategic. Overall, there is a lack of feedback on how strategy is being implemented and whether it is working. A feedback process should communicate a framework, collect data and be a problem solving

process that analyses and provides learning from performance data (Kaplan and Norton, 1996, p.196).

In this perspective, Kaplan and Norton propose the following steps to creating the measurement architecture (1996, p.300).

1. Define and clarify the organizational unit
2. Clarify vision and strategy
3. Develop performance objectives, measures, goals
4. Align department and individual goals
5. Link to reward system
6. Link to planning, resource allocation, and annual budget
7. Create a feedback and strategic learning process

The first is to define and clarify the appropriate organizational unit. It is important to understand the relationships between the business units and the corporate organization. The scorecard must reflect the structure of the organization for which the strategy has been formulated (Kaplan and Norton, 1996, p.167). Kaplan and Norton argue that a scorecard should ideally be developed for a strategic business unit. Once a scorecard is developed for the business unit, then it can be used as a basis for departments and functional units within the strategic business unit. However, they state that if a unit has a strategy, customers, and processes, then it should have a balanced scorecard. They also suggest developing a scorecard for the corporate level and then using this as a template for the other units. However, it seems as if more and more functional heads are developing their own scorecards in the absence of higher level scorecards, provided that their strategy is aligned with the business strategy (Business Intelligence, 1998, p.208).

The second step is to clarify the vision and the strategy. As Kaplan and Norton State, “the key is to identify where you want to be in the near future”. They recommend setting a vision that seems somewhat out of reach. In this way, the scorecard provides managers with the instrumentation they need to navigate for future competitive success. The strategy ensures that the performance measures developed in each perspective support the accomplishment of the organization’s strategic objectives (Procurement Executive

Association, 1998, p.15). It is important to note, however, that in practice, organizations may discover that their strategy is not clear, and in this case, the process also enables them to clarify their strategy.

The next step is to develop performance objectives, measures, and goals. The essential thing is to develop metrics for what the organization must do well. For each objective, it is necessary to identify metrics and set goals covering a reasonable time period. However, despite how simple this may sound, many things impact the time it takes, such as the extent of involvement in setting vision, setting measures, etc. This is the most challenging part of the scorecard. It is important to ensure that the measures are directly linked to the strategic vision of the organization. The measures must focus on the outcomes necessary to achieve the vision and the objectives of the plan. Each objective in each perspective should be supported by at least one measure that will indicate an organization's performance against that objective. Measures must also be defined precisely: including sample, the method of measurement, the data source and the time period for measurement. Furthermore, it is important to mix both quantitative and qualitative measures.

Once the measures are developed for the strategy, then the department and individual's goals are aligned to the measures. Ideally, a reward system is put in place to support these goals. And then, it is linked to planning, resource allocation, and annual budgets. Finally, a feedback and strategic learning process will enable the system to evolve with experience.

By following this process, the scorecard can assess performance and provide a structured framework for performance management (Procurement Executive Association, 1998, p.35). To enable this transition, however, two key components must be in place. Firstly, it is important to have the right organizational structure to facilitate the effective use of assessment results. It is also important to have the ability to use performance measurement results to actually bring about change in the organization. In this sense, data must be timely, relevant and concise and results must be used or no one will take them seriously (Procurement Executive Association, 1998, p.35).



In summary, organizations are adopting the balanced scorecard approach to provide a more balanced assessment of their performance that is both long-term and short-term, to implement and monitor their strategy, to focus improvement on the right areas, and to measure the resulting benefits.

### 1.3.3. Application in Human Resources Function

The Balanced Scorecard concept can be applied to the Human Resources function, supporting HR in its role of a business partner. This global approach would also enable HR to assess its effectiveness in all four roles: administrative expert, change agent, strategic partner and employee advocate. Furthermore, it combines qualitative data and quantitative data, as well as provides insight to cause and effect relationships between the variables and the bottom-line, multiple constituency satisfaction and the relationship between HR practices and business strategy. This section will review in general the application of HR functional scorecards, implementation approaches, as well as some current practices.

#### A. General Review:

Creating functional scorecards is a natural part of the process of cascading a balanced scorecard. In fact, in order to realize the full benefits of the scorecard it is proposed that units develop balanced scorecards for additional functions, such as Human Resources, which will strengthen the link among systems, functions, units and goals. This also enables cross-functional co-ordination of improvement efforts and a breaking down of functional silos (Procurement Executive Association, 1998, p.12). However, implementing a balanced scorecard is no longer confined to a traditional top-down cascade. Stand-alone scorecards are also being developed for support functions. Research shows that in many instances, functional heads are developing their own scorecards in the absence of higher level scorecards (Business Intelligence, 1998, p.208).

Firstly, it is important to note that there are contradictory thoughts regarding functional scorecards. Kaplan and Norton argue that although in theory, creating a stand-alone functional scorecard is possible, it would require the leaders to do a great deal of market research with their customers and have a thorough understanding of the strategies of

the business units. On the other hand, Ron Weinberg, Human Resources Business Leader with the US headquartered consultancy Hewitt Associates has a different view. He says that in their experience of building HR scorecards within organizations, the existence of a business unit scorecard has been the exception rather than the rule. And, this has not caused any real problems (Business Intelligence, 1998, p.209). However, there is no doubt that problems will arise if the functional strategy is not aligned to the business strategy and if the scorecard is not clearly focused on delivering value to its internal customers.

There are several reasons as to why HR leaders are developing their own scorecards. Firstly, they have a desire to demonstrate the legitimacy of HR. Secondly, it is an effort to get the HR senior management team and HR function aligned with the strategic direction of the company. Thirdly, it clarifies at a more tangible level the objectives of HR. For example, the Vice-President of American Family Insurance Group applied the HR balanced scorecard to establish HR in a strategic partner relationship with the business (Business Intelligence, 1998, p.212). The model enabled HR to have the right tools and vocabulary in order to make the linkages between HR and business performance.

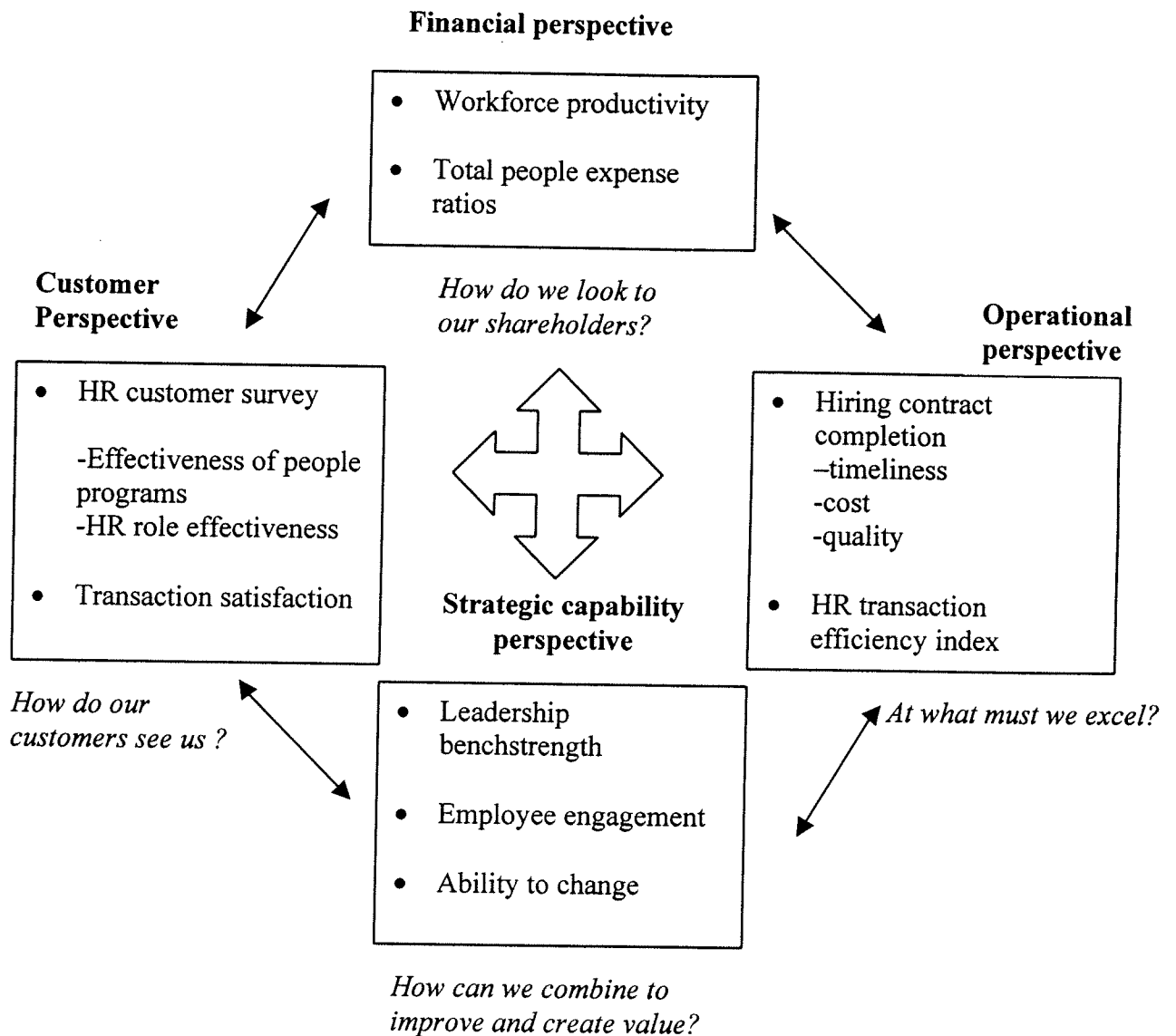
Hewitt proposes a scorecard design that attempts to strategically align and measure HR through four HR-related quadrants: financial, operational, customer and strategic capability. Each of these quadrants relates to specific measures and questions.

Hewitt scorecard design (Business Intelligence, 1998, p.211):

1. The financial perspective: Looks at the financial impact of people management and HR practices on business results, including HR costs and value added.
2. The operational perspective: Looks at internal efficiency and effectiveness of HR processes, including productivity, quality, cost and cycle-time.
3. The Customer perspective: Looks at the perceptions the internal stakeholders have about the effectiveness of HR practices and roles in relation to business goals.
4. Strategic capability: Looks at measuring how HR contributes to leadership, learning and innovation; all of which are contributors to competitive success.

According to Hewitt Associates, although actual measures have to relate to the individual company's own requirements, a sample HR balanced scorecard could include the measures in Table III (Business Intelligence, 1998, p.212).

Table III: A sample of HR Balanced Scorecard Measures:



B. Implementation approach:

Designing and implementing a HR scorecard is similar to the approach used for business wide scorecards. There is a sequence of steps that most HR functions follow, including a lot of preliminary work. Hewitt proposes an implementation process for creating HR functional scorecards (Business Intelligence, 1998, p.210).

Table IV: Balanced Scorecard Implementation Process

1. Planning phase	<ul style="list-style-type: none"> <li>• Organize the project</li> <li>• Select the team</li> <li>• Define scope and objectives</li> <li>• Kick-off project</li> </ul>
2. Assessment phase	<ul style="list-style-type: none"> <li>• Review business and HR strategies</li> <li>• Identify measurement criteria</li> <li>• Assess employee needs</li> <li>• Assess existing measurements</li> </ul>
3. Development phase	<ul style="list-style-type: none"> <li>• Identify critical strategic goals</li> <li>• Develop measures</li> <li>• Test with key stakeholders</li> <li>• Establish targets</li> <li>• Establish tracking mechanisms</li> </ul>
4. Implementation phase	<ul style="list-style-type: none"> <li>• Implement balanced scorecard</li> <li>• Evaluate and improve</li> <li>• Apply learning process</li> </ul>

In the planning phase, it is important to educate people on the concept of a scorecard. HR leaders often underestimate the effort involved in the process and this could become a barrier to successfully implementing a scorecard unless they are educated and think through the whole process in order to devote the appropriate resources.

During the assessment phase, HR will need to look at the organizational strategy and the HR strategy to ensure that they are aligned. From this, they will have to draw up criteria for good measures in order to prioritize the metrics further down in the process. This is an important step because there could be many measures to choose from and these criteria will facilitate the decision-making process. In this phase, HR will also have to look at its existing measures, identify the customers, and assess them against their measurement criteria. Weinberg argues that this is not a trivial task. "Since HR measurement has not been well developed, or has traditionally been focused on basic efficiencies such as the length of time for processing benefit claims, there is little linkage with business strategy" (Business Intelligence, 1998, p.211). Furthermore, Weinberg mentions that many HR functions do not really have a strategy. In fact, part of this process will actually involve creating a strategy and then building measures around the strategy (Business Intelligence, 1998, p.211).

Once the planning and assessment work is completed, the next step is to identify the scorecard objectives, measures and targets. Most practitioners state that the objectives and measures need to be based on input from both business customers and functional staff. From a business perspective, it is important to identify what the business strategy requires from the people and how HR can ensure that their people deliver these results. It is also important to do some HR interviews on similar topics and focus on tracing strategy to people to HR's role. This will uncover any areas where there is a disconnect between what HR thinks and what its customers expect. This will enable the creation of business-focused objectives, clarify customer groups and expectations, and help identify the critical process for the function.

There is no doubt that there are many challenges to overcome in this process. Firstly, it is critical to choose measures that have real meaning, which in an HR context can sometimes be difficult. An example of this is recruitment cycle-time. Since there are so many different requirements for each level of employee recruited, it becomes meaningless. For this situation, Weinberg suggests a better approach: establish service level agreements for each particular job, containing cost, time and quality expectations, and then measure the number of service level agreements that were not met (Business Intelligence, 1998, p.211). Another challenge HR professionals will face is the measurement ownership tension

(Business Intelligence, 1998, p.212). There is a lot of tension between HR and line management on who should be measuring people. Weinberg argues that HR must make it clear that they are not the owners of the processes, but rather have stewardship responsibility for the design of the measurement process and the collection and analysis of the data to feed back to the management structure.

There are also a number of barriers that must be overcome to successfully implement the scorecard. Firstly, there is often poor communication. It is important that the project team explain the concept and educate people on why it is valuable. Secondly, it is often difficult to maintain sufficient time and momentum. Given the effort involved, it is important that leaders pace themselves or they will not get a return on the investment. Thirdly, since HR has a history of tactical and transactional management, positioning the scorecard as a strategic management tool will bring a lot of new concepts because people are not skilled in managing HR strategically. Good training and communication is key in this process. Fourthly, it is important to manage the tension between HR activities and outcomes. HR people have a tendency to focus on activities, so there is a need to provide initial training up-front to help them with outcome thinking. Lastly, since there are many functional silos within HR, it is important to manage the silo thinking and ensure that what goes on the scorecard is really related to HR strategy and has clear ownership (Business Intelligence, 1998).

C. An example of a HR scorecard:

This final part of the section will discuss an application of a HR scorecard. Specifically, it will discuss the development of the scorecard at Dow Agro Sciences, a biotechnology/ agricultural sciences company, employing 3400 people (Business Intelligence, 1998). It will also briefly review how the HR function in GTE, a global telecommunications company, has been using the scorecard to drive a culture change.

Dow AgroSciences developed a HR scorecard in 1997. The reason why the HR function adopted the balanced scorecard approach is because the company was involved in a re-engineering program and was in the process of developing an overall corporate scorecard. The HR function wanted to ensure that it was part of this initiative in a planned way, so the

management team decided to develop their own scorecard before the corporate scorecard was finalized, with the goal of eventually validating it with the overall scorecard. It is important to note, however, that the director of the project stated that they would not have been able to develop their own scorecard in advance if they had been a traditional personnel function. The HR function was considered more of a business partner because the HR management team worked closely with the business leaders and had an understanding of the strategies and business needs of their customers.

The first step in building their HR scorecard was to educate the HR leadership team on how the balanced scorecard worked. Part of this included a case study based video on the scorecard and various examples. A team was put together which consisted of the director of the project and two other senior members. Their next step was to develop a strawman option that the HR leadership team could review and work from. They also set up other functional teams to further refine options and measures.

It is important to note that HR did not develop its scorecard in isolation. The HR leaders worked closely, and were physically located with their business leaders so they had a thorough understanding of the real business issues. Furthermore, they also discussed at length the various scorecard options with the business leaders. "Therefore, the requirements of the business customers were identified and built into the HR scorecard" (Business Intelligence, 1998, p.214).

Another important step in the development of the scorecard was that the HR team reviewed existing business and HR strategies and looked at what was happening in the external business environment. It was important the scorecard reflected these strategies and in fact, it was developed concurrently with five-year business strategies, enabling the HR function to better focus efforts on clearer goals aligned to business priorities and deliverables. Therefore, the HR team assumed a strategic partner role in developing their scorecard. Furthermore, they did not wait until they had the "perfect" scorecard before implementation. They got it approximately right and then changed aspects of it later based on experience and the results of the corporate scorecard. They did, however, find that their scorecard was largely in line with the higher level scorecards.

The resulting scorecard consists of the four classic perspectives: financial, customer, process and learning and growth. These four perspectives reflect the strategic themes of HR, “which are: sustain desired culture, champion best people practices, anticipate and deliver people capacity and competencies, and finally, leverage HR technology” (Business Intelligence, 1998, p.214). These themes are supported by the HR mission to “maximize business success through people”, which through cause and effect relationships is impacted by two financial objectives, six customer, five process and eleven learning and growth (see Table V).

As is the case for most functional scorecards, the Dow AgroScience HR scorecard is essentially two scorecards in one. One element of the scorecard focuses externally on developing the organization’s people generally, and the other on an internal scorecard that focuses on HR’s service delivery process (the right hand side shown in Table V). As an example, this paper will review the process used for identifying causal relationships and associated metrics for the internal scorecard to provide a better understanding of how a scorecard is developed.



**STRATEGIC THEMES**

↓ Sustain desired culture

Champion best practice processes  
 Anticipate and deliver people and competencies  
 Leverage HR technology

**PERSPECTIVES**

Financial:

*How does HR contribute to the business process?*

Customer:

*What do our customers expect and when?*

Process:

*To satisfy our customers, what processes must we excel at?*

Learning and Growth:

*To achieve our mission, how must HR learn and improve?*

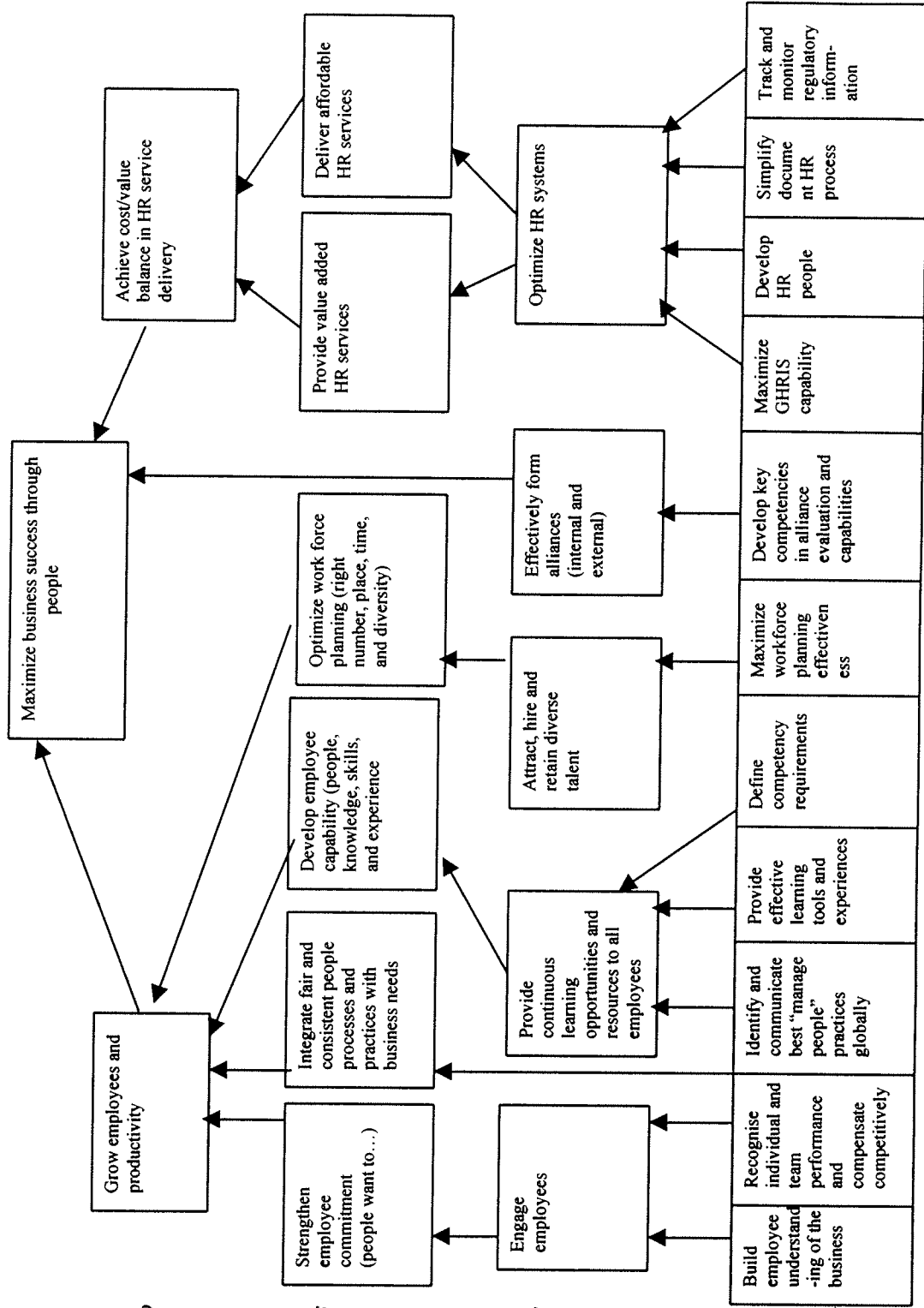


Table V: Dow AgroSciences HR Strategic Objectives Linkage Map

C. An example of a HR scorecard (continued)

For their internal HR Function scorecard, the team identified one financial objective: “achieve cost/value balance in HR services delivery”. After identifying the financial objectives, they created metrics to assess their performance. For example, “HR costs will remain flat as a per cent of payroll”. The next step was to identify the driving indicators for the financial objective. They identified two indicators from the customer objective: “providing value added services and delivering affordable HR services”. These indicators are measured by an employee satisfaction index with HR services, where the target is to “maintain or exceed an 80% positive rate to employee satisfaction index”, which is a score of 6 or 7 on a 1-7 rating on the global employee survey. With regards to their objective of having affordable services, they assess this by measuring “HR costs per employee” with a target of not increasing this at a pace exceeding the rate of inflation on an annual basis”.

The next step was to identify the driving indicators for these customer objectives. They determined that their customer objectives are impacted by their processes, and they identified an overall objective to “optimize HR service systems”. They measured the performance of this objective by whether or not “roles and responsibilities throughout the global organization will be clearly defined and aligned with the Business Effectiveness Initiative, the re-engineering project, by January 1999.

Finally, they identified the driving indicators for this objective, consisting of four learning and growth objectives. These consist of “develop our HR people, maximize our Peoplesoft system, simplify HR processes, track and monitor regulatory information relevant to HR”. They then defined the measures for these objectives, for example, develop HR people is measured by ensuring that “development plans are current for all HR people by the first quarter of 1999 and are reviewed biannually by the senior HR committee”. They completed the process of identifying cause and effect relationships and metrics for each objective of the HR mission, from each perspective.

In summary, the Dow AgroSciences HR scorecard provides an idea of how a scorecard is linked to the strategy and cascaded down to a series of cause and effect relationships. These objectives are measured by metrics, which enable the HR function to

evaluate its effectiveness and the implementation of its strategy. This application is a good example of how thorough a scorecard can be. It does seem, however, that some of the objectives on the external scorecard would be more difficult to track due to their ambiguous nature. Furthermore, there is a lot of data to collect in order to measure each of these objectives. The director of the project does specify that a measure may modify and track more than one strategic objective at the higher levels of financial and customer perspectives, so it is not necessary to have a measure unique to each perspective. Unfortunately, there is not enough information on the Dow Agrosiences HR scorecard to have a better understanding of its success. It does, however, seem to be a very well thought out framework to assess how HR is achieving its strategic objectives, while at the same time, assessing the performance of the objectives that are driving these outcomes. From this perspective, it is a very proactive approach. Finally, it would also support the HR business partner role. As it does not seem to address the change agent role, one could perhaps assume that leading and managing change is not part of their strategic objectives.

Another example of an application of a HR scorecard is at GTE, a global telecommunications business. This example will provide a better understanding of how the scorecard is used. The HR function decided to develop a functional balanced scorecard, without the existence of a corporate scorecard, to re-examine the HR function and focus to enable the organization to adapt to a changing industry. The scorecard has facilitated a focus on aligning strategy with measurements in the HR function. This has assured that HR is spending its time on the right things to support the business and its people (The Conference Board, 1999, p.11). Furthermore, the scorecard has enabled a cultural change in the HR function, where the focus is on providing value to the business.

Having developed their scorecard, GTE uses the data to measure the results and effectiveness of the strategy. The scorecard tracks and reports data on how customers see HR, how HR adds financial value, what operational tasks must be performed with excellence and the results of work initiative related to their five strategic themes. Easy to read charts and graphs are published in a quarterly statement to HR and are also used to communicate to the rest of the organization. This information keeps the business informed on HR actions and has enhanced communications, as well as HR's ability to substantiate discussions with data that was previously non-existent. Furthermore, the scorecard is tied to

incentive compensation at all levels of the organization, and has brought about a cultural change-making HR accountable for the measurements and the processes that support them.

These two applications of HR scorecards provide examples of the development of a scorecard, and the use of the scorecard as strategic management system. In summary, the balanced scorecard concept is currently being applied to the HR function. Organizations are adopting this approach because it enables the HR function to evaluate its internal effectiveness, people practices, internal customer satisfaction, as well as ensure continuous strategic alignment, supporting the business partner role. In conclusion, it is a methodology to evaluate the effectiveness of the HR function, while at the same time ensuring that it remains effective in the future.

## CHAPTER 2

### The Problematic and Methodology

Evidently, the role of the HR function is changing. With the challenges facing organizations, more and more HR functions are expected to contribute as a business partner. This paper proposes that for HR to be a real business partner, it is key that it measures its effectiveness. However, this has been a challenge for the HR function. The first part of this chapter will review the current problematic and research question. It will then discuss the methodology for this thesis.

#### 2.1. The Problematic and Research Question:

The HR function is no longer expected to simply perform its traditional roles, consisting mainly of administrative and employee champion functions. Ulrich defines the HR professional of the future as a business partner who operates in several roles: the administrative expert, the employee champion, the agent of change, and the strategic partner (1997). Essentially, as a business partner, the HR function must perform all of these roles, fulfilling both the operational and strategic requirements of the organization.

However, the transition to performing as a business partner has been difficult for many HR functions. This paper has proposed that to make this transition, certain conditions are necessary: HR functions need to leverage technology, champion HR principles in their own functions, and finally, evaluate their effectiveness. While all of these conditions are necessary to become a business partner, this paper has focused mainly on measuring the effectiveness of the HR function, arguing that to be a real business partner it is key that HR measures its effectiveness. Without this type of assessment, HR increasingly risks having its activities outsourced and being marginalized at the strategy table.

A review of the literature on evaluating HR effectiveness suggests that there is a lack of theory on this topic, contradictory literature, and little scientific research. There seems to be a debate on a common definition to measuring HR effectiveness. Some authors adopt a

qualitative approach, some a quantitative approach, and others propose a more global approach. Each of these approaches, however, has its limitations in supporting HR in its transition to becoming a business partner.

The qualitative approach proposes to measure the effectiveness of the HR function by measuring attitudes and opinions. It is based on what is often referred to as “soft” data, as opposed to evidential information, such as cost and time. One qualitative approach is to measure customer satisfaction (Tsui, 1987, 1990) of the HR function by collecting attitudes and opinions from various customer groups. Another approach is the internal audit (Bergeron, 1993) which measures the opinions of HR and leaders on the extent to which they think that HRM policies and procedures are being respected. The qualitative approach has its strength in that it focuses on perceptual data. Since perceptual data often reflects reality, people tend to act on it. Furthermore, it positions the HR function as a service. However, it does have its limitations. For one thing, it is difficult to prioritize HR customers. Furthermore, this information on its own would not be sufficient to portray the HR function as a business partner. While customer perception is important, it is still considered “soft” data, and the language of business is usually “hard” data, specifically financial metrics. An HR function can therefore not only focus on increasing customer satisfaction since it may be at the risk of increasing costs. Therefore qualitative data has to be supplemented by quantitative measures.

The quantitative approach focuses on measures that lend themselves easily to quantification, such as ratios, percentages, costs, and time. There are several quantitative approaches to measuring HR effectiveness. For example, Fitz-enz (1996) proposed measuring HR processes and activities in terms of cost, quality, time, and quantity. Others, such as Cascio, proposed measuring HR in terms of financial impact. Quantitative metrics can, at least at a superficial level, be easily understood and lend themselves to comparison. Furthermore, the quantitative approach supports the language of business. The challenge however, is that quantitative metrics will often focus on the financial side at the expense of the people aspect. In this sense, it is important to not just focus on efficiency, but also on effectiveness. While efficiency measures can enable measurement to begin, it should not be at the expense of value added strategic measures. It is also important to incorporate measures that reveal something about the quality or effectiveness of what is being measured.

Furthermore, if the HR function proposes measures that focus only on simple, quantifiable areas, then it could be limiting itself to an operational role. It is said that the more strategic the objective, the more difficult it is to measure. Therefore, the quantitative approach on its own is not sufficient to support the HR function in a business partner role.

The global approach is differentiated because it cannot really be considered quantitative or qualitative. Essentially, it proposes that HR is effective if it contributes to the success of the organization. Ulrich's relationship model (1984, 1992, and 1997) proposes that HR has an impact on the performance of the organization through strategy implementation. While this approach supports HR as a strategic partner, the function is still playing in the "soft" field. While he suggests that HR should assess its effectiveness with both quantitative and qualitative measures, he does not propose a methodology to actually show how HR is contributing to the business. In the HR function audit approach, Reilly, Strebler, Kettley, Carter, Tamkin, and Robinson (2000) state that HR must show *how* it contributes to the success of the business. For HR to really play in the strategic field, it needs internal measures of success. However, it cannot neglect delivering operational services. They propose that HR develop a measurement piece that reflects its performance in both of these roles.

Therefore, it is evident that the traditional approaches to measuring HR effectiveness do not support HR in its evolution as a business partner. The challenge for the HR function is to develop performance measures that are both financial and non-financial, can describe the firm's current position and at the same time predict future performance (Csoka, 1995), as well as reflect its performance in both the operational and strategic role. The Balanced Scorecard is an interesting approach in that it combines all of these approaches. It is a global approach, based on strategy, and combines both qualitative and quantitative evaluation methods. It seems that organisations as a whole are using this approach to obtain a more balanced view of their operations, and to enable them to implement and monitor their strategy. Indeed, some HR functions have adopted this approach to evolve the HR function to a business partner (Business Intelligence, 1998).

The Balanced Scorecard approach is interesting for the HR function for several reasons. Firstly, since at least 40% of Fortune 100 companies plan to adopt this approach in the near

future, HR would be using the same methodology as the business. Secondly, since the fundamental basis of the approach is a focus on strategy, it would enable the function to ensure that its strategy is tightly integrated into the business strategy, and then monitor its implementation and effectiveness over time and adjust course when necessary. Thirdly, it will enable HR to evaluate if it is meeting its operational requirements, as well as the strategic requirements of the organisation. In this sense, HR would also be assessing customer satisfaction, as well as monitoring the effectiveness of the processes used to deliver these results. Fourthly, the scorecard could provide focus and communicate priorities for the HR function, enabling it to use its limited resources on the most important things for the business. Fifthly, over time, the results on the scorecard could be used to identify cause and effect relationships between HR processes, HR competencies and systems, customer satisfaction, and financial performance. Identifying causal relationships would enable HR to be proactive because the function could monitor the performance drivers, not only the results, which may already be problematic by that point. Lastly, a balanced scorecard would support the business case for HR and enable the function to evolve as a business partner.

In summary, there are several reasons why the balanced scorecard approach is interesting for the HR function. However, there is limited research on its application in a Human Resources function. In this perspective, the objective of this thesis will be to develop a balanced scorecard for the HR function. Hopefully, this research will provide a better understanding of the possible application of a balanced scorecard as a potential approach to evaluating HR effectiveness.



## 2.2. Methodology:

Given the exploratory nature of this thesis, the research methodology focuses on an application study. The research objective is to develop an HR balanced scorecard for a large organization, providing a detailed description of the process, and proposing the elements of the scorecard, the measurement dimensions and definitions, as well as the sources of information for the proposed metrics. This section of the paper will firstly provide an overview of the organization and the interest for an HR balanced scorecard. It will then provide the development process for the scorecard. It will conclude by discussing the research strategy for the project.

### 2.2.1. Why an H.R. Scorecard for this organization?

#### A. Overview of the organization:

This organization is one of the operating Groups of a diversified industrial group active in aerospace, transport, recreational products and capital services. Headquartered in Montreal, it currently employs around 79,000 people in Canada, the United States, Europe and Asia. The Aerospace Group will be the focus of this study.

The Aerospace organization was created in 1986, when the corporation acquired its Montreal operation from the Federal government. Since then, it has acquired 3 other companies, including organizations in Toronto, Belfast, Northern Ireland and Wichita, Kansas. The present Aerospace Group employees around 19,000 people, and is the result of linking four strongly independent companies with significant cultural differences. The Company has tried to maintain what makes each company special, while promoting the core Group values, such as entrepreneurialism, growth, innovation and a commitment to 'the bottom-line'. As the business is learning to manage its explosive growth, it is becoming increasingly important for the Company to consolidate the four organizations and move forward in one strategic direction as one company.

B. Reasons to adopt a scorecard approach:

The Human Resources function is trying to evolve from a traditional, administrative function to a business partner role. In this transition, it has invested in technology, started to champion HR principles in its own Function, and is sporadically trying to implement performance measures. It has not yet been able to make this full transition and a balanced scorecard would be an effective approach to support this. However it is important to first review how this could be an interesting option for the Function.

Firstly, the senior HR leader has been focusing on getting the senior team and HR Function aligned with the strategic direction of the Company. In this perspective, creating a balanced scorecard for the Human Resources function would enable the leadership team to validate the strategic direction of the HR function. A scorecard would also clarify the HR objectives at a more tangible level. This is important for the Function because its size, disperse geographical locations, decentralized structure, and varying local issues often provide a challenge to having clarity of direction. Given this reality, it has also been a challenge to translate the overall functional strategy into action and to monitor its implementation. A balanced scorecard is an instrument that could provide this clarity of direction and mobilize the HR employees' efforts in the same direction by communicating tangible objectives, while still respecting the decentralized nature of the organization.

Another reason why the HR function should adopt a scorecard is to develop a more balanced view of its effectiveness. Traditionally, the HR function has been measured on its budget performance, which is by its nature a measure of past events (i.e. it is a lagging indicator). In fact, the Function has not really developed any measures of effectiveness. Lagging indicators, however, do not necessarily support the Function in playing a more strategic role. This could be one contributing factor to the difficulty in evolving the HR function as a business partner. A scorecard is a tool that could complement the traditional measures of financial performance with other leading indicators related to overall effectiveness, and help demonstrate the legitimacy of the HR function.

Some other reasons why the Function should adopt a scorecard are related to creating focus for improvement efforts. Firstly, the organization has invested in Peoplesoft technology to build access to better information for decision-making and to reduce the time HR employees spend on administrative tasks to enable more time to be spent on strategic tasks. It is also planning a larger scale project to leverage ERP (Enterprise Resource Planning) technology, which will include Peoplesoft, SAP, and web-enabled technology. A scorecard could help the Function measure its progress on improving its service delivery.

Furthermore, the HR Function has also embarked on the Company wide improvement initiative, a strategic process improvement methodology called 'Six Sigma'. This data driven methodology is based on identifying, reducing and preventing defects in products and the key business processes that drive the organization's performance and enable it to meet its strategic objectives. Implementing this methodology in the HR Function has not been an easy task. It requires a huge cultural shift in the function, which historically has not measured its effectiveness. Faced with the challenge of limited resources, the Function is trying to manage the explosive growth the Company is facing, while adopting this improvement methodology in line with the rest of the business. In this perspective, a balanced scorecard in Human Resources could serve as a vehicle to focus efforts on key areas of opportunity where there will be the biggest impact. As the current literature states, it is essential to create focus in HR organizations, given that there are limited resources that need to be deployed in the most effective manner (Corporate Leadership Council, 2000).

Evidently, the HR function is currently facing many challenges. An HR scorecard is an important tool which could help focus strategic direction in a complex organization, communicate tangible objectives, legitimize the HR function by demonstrating its impact as a value adding business partner, and help provide focus for the limited resources available.

### 2.2.2. The Development Process:

#### A. The Scorecard Development Process:

The literature states that developing and implementing an HR scorecard is similar to the approach that Kaplan and Norton suggest for business wide scorecards. Although each organization is unique and may wish to follow its own path to creating a scorecard, they propose a methodology that is often used, and was previously discussed in this paper. For this study, the methodology proposed to build this scorecard is based on Kaplan and Norton's model (Kaplan and Norton, 1996) and the literature on HR scorecards (Business Intelligence, 1998, and GTE, 1999). As previously reviewed, literature on developing HR scorecards proposes a sequence of steps that most HR functions follow, including a lot of preliminary work that will complement Kaplan and Norton's model. The process outlined in Table VI includes an overview of all the steps.

The framework to build an HR balanced scorecard is composed of four major phases: The Planning phase, the Assessment phase, the Development phase and the Implementation phase. Once the scorecard is implemented, there is also a strategic feedback and learning process, to monitor results and adapt if necessary. This case study, however, will not go beyond building the scorecard. The next phases are beyond the scope of this research paper, and would involve a great deal of time, energy and disclosure of confidential information. It will, however, recommend the components of the scorecard for the Function, the measurement dimensions and objectives, and propose information sources for the measures.

In the Planning phase of the project, it is important to introduce the scorecard concept to the HR Senior Leader and obtain sponsorship. This involves gaining consensus on the need and then identifying high level planning milestones and resource requirements. Upon approval, it is important to establish the objectives and proposed scope of the project. The planning phase also involves an education piece. It is important to educate the Senior HR management team. Once they understand the concept and the process, it will be important to gain consensus on the scope and objectives of the project, and resource requirements. After obtaining approval to move forward, resources need to be selected to

participate in the Assessment and Development phase. The final step in the Planning phase is to educate the development team and put together a working plan to move forward.

In the Assessment phase, it is first important to ensure that the HR strategy is clear and well aligned with the business strategy. It is also important to identify criteria for good measures. In fact, it is recommended to do this up-front to help prioritise metrics if necessary, further along the process. It will then be important to assess existing measures. The literature does state that depending on the scope of the project, it is important to use as much existing measures as possible (Business Intelligence, 1998). At this point, there should a clear view of the current situation to begin the development phase.

In the Development phase, the first step is to identify the critical strategic goals for the Function. This is accomplished by clarifying the strategy with the Senior HR management and to obtain their input on the Function's strategic objectives. The next step is to synthesize this information and propose a tentative list of objectives for each quadrant, translating strategy into a measurement model.

The next part of the Development phase consists of building measures for each objective. It is important to identify the measure or measures that best capture and communicate the intention of the objective, giving priority to existing measures. Then, for each measure, it is important to describe and define the measure, and to identify the source of information. To begin identifying causal relationships, it is important to identify the key linkages among the measures within the perspective, as well as between this perspective and the other perspectives. The final step is to identify the sources of information for each measure, for example the employee satisfaction surveys. Therefore, at the end of the Development phase, there is a proposal for the components of the scorecard, a detailed description of the measures, as well as the sources of data information.

Overall, developing an HR scorecard could extend over a twelve week period. Once the scorecard components are presented to and agreed upon by the Senior HR management team, it can then proceed to implement the scorecard. The implementation phase consists of establishing targets for the Group. In order to accomplish this, the senior team will need to have an accurate assessment of where they are today, and then establish where they want to

be. Depending on the measure, different approaches can be considered for specifying targets, from benchmarking to rates of change to be achieved over the next three to five years. Once this exercise is complete, the team needs to develop an implementation plan. This plan should include how the measures are linked to the database and information systems, communicating the scorecard throughout the organization, and encouraging and facilitating the development of second-level metrics for decentralized units. For the balanced scorecard to ultimately create value, it is important that it is integrated into the HR management system. This would involve a strategic feedback and learning process, which will enable the Function to monitor the results, evaluate effectiveness, and adapt where necessary. Once again, however, the scope of this paper will not include the implementation phase and beyond.

<b>PHASE:</b>	<b>STEPS:</b>
<b>1. Planning</b>	<p><b>Step 1: Plan the project</b></p> <ul style="list-style-type: none"> <li>• Introduce concept to Senior HR leader and obtain sponsorship</li> <li>• Define milestones and initial resource requirements</li> </ul> <p><b>Step 2: Define scope and objectives</b></p> <ul style="list-style-type: none"> <li>• Select organizational unit</li> <li>• Define objectives</li> </ul> <p><b>Step 3: Educate the stakeholders</b></p> <ul style="list-style-type: none"> <li>• Introduce concept to senior HR management team</li> <li>• Gain consensus on scope and objectives</li> <li>• Clarify development framework and plan</li> </ul> <p><b>Step 4: Select team</b></p> <p><b>Step 5: Kick-off the project</b></p> <ul style="list-style-type: none"> <li>• Educate team in concept and methodology</li> <li>• Develop working plan</li> </ul>
<b>2. Assessment</b>	<p><b>Step 6: Review business and HR strategies</b></p> <ul style="list-style-type: none"> <li>• Assess business strategy and HR strategy alignment</li> </ul> <p><b>Step 7: Identify measurement criteria</b></p> <ul style="list-style-type: none"> <li>• Draw up criteria for good measures to help prioritize</li> </ul> <p><b>Step 8: Assess existing measures</b></p> <ul style="list-style-type: none"> <li>• Look at existing measures</li> <li>• Validate measures</li> </ul>
<b>3. Development</b>	<p><b>Step 9: Identify critical strategic goals</b></p> <ul style="list-style-type: none"> <li>• Prepare and conduct interviews with HR customers and functional staff tracing business strategy to people strategy and H.R.'s roles</li> <li>• Synthesize results and propose a tentative list of objectives for each quadrant, translating strategy into a measurement model.</li> </ul> <p><b>Step 10: Develop measures and reporting format</b></p> <ul style="list-style-type: none"> <li>• For each perspective, identify key measures of performance</li> <li>• For each proposed measure, identify the sources of information.</li> </ul> <p><b>Step 11: Test with keys stakeholders</b></p> <ul style="list-style-type: none"> <li>• Gain consensus on measures</li> </ul> <p><b>Step 12: Establish tracking tools</b></p> <ul style="list-style-type: none"> <li>• Develop necessary tools to access and track this information.</li> </ul>
<b>4. Implementation</b>	<p><b>Step 13: Establish targets</b></p> <ul style="list-style-type: none"> <li>• Assess current performance and benchmarking data</li> <li>• Establish targets with Senior HR management</li> </ul> <p><b>Step 14: Develop Implementation Plan</b></p>
<b>5. Feedback</b>	<b>Step 15: Integrate into HR management system</b>

### 2.2.3. The Research Strategy for this project:

It is important to clarify the methodology used in the scope of this thesis. In the previous section, a proposed framework for the development of the scorecard is outlined. While this thesis bases the scorecard development on this methodology, it was necessary to limit the scope given the immensity of the project. This section of the methodology will discuss the research strategy for this paper. In the first part, it will clarify the objectives for this thesis. It will then review the design framework used for this study (Table VII) and conclude with a review of the research plan that was followed to design the scorecard (Table VIII).

#### A. Thesis Objectives:

The research objective for this thesis is to develop a balanced scorecard for the HR Function. Since the scorecard is centered on the organization's strategy, this paper first proposes the HR strategic goals, where the existing HR strategy is clarified and focused into a series of cause and effect relationships, articulated as tangible goals. It then proposes the components of the scorecard, where metrics are identified and selected for each strategic goal, including measurement dimensions and definitions and the sources of data information for the selected measures. Although this paper will clarify and focus the existing HR strategy, it will not include any development of the HR strategy. Furthermore, this paper will not include the scorecard implementation, or an evaluation of the effectiveness of the approach, as mentioned previously. It will, however, propose a feasible balanced scorecard, tightly linked to the HR strategy, which is "operational" and ready for the organization to implement.

#### B. Overall Research Plan:

The planning and assessment phases (Step 1 to Step 8) were completed prior to this research project, with the participation of the author, and will be reviewed in more detail in sections 3.1 and 3.2 in the following chapter. In the planning phase, the Balanced Scorecard concept was presented to the Senior HR team, and after consensus on the need



was reached, the scope of the project was determined. As part of the assessment phase, the HR senior team validated the HR strategy and business alignment. They also identified the measurement criteria that should be considered in the selection of metrics. Furthermore, an exercise was completed to identify all the existing measures in the Group. Finally, the HR Senior Management Team also discussed and clarified the HR strategy and brainstormed some objectives in a workshop, facilitated by the author. As this information is necessary for the design of the scorecard, the project will provide a review of the process and results for both of these phases.

The main part of the methodology is an application study, focusing on the development phase (steps 9-12). This phase is divided into two main areas. The first part of this phase consists of identifying the critical HR strategic goals (step 9) and will be reviewed in section 3.3.1 in the next chapter. To begin with, there is a brief review presented as a case study of the results of the HR strategy clarification meetings. Following this, in order to identify the objectives, this paper synthesizes the information from the HR Senior Management workshops and HR strategy documents. It then uses existing literature, such as the DowAgro model strategic linkage map (Table V) to brainstorm clear objectives in a series of cause and effect relationships. It then ensures that the objectives for each perspective are clear and pertinent before translating them into tangible measures.

The second part of this phase consists of identifying measures for these objectives and will be reviewed in section 3.3.2 in the next chapter. First, potential measures are proposed for each objective, including the dimensions, definitions, and sources of data for each one, ensuring that they are “operational” enough for the organization to implement (steps 9,10, and 12). This is accomplished by doing library searches, Internet searches, and research in the organization. Although the sources of information and tracking tools are clearly identified for the measures, the actual tracking tools are only developed for the qualitative data as the development of quantitative data tracking tools is beyond the scope of this project. The reporting format for the scorecard is also considered beyond the scope of the project. In the next part, the measures are prioritized against the set measurement criteria in order to determine which ones should be retained and presented on the scorecard (Step 11). As opposed to testing the measures with the stakeholders to gain consensus, this

project selects the measures based on the criteria the stakeholders had clearly identified in the assessment phase. The last part of this phase concludes with the final components of the scorecard proposed for this organization to implement.

Table VII: Proposed framework for the development of the scorecard:

<i>Phases:</i>	<i>Steps:</i>
<b>Planning</b>	<ul style="list-style-type: none"> <li>• Present project plan and scope</li> <li>• Review process used to educate the stakeholders</li> </ul>
<b>Assessment</b>	<ul style="list-style-type: none"> <li>• Present Business and HR strategy alignment</li> <li>• Discuss process and results from strategy clarification meeting with the HR Senior Management Team.</li> <li>• Review measurement criteria determined by the HR Senior Management Team</li> <li>• Present existing measures in the HR function</li> </ul>
<b>Development</b>	<ul style="list-style-type: none"> <li>• Identify critical strategic HR goals: <ul style="list-style-type: none"> <li>• Breakdown the strategy into a series of assumed cause and effect relationships for each strategic theme</li> <li>• Propose strategic objectives for each perspective</li> <li>• Create the strategic objectives linkage map</li> </ul> </li> <li>• Translate goals into measures <ul style="list-style-type: none"> <li>• Identify measurement dimensions for objectives</li> <li>• Define measures</li> <li>• Identify sources of information for measures.</li> <li>• Prioritize measures based on measurement criteria</li> </ul> </li> </ul>

Table VIII: Overview of Development Plan for the Scorecard:

<b>PHASES:</b>	<b>PLAN:</b>	1	2	3	4	5	6	7	8	9	10	11	12
<p><b>PLANNING:</b></p> <ul style="list-style-type: none"> <li>• Present plan and scope of project</li> <li>• Review process used to educate stakeholders</li> </ul> <p><b>ASSESSMENT:</b></p> <ul style="list-style-type: none"> <li>• Present business and strategy alignment</li> <li>• Review measurement criteria determined by HR Management Team</li> <li>• Review existing measures in the HR function</li> <li>• Review results of HR strategy clarification meeting</li> </ul> <p><b>DEVELOPMENT:</b></p> <p>1. <u>HR Strategic objectives:</u></p> <ul style="list-style-type: none"> <li>• Breakdown the strategy into a series of assumed cause and effect objectives</li> <li>• Propose strategic objectives for each perspective</li> <li>• Create the strategic objectives linkage map</li> </ul> <p>2. <u>HR Scorecard Measures:</u></p> <ul style="list-style-type: none"> <li>• Identify measurement dimensions for each measure</li> <li>• Define measures for each dimension</li> <li>• Identify sources of information for selected measures</li> <li>• Prioritize measures</li> </ul>	<p><b>Weeks:</b></p> <ul style="list-style-type: none"> <li>• Present a review of the phase.</li> <li>• Present a review of the phase.</li> <li>• Refer to HR strategy Documents</li> <li>• Propose objectives and linkage map based on Dow Agro model (Table V) and HR strategy documents.</li> <li>• Research in library, internet, benchmark</li> <li>• Research in organization</li> <li>• Use measurement criteria</li> </ul>		●										
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							●						
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## CHAPTER 3

### Developing the HR Balanced Scorecard

This chapter will describe the process of developing a balanced scorecard for the HR function in this organization. As per the development process proposed in Table VII, this section will review each phase of the process. The first two sections of this chapter will consist of a review of the planning and assessment phases. The third section of the chapter will begin with a brief review of what had been completed, and will then focus on the design of the scorecard. It will synthesize and present the strategic objectives for the HR function and present a strategy causation map. It will then propose and prioritize measures for each goal, including measurement dimensions, definitions, and sources of data information. The final section will present the overall components of the HR Scorecard for this organization.

#### 3.1. The Planning Phase:

The case study on the planning phase will briefly review the balanced scorecard education process and the project scope and mandate. As a first step, it was essential to obtain the senior Human Resources vice-president's sponsorship for the balanced scorecard project. He agreed to the overall concept and development framework. He also added it to the forthcoming senior HR management meeting agenda, where the balanced scorecard concept was presented to senior Human Resources management. The overall introduction to the concept was achieved by presenting a video by Kaplan and Norton on the Balanced Scorecard (Harvard University Press, 1998). The next part of the discussion focused on the application to the Human Resources function and also included a discussion on some best practices. At this point, the management team had a basic understanding of the scorecard concept and there was an interest to further explore the concept. It was also agreed to discuss the scope, objectives and project details in the next meeting.

In the following meeting with the HR Council, a proposed project mandate was presented, amended, and agreed upon by the group (Table IX). Each HR Council member then nominated one functional expert to participate in the process, creating a team of eight people. Furthermore, it was identified and agreed that the Group Finance Manager would need

to be actively involved in the process to be able to collect the financial data for the scorecard. The final step of the planning process was to kick-off the project with the balanced scorecard team. This step took place in the form of a workshop, where the team was first informed on the balanced scorecard concept, the project mandate, and the project plan. The team then agreed upon a working plan for the way forward. The second part of the session was to begin the assessment phase, specifically, assessing existing measures for the HR function, which will be reviewed in the following section.

Table IX: The HR Balanced Scorecard Project Mandate:

Project Sponser:	Group Human Resources Vice-President
Project Champion:	Group Organizational Development Director
Project Leader:	Louise Hansell
Project Team:	Nominated functional experts
Key Deliverable:	The components and measurement dimensions for a Human Resources Balanced Scorecard.
Customers:	The HR senior management team and executive team.
Scope and objectives:	<p>The scorecard will translate the Group HR strategy into tangible goals.</p> <ul style="list-style-type: none"> <li>• This will include both the internal HR function, as well as HR management throughout the organization (2 scorecards in 1).</li> <li>• As the Group strategy is for HR functions across the organization, Divisional units can build their own specific measures onto the scorecard as a second phase (not in scope).</li> <li>• The project objective will be to recommend the components of the scorecard and measurement dimensions, definitions, and data sources. It will not however include the implementation process.</li> </ul>

### 3.2. The Assessment Phase:

The assessment phase consists of a brief case study, reviewing the alignment between the business and the HR strategy. It also discusses the criteria for good measures to help guide the measure selection process. Finally, it reviews the existing measures throughout the organization.

#### 3.2.1. Business and HR Strategy Alignment:

The Executive team defined the business strategy as part of the strategic planning process. From a general perspective, the five year strategic intent for the organization is to maintain the leading position in two of its market segments by providing its customers with better value for money resulting in 15% annual sales growth with improved operating margins (President and COO). The three main planks of the Business strategy are to aggressively pursue revenue growth; achieve world leading operational excellence and cost structures; and to continuously strengthen the organization.

Based on the business strategy, the senior HR leader discussed the expected HR deliverables with the Executive team through a series of individual interviews. Once this information was consolidated, the HR leader communicated this information with his senior management team. In a series of meetings facilitated by the Group Director of Organizational Development, the team further defined their deliverables within the framework of the business context. This information is consolidated in (Table X). In summary four main deliverables define the group strategy:

1. Achieve world class operational excellence and cost structures through improved organizational effectiveness. Given that the organization's goal is to become operationally excellent in order to perform well in the increasingly competitive environment, it is paramount that each part of the organization understands its role and works effectively together to enable effective speed to market. In such an environment, communication, organizational clarity, and change management are key HR deliverables.

2. Maintain a constructive, positive employee relations climate: Rapid growth requires the need to react flexibly to change. It therefore becomes important to provide the type of environment and conditions that make the Company an employer of choice where people are ready to do whatever it takes to meet its objectives.
3. Ensure an adequate supply of qualified resources at all levels of the organization: In high growth mode, having enough qualified resources in a tight labour market is a key competitive advantage. It is therefore important to create a work environment that anticipates needs, attracts, develops and retains the best employees.
4. Improved HR efficiency and effectiveness: The organization has invested heavily in the Six Sigma methodology. HR is also investing in its information management systems through “Enterprise Resource Planning (ERP)” (Peoplesoft, SAP, and Web-enabled services). It is imperative that the Function leverages these investments to enable it to deliver more effective services at optimized costs. It is also imperative that the HR employees continue to develop themselves to provide effective services.

Table X: Business and HR strategy Alignment:

<b>Business context</b>	<b>HR implications</b>	<b>HR Strategic Themes</b>
Continue current rapid rate of growth in most sectors	<ul style="list-style-type: none"> <li>• Attract and retain qualified talent</li> <li>• Aggressive pursuit of high demand/low supply skills sets.</li> <li>• Foster an environment that reacts flexibly to change</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure an adequate supply of fully qualified resources at all levels</li> <li>• Maintain a constructive, positive employee relations climate.</li> </ul>
Growth and expansion into new businesses	<ul style="list-style-type: none"> <li>• Strengthen leadership capability by: <ul style="list-style-type: none"> <li>-Investing in talent development</li> <li>-Attracting top senior talent</li> <li>-Building infrastructure to continue development</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• An adequate supply of fully qualified resources at all levels</li> </ul>
Continue to reduce costs and time to market across the business to insure long term competitiveness (operationally excellent).	<ul style="list-style-type: none"> <li>• Foster ability to deal with change, clarity of direction, and communication.</li> <li>• Facilitate positive environment during strain of growth and need to be flexible.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved organizational effectiveness</li> <li>• Maintain positive employee relations</li> </ul>
Each function to adopt common information system and aligned processes to support an integrated business.	<ul style="list-style-type: none"> <li>• Foster ability to deal with change.</li> <li>• Improve HR effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Improved organizational effectiveness</li> <li>• Improved HR efficiency and effectiveness</li> </ul>

In summary, it seems that the HR strategy is directly aligned with the business strategy. In order to translate this strategy into tangible goals with metrics, each strategic theme



will, however, have to be described by clear objectives. This exercise is part of the design phase albeit that a future challenge will be to decide which metrics to use for the scorecard indicators. One way to accomplish this task is to define the criteria up-front to help prioritize metrics for decision-making purposes (Business Intelligence, 1998). Furthermore, it will be necessary to identify all the existing measures throughout the Group before developing new measures in order to build on what is already existing (Business Intelligence, 1998).

### 3.2.2. Criteria for good measures:

The literature does point out that reaching consensus on measures can be a challenging task. Ron Weinberg points out that one way to facilitate this process is to identify some criteria for good measures up-front (Business Intelligence, 1998). Therefore, at the senior HR management meeting, the project leader proposed that the team define some measurement criteria. It was important to first provide an overview of measurement information to the group. This was achieved by presenting basic measurement principles proposed by the literature (Fitz-enz, 1995; Becker, Huselid, Ulrich, 2001; Six Sigma Training manuals, company specific, 1998). In a facilitated session, the HR Council brainstormed and selected some criteria for good measures. It was agreed that measures needed to be specific, tangible, simple, valid for the entire Group, and robust in that they are reliable over time and are not overly influenced by external factors. Furthermore, the HR Council wanted to ensure that the lean HR organization did not create more work for itself. In this perspective, they emphasized that the measures should not involve too much work to administer, so the measures should be worth measuring and the data should be accessible.

### 3.2.3. Assess existing measures:

The next step was to identify the existing measures across the Group. This step was important because it provided an overall assessment of the current measurement situation in the HR function, across the Group. Ideally, the target scorecard should be composed of as many existing pertinent measures as possible. As Ron Weinberg mentions, this facilitates the future measurement process immensely (Business Intelligence, 1998).

The process used to assess the existing measures required the input of functional experts. For the first team meeting, each team member was asked to identify the existing measures from each of their HR organizations. In the meeting, a session was facilitated where each team member was asked to present their group's metrics, and to position them on a large flipchart, which represented the entire group. The result was an overall assessment of the existing measures (Table XI).

In conclusion to the exercise, it seemed evident that the existing measures in the organization tend to be diagnostic, and do not necessarily evaluate the effectiveness of the HR function, both from an internal perspective and throughout the organization. Therefore in the design process, while existing measures will be retained as much as possible for the scorecard, it will be important to select other powerful metrics that meet the measurement criteria, and are more closely linked to the HR strategy.

Overall measurement area	Components	Customer (needs information)	Frequency	Which sites?
Employee satisfaction	<b>Operating excellence:</b> Employees perception on processes and quality in place to achieve operating excellence	Management Human Resources	Every 1-2 years in the Employee Opinion Survey (EOS)	All
	<b>Organizational commitment:</b> Employees perception of the organization as a place to work.	Management Human Resources	Every 1-2 years in the EOS	All
	<b>Work satisfaction:</b> Employees perception of their work satisfaction	Management Human Resources	Every 1-2 years in the EOS	All
	<b>Ability to contribute:</b> Employees perception of the support they receive to enable them to fully contribute.	Management Human Resources	Every 1-2 years in the EOS	All
	<b>Training support:</b> Employees perception of the support they receive for training.	Management Human Resources	Every 1-2 years in the EOS	All
	<b>Individual development:</b> Employees perception of the quality of processes available for development	Management Human Resources	Every 1-2 years in the EOS	All
	<b>Leadership consistency:</b> Employees perceptions on management's responsiveness	Management Human Resources	Every 1-2 years in the EOS	All
	<b>Values:</b> Employees perceptions on the adherence to organizational values	Management Human Resources	Every 1-2 years in the EOS	All
	<b>Clarity of direction:</b> Employees perceptions on objectives that have been set.	Management Human Resources	Every 1-2 years in the EOS	All
	<b>Communication:</b> Employees perceptions on day-to-day communications.	Management Human Resources	Every 1-2 years in the EOS	All
	<b>Resource support:</b> Employees perceptions of the quality of physical working conditions and resources	Management Human Resources	Every 1-2 years in the EOS	All
	<b>Safety and environment:</b> Employees perceptions on managing safety and environment	Management Human Resources	Every 1-2 years in the EOS	All

Table XI: Existing Measures throughout the HR Function

Overall measurement area	Components	Customer (needs information)	Frequency	Which sites?
Employee satisfaction	<p><b>Supervision:</b> Employees perception on supervisory support they receive.</p> <p><b>Team work:</b> Employees perception of their working relationships</p> <ul style="list-style-type: none"> <li>Open jobs by department/ by month</li> <li>Number of filled jobs versus unfilled, on-hold, and offers made</li> <li>Recruitment lead time by overall category</li> <li>Applicant status</li> </ul>	<p>Management Human Resources</p> <p>Management Human Resources</p> <p>HR</p> <p>HR</p> <p>HR and Mgmt</p> <p>Applicants</p>	<p>Every 1-2 years in the EOS</p> <p>Every 1-2 years in the EOS</p> <p>Monthly</p> <p>Monthly</p> <p>Monthly</p> <p>Weekly</p>	<p>All</p> <p>All</p> <p>Montreal</p> <p>All</p> <p>Toronto</p> <p>Wichita, Belfast</p> <p>Wichita, Belfast</p> <p>Toronto</p> <p>Belfast</p> <p>All</p> <p>All</p> <p>Toronto</p> <p>All</p> <p>Toronto, Belfast</p>
Recruitment Acitivity and efficiency	<ul style="list-style-type: none"> <li>Number of Applicants by Equal opportunity categories</li> <li>Recruitment agency utilization frequency</li> <li>Ratio of successful Probationary evaluation (30-60 day)</li> <li>Number of university hires</li> <li>Number of Training hours</li> <li>Training hours per program, function</li> <li>Training costs</li> <li>Training spend ratio</li> <li>Number of Performance Management programs evaluations completed</li> <li>Number of Skills inventory matrix by classification</li> <li>No. of supervisors passed supervisor certification</li> <li>Total turnover ratio</li> <li>Turnover: involuntary, voluntary (by reason)</li> <li>Turnover by program, function</li> <li>Turnover by reason</li> </ul>	<p>Government Management</p> <p>HR</p> <p>HR</p> <p>HR</p> <p>HR</p> <p>HR, Mgmt</p> <p>HR, Executives</p> <p>Executives</p> <p>HR</p> <p>Management, HR</p> <p>Management, HR</p> <p>HR, Mgmt</p> <p>Management, HR</p> <p>HR</p> <p>HR</p>	<p>Monthly</p> <p>Monthly</p> <p>Annually</p> <p>Monthly</p> <p>Monthly</p> <p>Monthly</p> <p>Monthly</p> <p>Annually</p> <p>Monthly</p> <p>Quarterly</p> <p>Quarterly</p> <p>Annually</p> <p>Quarterly</p> <p>On demand</p> <p>Quarterly</p> <p>On demand</p>	<p>Toronto</p> <p>Wichita, Belfast</p> <p>Wichita, Belfast</p> <p>Toronto</p> <p>Belfast</p> <p>All</p> <p>All</p> <p>Toronto</p> <p>All</p> <p>Toronto, Belfast</p> <p>Toronto</p> <p>Toronto</p> <p>All</p> <p>Toronto</p> <p>All</p> <p>Toronto</p> <p>Toronto, Montreal</p>

Table XI: Existing Measures throughout the HR Function (continued)

Overall measurement area	Components	Customer (needs information)	Frequency	Which sites?
Compensation	• Benefits Percentage	Executives, HR	Annually	All
	• Compensation costs	Executives, HR	Annually	All
	• Overtime percentage	Mgt, HR	Monthly	All
	• Workers compensation costs	Executives, HR	Annually	Wichita
Employee relations	• Absenteeism total, by department, hourly	Management, HR	Monthly	All
	• Absenteeism total, by department salaried	Management, HR	On demand	All
	• Accident rates	Management, HR	Monthly	All
	• Employer liability claims	Executives	Annually	Montreal
	• Health and safety frequency and gravity rate	Management	Monthly	Montreal
	• Lost work days-health and safety	Management	Monthly	All
	• Number of grievances, by program, by department	HR	Quarterly	Toronto
	• Grievance rate	Mgt, HR	Quarterly	Wichita
	• Number of cases settled in arbitration	HR	Annually	Montreal
	• Number of warnings	Management	Quarterly	Toronto
Managing budget	• % of time for union activities	Management	Annually	Montreal
	• Bargaining unit headcount	Executives	Annually	All
	• Target versus actual	Executives	Monthly	All
	• % of target groups	Government	On demand	All
Diversity General	• Headcount numbers	Executives	On demand	All
	• Seniority trends (diagnostic)	Executives	Annually	All
	• Age trends (diagnostic)	Executives	Annually	All

Table XI: Existing Measures throughout the HR Function (continued)

### 3.3 The Development Phase:

This section will begin with a brief case study, but the main focus is an application study of the development of the scorecard for the HR function. The first step in this phase will be to synthesize and present the critical HR strategic goals. It will then propose a strategic objective linkage map for each perspective. The next part of this section will build and prioritize the measures for the goals in each perspective, and propose sources of information for each one. The final part of this section will consist of the actual proposed components of the scorecard.

#### 3.3.1. The Critical strategic HR goals:

As discussed previously, in order to build measures that reflect the strategy as presented in the assessment phase, it is necessary to identify the critical HR strategic goals. The strategic objectives were validated through several discussions on HR strategy clarification. This step will be reviewed as a case study to ensure the development of measures that will reflect the strategy. The next section will develop these goals into a series of proposed linkages among each quadrant to map the HR strategy.

#### A) Strategic Objectives for the HR function:

The Group HR strategy is defined for the entire group. While each HR function across the world has its own local issues, the strategic priorities reflect the overall group's strategic intent. As mentioned previously, this paper will not focus on the quality of the strategy. The objective is to ensure that the HR strategy reflects the business strategy and the goals are clear enough to break down into tangible metrics.

It is important to identify clear objectives for each strategic theme. As a first step, it is necessary to clarify the strategic objectives. The intent here was to not re-create the strategy, but rather to collect valuable input for clarity purposes. The HR Group Vice-President revalidated the HR strategy with the Senior Executive team through a series of meetings. The next step consisted of a facilitated work session with the senior HR management team. The key outcomes of this meeting were to clarify goals, discuss what HR would look like if

it obtained these goals, and identify what HR would need to deliver in each strategic area. The group also agreed upon the perspectives that would make up the conceptual framework for the scorecard for the function.

Essentially, it was decided that this scorecard would be two scorecards in one. It will represent both the internal HR function's service delivery model, as well as the HR processes used throughout the organization. As the Business Intelligence report points out, functional scorecards are often two scorecards in one (1998). It was determined that the customer perspective should measure employee and manager perceptions of HR dimensions, both as a service, and throughout the organization. This perspective should highlight what customers expect from the HR function in terms of deliverables, and their satisfaction levels. The financial perspective should measure how well HR is managing its departmental costs and program costs, as well as the impact HR has on broader business results. The internal process perspective should measure HR's success at doing things more efficiently and effectively, both within the function and for the HR processes used throughout the organization. Finally, the learning and growth perspective should measure how effective HR is at promoting learning and growth throughout the organization, as well as in the HR organization.

With regards to strategy clarification, the results of these meetings were synthesised and incorporated into the strategic goals for each perspective, as depicted in Table XII. This exercise was built by developing a series of hypothesis that will be tested over time. This information was then consolidated into an HR strategic objectives map, as depicted in Table XIII, based on the model used by Dow AgroSciences HR Strategic Objectives Map, depicted previously in Table V (Business Intelligence, 1998). This exercise was completed in order to identify the cause and effect relationships between areas to develop both leading and lagging performance measures, and will be reviewed in the next section.

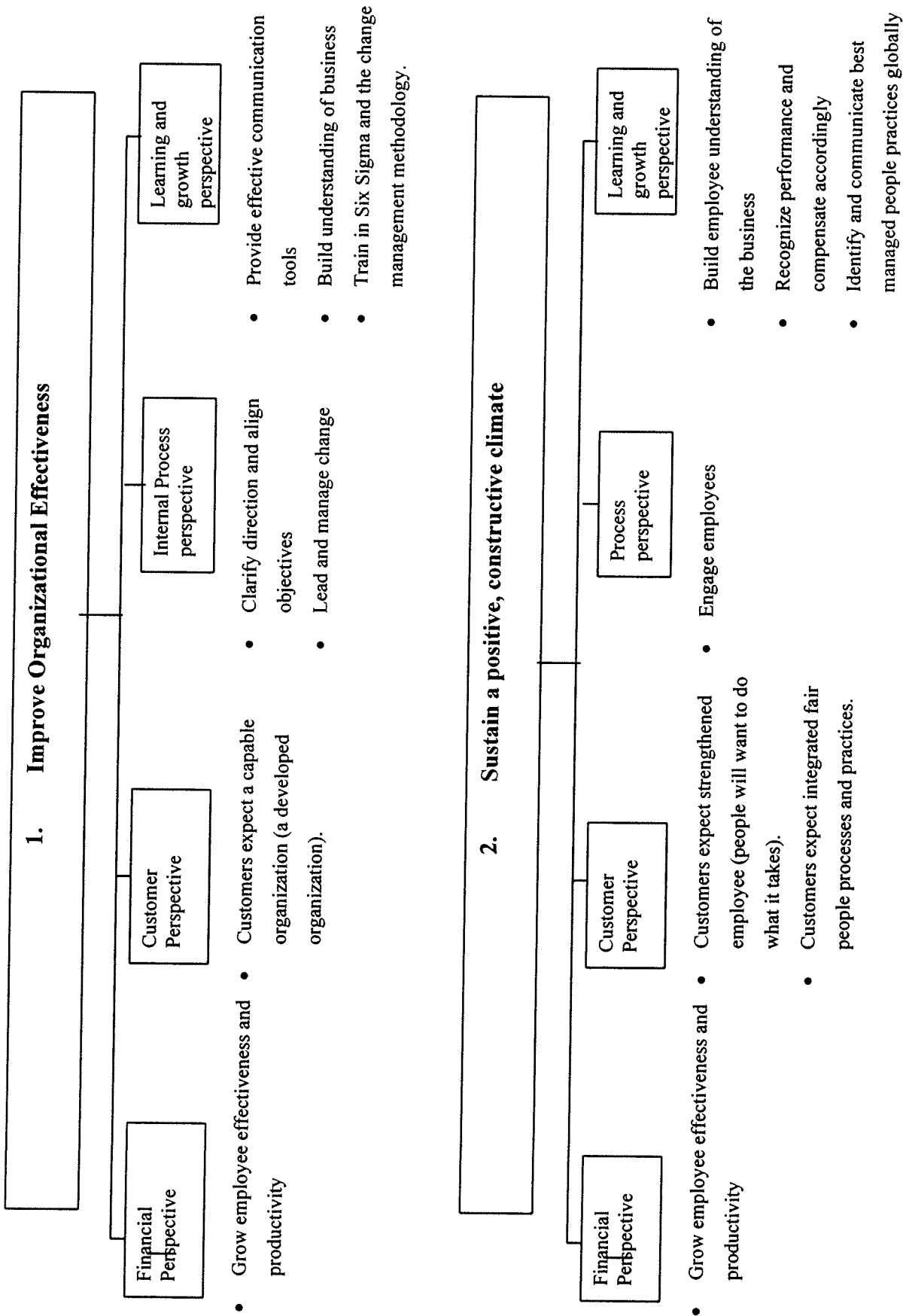


Table XII: Strategic Goals for each Perspective



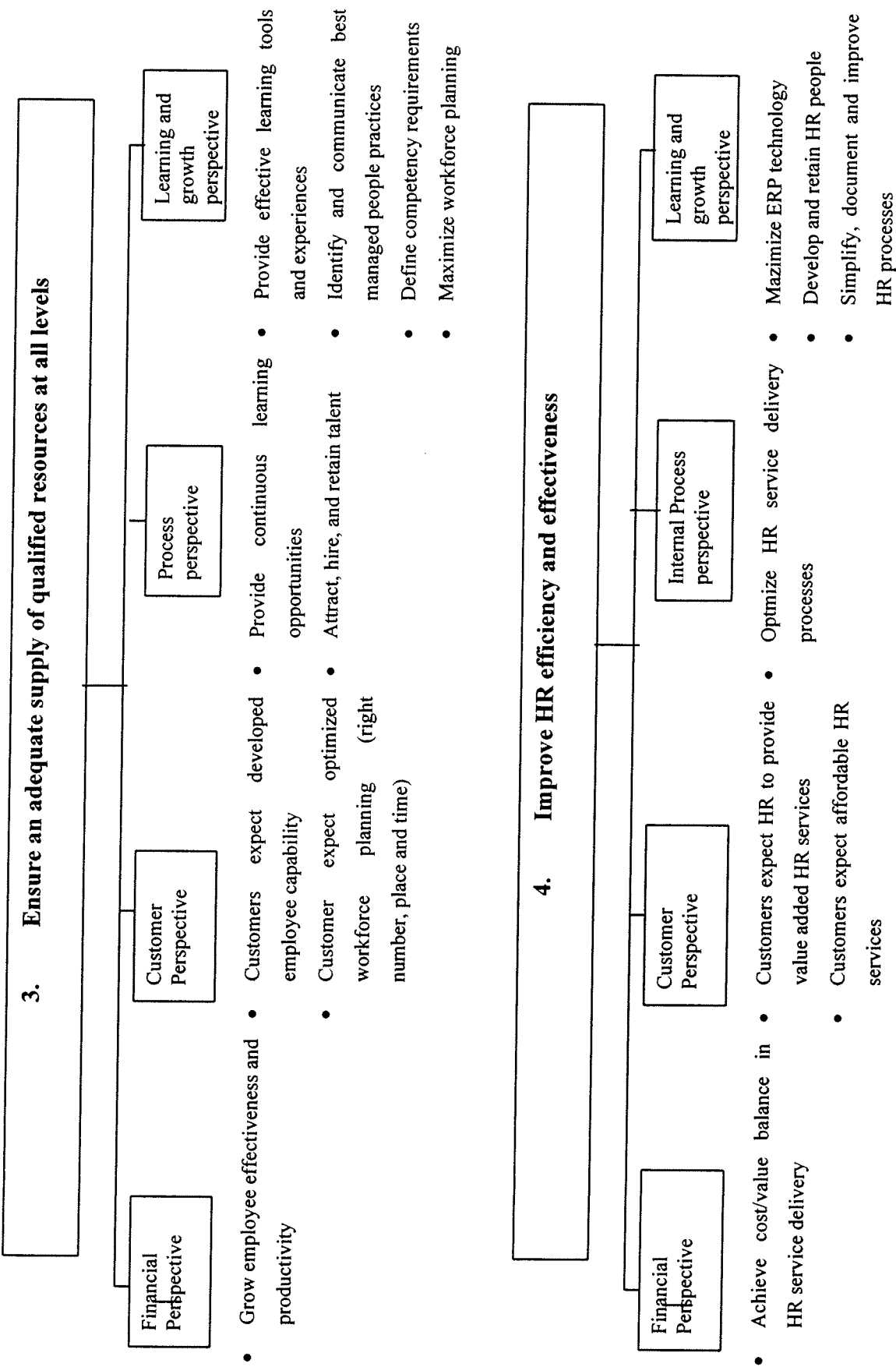


Table XII: Strategic Goals for each Perspective (continued)

B. Critical strategic HR goals for each perspective:

As the HR strategic goals are identified, each strategic theme can be broken down into a set of cause and effect hypotheses that should tell the story of the strategy over time. To better understand this set of relationships, it is important to review each theme. The result of this exercise is the strategic objectives linkage map, presenting the proposed cause and effect relationships between the perspectives.

Strategic Themes as proposed in Table XII:

1) Improve organizational effectiveness:

Given that the organization's goal is to become operationally excellent in order to perform well in the increasingly competitive environment, it is paramount that each part of the organization understands its role and works effectively together to enable effective speed to market. In such an environment, communication, organizational clarity, and change management are key HR deliverables (HR strategic plan, 2000). In this strategic theme, HR is directly contributing to the business through the financial objective of growing employee effectiveness and productivity.

This financial objective is impacted by one customer objective. Customers are expecting effective organizational capability. In this perspective, both managers and employees expect clarity of direction and strategic priorities, an effective organizational architecture, and organizational change. Managers also expect support to translate strategy to action (Ulrich, 1997, p.80) and to communicate it. The communication process becomes specific and tangible as managers translate strategies into performance expectations, typically as key results and objectives for groups and individuals. Also, managers help align employee expectations about the future through their efforts to change the organizational culture-the set of values, beliefs, and norms of behaviour shared by the people in the organization (Walker, 1992, p.100).

From an internal process perspective, it is key that the organization excels on two process objectives. Firstly, it must excel at clarifying direction and aligning objectives, sup-

porting its strategic role. However, it is not enough to align employee expectations by communicating an intended vision and strategy for change, or establishing performance objectives. It is also necessary to devise strategies to deal with resistance to change. Therefore, as a second goal, the organization must excel at leading and managing change. By using a change process, line managers and HR can implement change. HR may not necessarily carry out the change, but it must be able to ensure that the change occurs (Ulrich, 1997, p.161). In fact, the process of managing change is the crux of aligning employee expectations with strategy (Walker, 1992, p.101).

Three learning and growth objectives impact these two process objectives. Firstly, HR must provide effective communication tools. It must have tools to translate strategy into action, and to communicate goals to align department and individual objectives. Secondly, it must build an understanding of Six Sigma and change management. This organization had invested heavily in an improvement methodology, called Six Sigma, which aims at reducing defects in key process in order to satisfy customers at the lowest possible cost. Therefore, it is aimed at improving operational excellence and customer satisfaction. It is a Total Quality Management process, enabling employees at all levels to get involved in defining performance requirements, based on analysis of customer requirements. Employees need to be trained in the methodology in order to improve processes and organizational effectiveness. It has also invested in a change management methodology. In order for employees to lead and manage change, it is necessary for them to be trained in this methodology. The final learning and growth objective is to build employee understanding of the business to raise awareness of the highly competitive environment.

2.) Sustain a constructive, positive employee relations climate:

In this organization, rapid growth requires the need to react flexibly to change. It therefore becomes important to provide the type of environment and conditions that make the company a place where people are ready to do whatever it takes to meet objectives. Once again, the financial objective for this goal is to grow employee effectiveness and productivity. If the environment is not positive, it could result in negative employee behaviours that are costly to the organization. For example, absenteeism, disputes, turnover, accidents, and so on. (Armstrong, 1999, p.71). In this organization, it could also result in third party

intervention for the non-unionized areas. The organization is concerned that this would limit their ability to move quickly and react flexibly in an ever changing and competitive market.

This objective is affected by two customer objectives, strengthening employee satisfaction, and integrating fair people processes and practices. For the first goal, Executives and managers expect employees to be committed to the organization so that they will do what it takes to meet objectives. They realize that if the organization wins the hearts and minds of their employees, they will exert themselves more and remain within the organization.

The second customer objective is to integrate fair people processes and practices. As Michael Armstrong (1999, 707-708) points out, the employee relations climate of an organization can be good, bad or indifferent according to perceptions about the extent to which:

- Management and employees trust one another;
- Management treats employees fairly and with consideration;
- Management is open about its actions and intentions-employee relations policies and procedures are transparent;
- Harmonious relations are generally maintained on day-to-day basis
- Conflict is resolved without resort to industrial action, and resolution is achieved through win-win solutions
- Employees are committed to the interests of the organizations, and managers treat them as stakeholders whose interests should be protected as far a possible.

The customer objective of strengthening employee commitment is affected by one process objective. The goal is to engage employees. In order to ensure that employees are constantly committed to the organization, it is important to communicate with them and ask them for feedback on the organization. By communicating and involving the employees through their feedback, the organization is engaging the employees. The organization is discovering where the employees are not satisfied, and is able to address these areas to continuously engage the employees. Even if there are unions in this organization, the strategy is

to side step them by dealing directly with employees through involvement and communication processes. This is a Human Resources Management approach to employee relations (Armstrong, 1999, p.687).

The process goal to engage employees is impacted by two learning and growth objectives. The first is to build employee understanding of the business, and the second is to recognize performance and compensate competitively. The customer objective to integrate people processes and practices is affected by one learning and growth objective. This objective is to identify and communicate best managed people practices globally. HR can ensure that best practices are identified and communicated throughout the organization so that other managers can adopt these best people practices. There are pockets of excellence that exist, however, the challenge is to generalize them across the organization. HR needs to transfer the knowledge to share how people are being managed across the global organization (Ulrich, 1997).

### 3) Ensure an adequate supply of qualified resources at all levels of the organization:

As previously mentioned, in a high growth mode, having enough qualified resources in a tight labour market is a key competitive advantage. It is therefore important to create a work environment that anticipates needs, attracts, develops and retains the best employees. From a financial perspective, HR is contributing to the overall business by helping the organization grow employee effectiveness and productivity. For this theme, this financial objective is affected by two customer objectives.

Firstly, all customers (employees and management) expect optimized workforce planning so that the right numbers of people are there at the right place and at the right time to do the work. As James Walker points out, in today's flexible organization, managers need "just-in-time" staffing- the right people to be there at the right time. This Customer objective is affected by the process objective of attracting, hiring, and retaining talent. As Walker points out, companies seek to maintain sufficient but not excessive inventory of talent and the right flow of talent, just as they seek to maintain sufficient physical inventory of raw materials for manufacturing (1992, p.179). In this perspective, staffing requires careful

choices for recruiting, balancing internal and external recruitment, and employee movement through promotions and transfers.

This organization must excel at attracting, hiring and retaining talent. In order to reach this process objective, HR has one learning and growth objective. The function must maximize workforce-planning effectiveness. As quoted by Eric V.Vetter in Walker's book, "through planning, management strives to have the right number and the right kinds of people, at the right places, at the right time, doing things which result in both organization and the individual receiving maximum long-run benefit" (1992, p.178). Defining the organization's future staffing needs and plans is at the heart of human resource planning. In this organization, rapidly changing conditions in high growth mode mean that careful analysis and planning of future staffing are all the more important as a guide to attracting, hiring, and retaining talent (Walker, 1992, p.177). Therefore, this HR function must continually maximize workforce-planning effectiveness.

Secondly, this financial objective is also driven by the customer expectation to have developed employee capabilities at all levels. From an employee perspective, at both management and non-management levels, it means that they have the right knowledge, skills, and experience at the right time. Or, it also means that managers are managing a workforce with the right knowledge, skills, and experience. For most employees, as in this organization, the onus for development rests with themselves. However, managers strive to help employees perform effectively and foster an environment for personal growth and satisfaction, providing their employees resources and a supportive environment. In this organization, rapid changes in the way work is performed (new businesses and initiatives) requires the adoption of new skills and capabilities at all employee levels. Managers, as part of their responsibility, need to identify needed skills and actively manage employee learning for the long-range future (Walker, 1992, p.102). To help employees develop, managers need to act as coaches. They need to listen, draw out employees' goals, and help them identify their skills and interests, and appraise their performance.

From an internal process perspective, the process that the organization must excel at to develop employee capabilities is to provide continuous learning opportunities and resources to both managers and employees. In order to achieve this goal, HR must ensure that

several objectives are achieved in the learning and growth quadrant. Firstly, competency requirements must be defined for both leadership roles and others. To be able to assess the development potential and needs of individuals and management candidates and to plan for development activities, a definition of competency requirements is needed (Walker, 1992, p. 228).

Another learning and growth objective will be to provide effective learning tools and experiences. It is important to have the right tools to be able to evaluate each individual's capabilities and development needs, provide feedback, and plan and provide development activities and experiences. Generally, four types of development activities are in use (Ulrich, 1997, p.143) in this organization. Firstly, structured development experiences through job assignments, such as Six Sigma, international assignments, and cross-divisional assignments. Secondly, the organization is currently developing systematic management curricula to develop employees at each stage of their career. Thirdly, employees may acquire competence through action-training activities, such as teams attending training activities focused on real business issues. And lastly, teamwork through outward bound activities. As a final learning and growth objective, HR must learn to identify and communicate best-managed people practices globally. In such a rapidly changing and decentralized organization, it is important for the organization to learn from others experiences. This follows the notion of creating a learning organization (Walker, 1992, p.221), and since there are areas in the organization where pockets of excellence and innovative practices exist, these need to be shared and implemented across the organization. HR needs to learn to transfer the knowledge to share how development is being done across the global organization (Ulrich, 1997, p.243).

#### 4.) Improve HR efficiency and effectiveness:

The organization has invested heavily in the Six Sigma methodology. HR is also investing in its information management systems through ERP (Peoplesoft, SAP, and Web-enabled services). It is imperative that the function leverages these investments to enable it to deliver more effective services at optimized costs. The function must also continue to develop the HR people to be able to transition to the business partner role. In this perspective, HR is contributing to the business through one financial objective of achieving cost/value

balance in HR service delivery. This financial objective is impacted by two customer objectives. Firstly, managers and employees expect HR to provide added value services. Secondly, they expect HR to deliver affordable services. To meet these customer objectives, HR must excel at optimizing HR service delivery processes. To meet this process objective, HR must leverage technology by maximizing ERP system application (peoplesoft, SAP, web applications). HR must also develop and retain their employees, as well as simplify and document HR processes.

This completes the review of the strategic themes and goals. The information has been consolidated into a strategic objectives linkage map, Table XIII. This strategic map is important since it depicts the cause and effect relationships between the goals and the quadrants, identifying performance drivers, leading and lagging indicators, etc. so ensuring that the scorecard has a balanced set of measures. Becker, Huselid, and Ulrich continually state the importance of articulating HR strategy into a causation map in order to obtain relevant measures for the scorecard (2000, p.108). Once this linkage map has been identified, the qualitative and quantitative measures that will be selected for each goal should reflect the strategic assumptions for the function.



Perspectives:



**Financial:**  
How does HR contribute to the business process?

**Customer:**  
What do our customers expect and when?

**Process:**  
To satisfy our customers, what processes must we excel at?

**Learning and growth:**  
To achieve mission, what must HR learn and improve?

**STRATEGIC THEMES**

*Improve organizational effectiveness*     *Sustain a positive climate*     *Ensure an adequate supply of qualified resources at all levels*     *Improve HR efficiency and effectiveness*

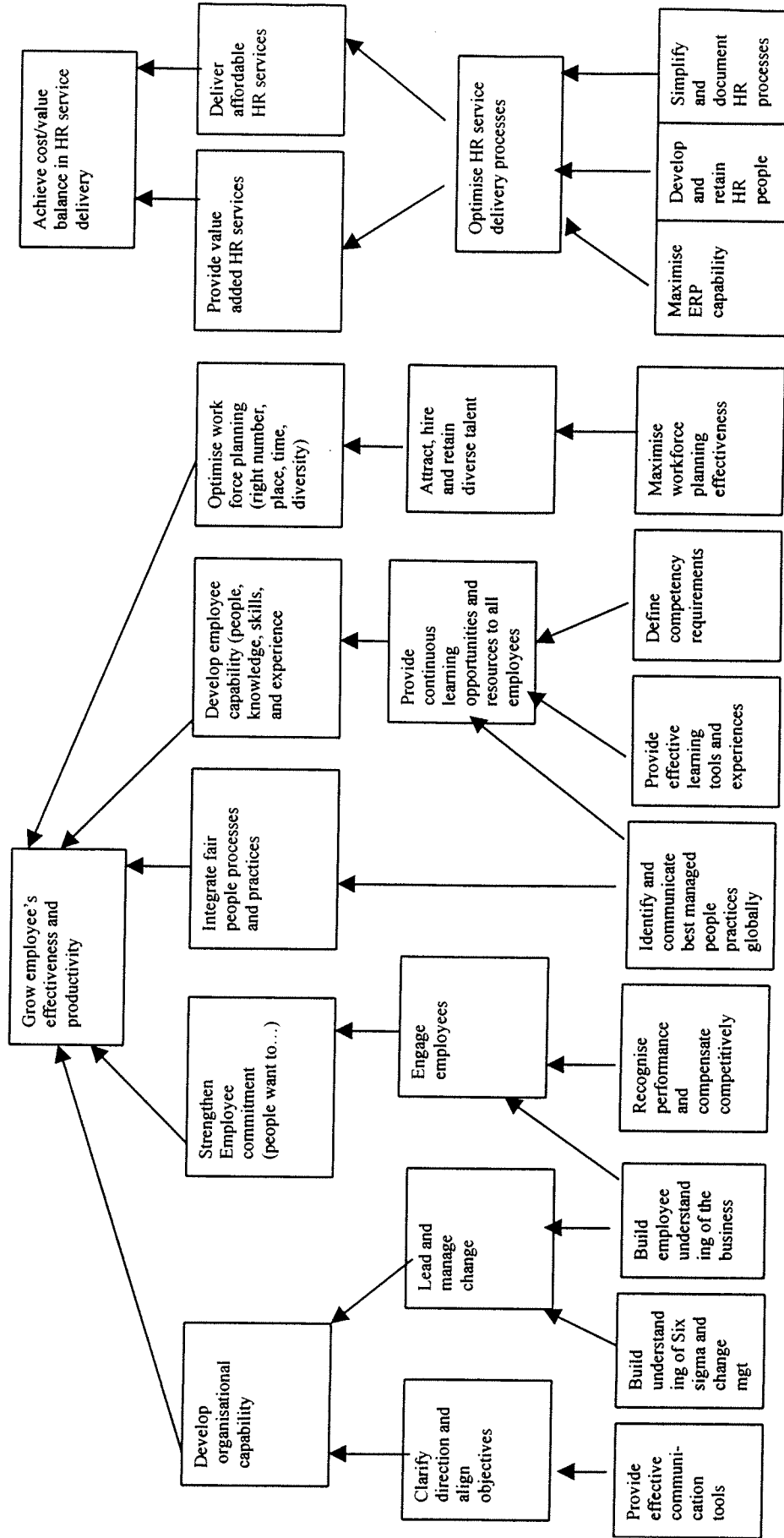


Table XIII: Strategic Objectives Linkage Map

### 3.3.2 Building the Scorecard Measures:

Once the HR strategic objective linkage map has been created, the next step consists of translating these goals into a balanced set of measures. The first part of this section will identify the measures for each goal. This exercise will consider measures that currently exist in the organization, as well as the literature. The second part of this section will propose the sources of information that the organization should use for each measure. The next part of the section prioritize the measures for each perspective based on the agreed upon measurement criteria. As Ulrich, Becker and Huselid highlight, the scorecard should consist of around 25 measures (2001, p.24). The final part of this Chapter will present the elements of the scorecard for this HR function.

#### A. Proposed measures for each goal:

This section will propose measures for each goal. These potential measures were obtained from a variety of sources. One of which is the Saratoga Institute year 2000 report. On a yearly basis, this institute produces a Performance Measurement and benchmarking analysis report for Human Asset Management and Human Resources benchmarking purposes. Another source of information is literature, such as, "The HR scorecard" (2001, Becker, Huselid, Ulrich); "How to Measure HR" (1996, Fitz-Enz), and other books and articles listed in the bibliography. Other sources for measures were obtained via benchmarking with organizations such as GTE, General Electric, and the Conference Board of Canada. Finally, an important source of potential measurement information is the existing measures already in use in the organization, or proposed by the functional experts who had participated in the project. Table XIV proposes an overview of the proposed metrics for each theme and dimension. These measures are further explained in the following section.

## 1. Improve Organizational Effectiveness

Financial		Customer		Process		Learning and Growth			
Goals	Dimensions	Goals	Dimensions	Goals	Dimensions	Goals	Metrics		
Grow employee effectiveness and productivity	<ul style="list-style-type: none"> <li>-Work force productivity</li> <li>-Profit per employee</li> <li>-Leverage employees have on profitability</li> <li>-Rate of return per dollar invested in people</li> </ul>	<ul style="list-style-type: none"> <li>-Revenue factor</li> <li>-Income Factor</li> <li>-Human Value added</li> <li>-Human Capital ROI</li> </ul>	<p><i>HR as a strategic partner:</i></p> <ul style="list-style-type: none"> <li>-Participate in process of defining business strategy</li> <li>-Ask questions that move strategy to action</li> <li>-Design HR practices that align with business strategy.</li> </ul> <p><i>HR as a change agent:</i></p> <ul style="list-style-type: none"> <li>-Manage transformation and change</li> <li>-Ensure capacity for change</li> <li>-Identify new behaviours to enhance future competitiveness</li> <li>-Clarity of direction</li> <li>-Quality of organizational processes</li> </ul>	<ul style="list-style-type: none"> <li>-Clarify Direction and align objectives</li> <li>-Lead and manage change</li> </ul>	<ul style="list-style-type: none"> <li>-Usefulness of communication tools</li> <li>-Overall communication</li> </ul>	<ul style="list-style-type: none"> <li>-Provide effective communication tools</li> <li>-Build understanding of Six Sigma and change mgt</li> <li>-Build understanding of business</li> </ul>	<ul style="list-style-type: none"> <li>-% of PMP completed (Performance Management Program)</li> <li>-Number of change projects using methodology</li> </ul>	<ul style="list-style-type: none"> <li>-% Score on HR roles assessment Survey</li> <li>-% Score on EOS (Employee Opinion Survey)</li> </ul>	<ul style="list-style-type: none"> <li>-% Score on EOS</li> <li>-% of total population trained in Six Sigma analyst training</li> <li>-% of target group trained in change leadership methodology</li> <li>-% Score on EOS</li> </ul>

Table XIV: Potential Measures for each Strategic Theme



3. Ensure and adequate supply of qualified resources at all levels

Financial		Customer		Process		Learning and Growth		
Goals	Dimensions	Goals	Dimensions	Goals	Dimensions	Goals	Metrics	
Grow employee effectiveness and productivity	N/A	-Develop employees capability	-Individual development	-% Score on EOS on individual development satisfaction	-Invest in training	-Provide continuous learning opportunities and resources to employees	-Identify and communicate best people practices globally	-# of best practices leveraged
			-Leadership benchstrength	-% of ready now LDP participants	-Develop leadership potential employees	-Attract, hire and retain talent	-Provide effective learning tools and experiences	-% of development activities on line versus plan
		-Optimize work force planning		-% of unfilled positions	-Attract talent	-# of qualified applicants per position	-Provide effective development support	-% score on EOS on development support
					-Retain talent	-High potential voluntary separation rate	-Define competency requirements	-% of Job families with identified competency requirements
						-% Total Separation rate	-Maximize work force planning effectiveness	-% of unplanned requisitions

Table XIV: Potential Measures for each Strategic Theme (continued)

4. Improved HR efficiency and effectiveness

Financial		Customer		Process		Learning and Growth		
Goals	Dimensions	Goals	Dimensions	Goals	Dimensions	Goals	Metrics	
Achieve cost/value balance in HR services delivery	% variance in HR budget	-Provide value added HR services	<p><i>HR is an administrative expert:</i></p> <ul style="list-style-type: none"> <li>- HR processes are efficient</li> <li>-HR increases productivity</li> <li>-HR develops programs and processes to be efficient</li> <li>-<i>HR is seen as a business partner</i></li> </ul>	-% Score on HR role assessment survey	<ul style="list-style-type: none"> <li>-Transaction accuracy</li> <li>-Time to fill positions</li> <li>-Reporting accuracy</li> <li>-Clear roles and responsibility</li> </ul>	<ul style="list-style-type: none"> <li>-Optimize HR services delivery processes</li> </ul>	<ul style="list-style-type: none"> <li>-% Accuracy in HR transactions</li> <li>-Cycle-time to fill positions</li> <li>-% accuracy of reporting for decision-making on first request</li> <li>-% of jobs with documented Roles and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>-% OF ERP goals on track based on plan.</li> <li>-% Of HR people with development plans on target</li> <li>-% HR voluntary separation rate</li> <li>-% of HR processes documented</li> <li>-% of HR processes showing improvement against targets</li> </ul>
		-Deliver affordable HR services	<ul style="list-style-type: none"> <li>HR strategic plan implementation</li> <li>-HR expense as a percent of overall budget</li> <li>-HR costs per employee</li> </ul>	<ul style="list-style-type: none"> <li>-Total score on HR role assessment survey</li> <li>% of HR strategic plan implemented on target</li> <li>HR Expense %</li> <li>HR Investment Factor</li> </ul>	<ul style="list-style-type: none"> <li>-Simplify and document HR processes</li> </ul>	<ul style="list-style-type: none"> <li>-Maximize ERP capability</li> <li>-Develop and retain HR people</li> </ul>		

Table XIV: Potential Measures for each Strategic Theme (continued)

A. Proposed measures for each goal (Continued):

In Table XIV, measures are proposed for each theme by each perspective. As mentioned previously, this section will review each of the strategic themes, as proposed in section 3.3.1 of this paper.

**1. Improve organizational effectiveness:**

**The Financial Perspective:**

In this strategic theme, the HR function is contributing to the overall business through the financial objective of growing employee effectiveness and productivity. Measures for this goal should provide an overview of how the company is performing as a whole, from the perspective of human capital contribution. There are several potential metrics to measure this goal. The Revenue Factor, the Income Factor, Human Capital ROI, and Human Value added are all measures proposed to measure overall organizational effectiveness, with regards to workforce productivity, people expense, contribution and value added (Saratoga, 2000, p.26).

- *Revenue Factor:* Total Revenue/Total FTEs

The Saratoga institute proposes this metric as a basic measure of productivity and contribution. It is proposed here since it is a metric that acts as an “aggregate result of all of the drives and influences on employee behaviour that translate into productivity, or the lack of it” (2000, p.28). The metric definitions are as follows:

-Revenue is equal to the total sales and services income for the reporting unit for the year. The source of this information should appear on the company’s annual report (at the Group level).

-FTE’s are 40 hours multiplied by 52 weeks add up to total hours worked for the year + overtime divided by 2080. This figure does not include vacation or sick time.

- *Income Factor:*  $(\text{Revenue} - \text{Operating Expenses}) / \text{Total FTEs}$

The Saratoga Institute states that this factor shows the income or profit per full time equivalent. It is proposed here as it provides an integrated picture of productivity and expense control efforts, measuring organizational efficiency, the soundness of corporate strategies, and the achievement of corporate objectives (2000, p.34). This measure is best trended overtime. The definitions are as follows:

-Income Factor: Total operating expenses + general and administration costs.

-Operating expense is total operating expenses including cost of goods sold and general and administrative expenses incurred by the reporting unit for the survey period. It does not include depreciation, amortisation expenses, taxes, merger expenses deferred, restructuring charges, extraordinary expenses and other nonrecurring charges or losses.

- *Human Value Added:*

$$\frac{\text{Revenue} - (\text{Operating Expense} - \text{Compensation Costs} - (\text{Benefits Costs} - \text{PTNW}^*))}{\text{Total FTE's}}$$

Human Value added calculates the leverage that employees have on profitability and is proposed since it is a central measure of managerial effectiveness. The more efficiently and effectively managers employ their human capital, the more money the company makes (Saratoga, 2000, p.38). The definitions are as follows:

-Compensation costs is the cost of all salaries, wages, performance awards and bonuses, overtime and pay premiums, profit sharing, on-call pay, payment for time not worked, (vacation, holiday, sick leave and authorised time off pay), retroactive payments (for pay increases), severance pay, and all other incentive paid during the survey period. Exclude stock options and other long-term deferred compensation not paid out during the year. Compensation costs include costs for any employee on payroll.

-Benefit costs include total cost incurred by the employer for benefit programs during the survey period.



-PTNW\* is payment for time not worked, which includes the following items: payments for or in lieu of vacations, payment for or in lieu of holidays, sick leave pay, parental leave, and any other types of leave (Saratoga, 2000, p.38).

- *Human Capital ROI:*

$$\frac{\text{Revenue} - (\text{Operating Expenses} - \text{Compensation Costs} - (\text{Benefits Costs} - \text{PTNW}))}{(\text{Compensation Costs} + \text{Benefit Costs} - \text{PTNW})}$$

Human Capital ROI calculates the return on investment on a company's employees, or put differently, the value added of investing in the organization's human assets. It looks at the organization's profit without people costs, so it is calculating the rate of return for every dollar invested in people. The Human Capital ROI is an interesting metric because it reflects all of the elements that impact employee productivity, expense, and profitability. Essentially it puts all of the employee impact on the company together in one place by integrating revenue, expense, income, compensation costs, and benefits into the formula. (Saratoga, 2000, p.43).

### **The Customer Perspective:**

From a customer perspective, executives, managers, and employees expect organizational capability. They expect clarity of direction, understanding of strategic priorities, and organizational clarity. Management expects HR support to help define and translate strategy into action, and to effective change management strategies. Employees expect to understand direction and objectives, and to work in an operationally excellent environment. These goals are more difficult to measure, since they are strategic goals. However, they can be assessed qualitatively through customer surveys. To establish management's perceptions of HR in developing organizational capability, survey questions soliciting feedback on HR's role as a strategic partner and as a change agent will provide some good indications of the function's effectiveness in these roles. This will be a qualitative metric measuring an assessment of HR's role on these dimensions. The dimensions for the strategic partner role are that HR participates in the process of defining business strategy; HR asks questions that

move strategy to action; HR designs HR practices that align with business strategy (Ulrich, 1997, p.27). The dimensions for the change agent role are that HR manages transformation and change, ensuring a capacity for change, and that HR identifies new behaviours to enhance future competitiveness (Ulrich, 1997, p.31). The indicators for these qualitative measures are based on the Human Resource Role-Assessment Survey created by David Ulrich and Jill Conner (Ulrich, 1997, p.49). This survey is being introduced as a new measure for the organization. The scores for these two roles will be based on managers and HR professionals' perceptions of HR in these 2 roles, using a Likert scale with a rating from 1-5, for a maximum of 50 for each role.

- *% Scores on the HR Role Assessment Survey for HR as a Strategic Partner and a Change Agent.*

From a strategic perspective, HR will be considered effective to building organizational capability based on the following indicators:

- helping the organization accomplish business goals
- participating in the process of defining business strategies;
- ensuring that HR strategies are aligned with business strategy;
- being able to help make strategy happen;
- being seen as a business partner;
- spending time on strategic issues;
- being an active participant in business planning;
- working to align HR strategies with business strategies;
- developing programs and processes to link HR strategies to accomplish business strategy;
- helping to fulfil strategic goals.

From a change agent perspective, HR will be measured on the following indicators:

- helping the organization adapt to change;
- participating in shaping cultural change for renewal and transformation;

- making sure that HR processes and programs increase the organization's ability to change;
- being able to help an organization anticipate and adapt to future issues;
- being seen as a change agent;
- supporting new behaviours for keeping the firm competitive;
- is an active participant in organization renewal, change, or transformation;
- working to reshape behaviour for organizational change;
- developing processes and programs to help the organization transform itself;
- making change happen.

From an employee perspective, including management, executives and HR, the measures will be based on the organizations existing Employee Opinion Survey on several dimensions. Firstly, for this organization, it is important that employees perceive that the organization is working together to enable effective speed to market, as was described in the HR strategy. The strategic assumption to be tested overtime is that a capable organization is operationally excellent. This organization currently asks employees to provide an opinion on current operating excellence. The dimensions of the measure are based on questions in the current employee survey. Again, as all the questions in the employee survey, the responses can be rated from 1-7 (1999, EOS). The overall score will provide a qualitative measure for employee satisfaction of operational excellence.

- *'Operational excellence % EOS Score'* is based on the following dimensions:
  - The quality of products (reports, assemblies, etc.) provided by their department
  - The quality of services provided by their department
  - The quality of support their department receives from other departments at their work location
  - There are processes in place to reduce cycle-time
  - There are processes in place to reduce defects, eliminating re-work
  - Their level of understanding of what Six Sigma is to accomplish
  - Level of agreement that Six Sigma will help the organization accomplish the objective of reducing defects and errors.

The other area of employee feedback that is required is based on the clarity of direction. The strategic assumption to be tested overtime is that to develop organizational capability, it is important to ensure that there is clear direction. The organization is also currently measuring this in its EOS. The qualitative measure will be based on questions in the employee survey, with ratings from 1-7.

- *'Clarity of direction % EOS Score'*, where the indicators for this measure are the following:
  - the objectives of my department are clearly communicated;
  - the objectives set for my department are realistic;
  - planning for the achievement of objectives in my department is very thorough ;
  - I have a clear view of the roles and responsibilities of each individual;
  - I clearly understand how my job responsibilities fit into the objectives of my department.

As the HR organization assumes that the two previous dimensions are drivers to a capable organization, these relationships will have to be tested over time. A separate question to provide a measure for an overall assessment could help indicate whether or not there is a relationship between the dimensions. Furthermore, as an individual question, the measure would be quite sensitive and would show changes in opinion quickly. In order to establish an overall assessment of how capable the organization is perceived to be able to meet its' business goals, the organization asks employees to provide an overall opinion on organizational capability, after having completed the previous questions for the other dimensions.

- *'Organizational Capability % EOS Score'* is also rated on a scale from 1-7. It will be interesting to compare this result to the other two results.

### **The Process Perspective:**

From a process perspective, the organization must excel at two process goals. Firstly, clarifying direction and aligning objectives. There is currently a process in place to translate business objectives to departmental and individual objectives. It is called the Performance Management Program (PMP). This goal can be measured quantitatively by the following metric:

- ‘*% Of PMPs completed*’ should be leading indicator to establish whether or not employees will be satisfied with clarity of direction, based on the assumption that they will have a clear idea of what the business, departmental, and individual objectives if they participate in the process.

The second process goal is to lead and manage change. This goal is more difficult to measure as it is more strategic. One potential metric could be the following:

- ‘*Number of change projects*’ that are currently underway in the organization using the organization’s established change process.

### **The Learning and Growth Perspective:**

From a learning and growth perspective, several goals were established. The first goal is that HR needs to provide effective communication tools. One potential qualitative metric for this goal could be employee opinion on day to day communications. The organization is also currently measuring this in its EOS. The dimensions of this measure are also rated on a 1-7 scale, with 1 being either strongly disagree or not useful, and 7 being strongly disagree and very useful.

- ‘*Communications % EOS Score*’ is currently measured by the following indicators:
  - Management of my department meets regularly with employees to discuss work-related issues

- Employees are made aware of changes in policies and procedures before they go into effect.
- Management in my department provides employees with information
- The usefulness of the following:
  - Meetings with employees area or department
  - Individual meetings with supervisors
  - Internal memos
  - Company publications
  - The Television Information Network
  - Information/Notice Boards
  - Meetings with other areas or departments
  - All-employee meetings
  - Co-workers
  - Electronic communications
  - Newspapers, television reports
  - The grapevine (gossip)
- Overall opinion of day-to-day communications.

Another learning and growth goal in this theme is to build employee understanding of Six Sigma and Change Leadership. As the organization is trying to improve its effectiveness, these two methodologies are key to its success. The hypothesis is that by training the population in these two methodologies, there should be an increase in the perception that the organization is becoming more effective particularly as employees begin to use the tools in their everyday workplace. In this perspective, these measures are leading indicators. They can both be measured by the following quantitative metrics:

- *'% of the total population that has been trained in basic Six Sigma training'* (Analyst level).
- *'% of target population who have received change leadership training'* (target population are those identified to be in a change agent role, such as management and HR resources).

A final learning and growth objective is to build employee understanding of the business. A potential measure for this goal is proposed by Becker, Huselid, and Ulrich (2000, p.71) and The General Electric Corporation. They measure the extent of employee understanding of the firm's competitive strategy and operational goals. At this point, this is the only proposed metric that is not currently measured in the organizations Employee Opinion Survey, besides the HR role assessment measures which are proposed to be measured through Ulrich's HR Role Assessment Survey. It is therefore proposed to add this measure to the current EOS survey rated on a scale of 1-7.

- *'Business understanding % EOS Score'*

2. **Sustain a constructive, positive employee relation's climate:**

**The Financial Perspective:**

The financial objective for this goal is also to grow employee effectiveness and productivity. The same potential financial metrics already introduced in the previous strategic theme will be proposed.

**The Customer Perspective:**

For the first goal in this perspective, employees, managers, and executives expect to have strong employee commitment. One assumed dimension of this is organizational commitment. This dimension can be qualitatively measured and indeed the organization is currently measuring it through the EOS (1999).

- *'Organizational Commitment % EOS Score'* considers the following indicators:
  - How this organization rates to other workplaces
  - Level of pride in the organization
  - Based on experience, would the employees chose to work at organization again

Another assumed dimension that the organization is currently measuring is work satisfaction. For this dimension, the EOS considers the following indicators: work environment, job satisfaction, career satisfaction, relationships, overtime, and decision involvement.

- *'Work satisfaction % EOS score'* considers the following indicators:
  - How employees rate the organization as a place to work
  - How often are their contributions recognized
  - How satisfied they are with the following:
    - Day-to-day work environment
    - Kind of work they do
    - Variety of tasks
    - What able to accomplish on a day-to-day basis
    - Opportunity to accomplish career goals
    - Relationship with supervisor
    - Relationship with co-workers
    - Amount of overtime available
    - Amount of overtime required to work
    - Amount of consideration given to employees' input and suggestions by management

It is also important to have an overall measure for employee Commitment. After completing the questions for the previous dimensions, the EOS asks the employees overall, how committed they feel to the working in the organization.

- *'Employee Commitment % EOS Score'* provides the overall measure, also rated on a scale from 1-7. It will be interesting to look at all three scores together to see if the assumed relationships are correct.

Managers and Executives also expect HR to play the role of an employee champion. In this sense, it would be important to complete a role assessment survey to obtain a qualitative measure for HR as an employee champion. The dimensions for this measure are that



HR listens, responds, and finds ways to provide employees with the resources they need to meet their changing demands (Ulrich, 1997, p.30).

- *'% Score on HR Role Assessment Survey for HR as an Employee Champion'* is based on the following indicators (Ulrich, 1997, p.49):
  - HR helps the organization take care of employees' personal needs
  - HR participated in improving employee commitment
  - HR makes sure that HR policies and programs respond to the personal needs of employees
  - HR is effective because it is able to help employees meet their personal needs
  - HR is seen as an employee champion
  - HR spends time on listening and responding to employees
  - HR is seen as an active participant listening and responding to employees
  - HR works to offer assistance to help employees meet family and personal needs
  - HR develops processes and programs to take care of personal needs
  - HRs credibility comes from helping employees meet their personal needs.

The second customer goal is to integrate fair people processes and practices. For this goal, there is a potential qualitative measure. Employee perceptions of fairness of people practices and processes can be measured based on the following dimensions from the EOS (1999): fairness of opportunities, fairness of performance system, fairness of pay, fairness of supervisors, and supervisor's listening skills. These dimensions are currently measured by the organization.

- *'People practices and processes fairness % EOS Score'* is based on the following indicators:
  - The organization has a fair system for evaluating performance
  - They are well informed about job openings

- Promotions and transfers are made fairly
- Employees get ahead based on how well they do their work, regardless of their gender, religion or race.
- The organization offers fair pay or salary rates for the work they do
- Their supervisor deals fairly with everyone
- Their supervisors encourage suggestions for improvement
- Their supervisors are accessible
- Their supervisors are willing to listen when there are issues to discuss.

### **The Process Perspective:**

From a process perspective, the goal is to engage employees. For this process goal, the organization goes through a communication process to collect employee satisfaction information and then create action plans to address the areas needing improvement. It is important to ensure that these actions are followed up on so that they improve employee commitment and work satisfaction. Some proposed measures for this goal are the following:

- *'% EOS Response Rate'* enables the organization to assess how well they are communicating with the workforce in order to engage them. If employees are responding to the survey, the organization should have better picture of what needs to be improved. If there is a higher response rate, there should be a positive leading relationship to employee satisfaction. Furthermore, if employees see that the EOS results are acted upon, they will most likely continue to take the time respond to them in the future.
- *'% Completion on the action plans from the survey follow-ups'* will ensure that actions are completed and visibly tracked. Furthermore, if there is no improvement in the customer satisfaction rates, it is a good indicator that the quality of the action plans will need to be looked at more closely.

If the organization is not engaging employees, then the work climate may not be positive, and there could be evidence of negative behaviours, (Armstrong, 1999, p.71). Therefore, there are several other quantitative metrics that could also measure this goal.

- *'The ratio of grievances to the number of employees'* (Armstrong, 1999, p.71) is one potential metric. Although grievances can be positive, if there is a very high ratio, it could be indicative that processes and practices are not consistent, or that the organization is not engaging employees.
- *'The number of references to the tribunal'* is another potential metric. This would measure how often cases on unfair dismissal, equal opportunity, harassment, racial discrimination, etc were not prevented or resolved in the organization, but were referred outside for resolution.
- *'Accident frequency rate'* is a metric that measures the number of accidents that have occurred in the organization. It is calculated by the total number of accidents \* 200,000 (hours as per standard health and safety measure) and divided by the total number of hours worked. For this organization, health and safety is very important, therefore this metric is currently tracked. If there is a high number of accidents, the organization is not engaging employees.
- *'Accident Severity rate'* is a metric that measures the number of days lost due to accidents that have occurred in the organization. It is calculated by the total days lost \* 200,000 (hours as per standard health and safety measure) and divided by the total number of hours worked. Again, due to the importance of health and safety, this metric is also currently tracked.
- *'% Voluntary separations rate'* is calculated by # of Voluntary separations/ Total FTEs. This metric is proposed by several sources (Saratoga, 2000, Fitz-Enz, 1996) to measure the percentage of people who decide to resign from the organization. If the organization is not engaging their employees, then there will most likely be a high level of voluntary turnover. This is one of the more powerful measures indicating possible issues in the organization.

### **The Learning and Growth Perspective:**

The goals for this perspective are to build employee understanding of the business, recognize performance and compensate competitively, and to identify and communicate best managed people practices globally. The first goal was already discussed, as it is also a goal for the previous strategic theme.

For the second performance goal to recognize performance and compensate competitively, the organization needs to measure several dimensions, performance appraisals, and competitive compensation. These dimensions can be measured by the following metrics:

- *'% of employees who are receiving formal appraisals'* (Ulrich, 2000, p.45) can be calculated by measuring the number of employees who have received a performance rating as part of their salary review. The organization does have a system in place, it would be a matter of tracking the usage.
- *'The Compensation factor'* is calculated as follows: Compensation cost / Headcount.

This metric measures the average compensation paid to each employee in the organization. From a macro perspective, if the level is low, it could indicate that the company is not in line with the competition (Saratoga, 2000, p.100).

-Compensation is defined as the cost of all salaries, wages, performance awards and bonus, overtime and pay premiums, commissions, profit sharing, on-call pay, retro-active payments, severance pay and other cash incentive paid during the period. It does exclude stock options and other long-term deferred compensation not paid out during the year. -Headcount is define as the number of full-time, part-time and contingent headcount the company has on the payroll, regardless of the hours worked (2000, p.100).

- *'Compensation % EOS Score'* is a potential metric based on the results of the EOS on the fairness and competitiveness of pay. This metric is qualitative and would be rated on

a scale of 1-7, where higher is positive. If this score is low, and the overall Compensation Factor is high, then perhaps employees do not understand how they are being evaluated. It would be interesting to compare the trends in the scores of these 3 measures to see how they relate to each other.

The last learning and growth goal is to identify and communicate best managed people practices globally. Given that HR does not have full accountability or control to ensure that people are managed correctly, one way to influence is to share best practices. Transferring this knowledge is a challenging but important task. It could be measured as follows:

- *'The # of best practices that have been leveraged'* (i.e. implemented in other groups).

### 3. **Ensure and adequate supply of qualified resources at all levels:**

#### **The Financial Perspective:**

As this organization is facing a high growth mode, it is important to have enough qualified resources at all levels. From a financial perspective, the goal is to grow employee contribution and productivity. These measures were already proposed for the previous strategic themes.

#### **The Customer perspective:**

Customers in this organization are expecting several things. Firstly, developed employee capability. Executives and line managers expect that employees have the right skills, experience and knowledge to do the job. And, employees at all levels expect to have the opportunities and support for development. For this organization, one metric for developed employee capability is leadership bench-strength.

- *'The percentage of employees in the leadership development program who are ready for their next management assignment (Leadership bench-strength)'* is used by several organizations to assess leadership capability (Ulrich, 2000, p.74). This measure, termed

leadership bench-strength would be a good outcome measure of leadership development, as it should imply that leaders are being developed if they can be promoted.

In this organization, development is usually the responsibility of the employee. However, employees at all levels still expect to have development opportunities and support from their manager. As Walker points out, there are clear responsibilities in career development. He states that the manager is responsible for several dimensions, such as supporting employees in their career development, including communicating information as needed; and establishing and communicating job requirements and responsibilities. They are also responsible to provide open and honest ongoing performance feedback and coaching; provide organizational career information and realistic feedback on employee career aspirations; conduct career development discussions with subordinates; and encourage and support the implementation of employee development plans (Walker, 1992, p.209). Ideally, if the managers are doing this correctly, with the coaching and advice of HR, employees should be satisfied with all of these development aspects.

- *'Individual Development % EOS Score'* is a potential metric for this goal and is currently measured on a two-year basis based on the following indicators:
  - Employees have an understanding of how their performance is judged
  - Supervisors review the employees work on a regular basis
  - Employees have had a good discussion with their supervisor to set their personal performance objectives and career goals.
  - They have lots of opportunity to learn new skills
  - They are well informed about what is required to develop their career
  - Their supervisor counsels them on career development
  - They are well informed about job openings.
- Overall, what is their opinion on individual development in the organization.

The other customer goal is to optimize workforce planning. Employees at all levels of the organization expect that the right people will be available at the right time.

- *'The % of unfilled positions'* is a potential metric for this goal. Ideally, if workforce planning is working at the optimal level, there should be a lower percentage of unfilled positions.

### **The Process Perspective:**

The first process goal is to provide continuous learning opportunities and resources to employees. If the organization is continuously providing these opportunities and resources, it can be reflected by several different measures.

- *'Training costs as a % of payroll'* (Saratoga Institute 2000, p.301) is a good way to evaluate how much the organization is really investing in development activities. This metric can easily be benchmarked against other organizations to assess how well the organization is investing overall in their employees compared to the competition.
- *'The number of high potential employees with a development plan on target'* is another important potential metric for this goal. Although it would be ideal to measure this for all employees, this organization is too large and the cost of doing this would outweigh the benefit. However, it is key that all high potentials, (defined as any employee demonstrating leadership capability who could be promoted 2 levels higher in the near future), have a tracked development plan. This target group of employees is the talent pool for the future of the organization.

The other process goal is to attract, hire, and retain talent. In the first part of this goal, the organization will want to track whether or not they are attracting talent to hire. For the second part of this goal, the organization will want to track if they are retaining talent.

- *'The # of qualified applicants per position'* is a potential measure for this goal. If there are a large number of qualified people applying for positions, then the organization has effective recruitment strategies and a good reputation on the market. If the number is low, then there should also be an impact on the cycle-time to fill positions, and the number of unfilled positions in the organization. Therefore, customers will not have the right

number of people at the right time. In this case, effective recruitment strategies and better workforce planning will need to be implemented.

- *'The % Total separation rate'* is the most widely used metric to track turnover. This metric is defined as the following:

$$\frac{\text{Total Separations (Involuntary + Voluntary separations)}}{\text{Total headcount}}$$

Total headcount

- Voluntary separations are all separations initiated by the employee. This is normally referred to as “resignations, and quits”, but may also include employees who are encouraged to leave through early retirement incentives.
- Involuntary separations are all separations that occurred without any choice by the employee. These separations may include dismissals, layoffs, disabilities or death (Saratoga, 2000, p.145).
- Total headcount is the average number of employees the company has on its payroll regardless of how many hours they worked. To determine headcount, one takes an inventory of the headcount at the end of each month and adds all 12 end-of-month figures. Finally, one divides this figure by 12 to obtain an average headcount for the year.

Since separation is very expensive to the organization, this metric is very important to track. This metric will also provide the number of voluntary separations, which are directly affected by worker reaction to and dissatisfaction with their environment, leadership, compensation, and benefits (Saratoga, 2000, p.154). It will also reveal the number of involuntary separations, which could reflect poor hiring practices (Saratoga, 2000, p.161). Therefore, this is a very important metric that could be an indicator for several strategic themes.

- *'The High Potential Voluntary Separation Rate'* is the final proposed measure for this goal. This is a leading indicator to leadership bench-strength (Ulrich, 2000, p.74). It is important to track the high potential talent in the organization to ensure that these employees are retained. The voluntary separation rate would be the number of High poten-



tials who have decided to leave the organization over the total number of employees. Voluntary separation is a phenomena that the organization should be able to control, and often reflects bigger issues.

### **The Learning and growth perspective:**

The first goal for this perspective is to identify and communicate best people practices globally. Given that there are areas in the organization where pockets of excellence exist in innovative people practices, the challenge is to generalize them across the organization. HR is a key to transfer the knowledge and share how development is being done across the global organization (Ulrich, 1997, p.243). One way to measure this is to identify the number of best practices that have been identified and leveraged.

- *'The number of best practices that have been leveraged'* is a potential metric to measure how many practices have been implemented in other parts of the organization.

The second goal for this perspective is to provide effective learning tools and experiences. Two measures are proposed for this goal, one quantitative and one qualitative measure.

- *'The % of development information available on-line according to plan'* is a quantitative measure for this goal. This organization has a broad curriculum for development, composed of several types of development: structured classroom training, coaching/ mentorship, assignments/projects, self-learning (e-learning, readings), and experimental learning. The organization has a goal to provide details on all of these development activities by placing the information on a web-site. Therefore, this metric will measure this goal.
- *'Development Support % EOS Score'* is the qualitative metric to assess employees' opinions of the training support they receive. The indicators of this qualitative measure that are currently assessed in the organization are the following:

- The on-going training that employees receive on how to do their work is very good
- Employees are well informed about the training and development available to them
- Supervisors support employees training needs.

Another goal in this perspective is to define competency requirements. This organization is currently in the process of defining competency requirements for each job family.

- *'The % of job families with identified requirements'* is a potential metric for this goal. Ideally, it would be important to measure if these competencies are being used as part of selection and development. However, it will be more realistic at this point to measure the development of the competency requirements. This is a long-term goal for the organization at this point. This metric would be calculated by considering the total number of job families that have finalized competency requirements.

The final goal for this perspective is to maximize workforce-planning effectiveness. Workforce planning involves forecasting requirements with the budgeting process, but also considering turnover projections, succession planning movements, and so on. As Fitz-Enz states, this type of information needs to be considered to create an effective workforce plan (1996). Therefore, one might assume that if the plan is effective, then there should not be large number of unplanned hiring needs, job requisitions.

- *'The % of unplanned job requisitions'* is a potential quantitative measure for this goal. It would measure the number of job requisitions that are not planned as a percentage of the total number of requisitions. If the number is high, then workforce planning is not as effective as it should be. Furthermore, this should have a leading impact on the number of qualified applicants for each position, cycle-time to fill, and the number of unfilled positions.

#### 4. Improved HR efficiency and effectiveness:

##### **The Financial Perspective:**

The goal for this perspective is to achieve cost/value balance in HR services delivery. For this organization, the budget process will help establish this goal. The HR organization prepares its budget, considering the projects and priorities for the year. The organization determines what percentage of the operating budget should go to the function, based on the perceived value the HR function generates. Therefore, if the HR organization respects this budget, it should be achieving a cost/value balance in HR service delivery.

- *'The % variance in the budget'* is the proposed measure for this goal.

##### **The Customer Perspective:**

The first goal for this perspective is to provide value added HR services. The first dimension of this goal would focus on the HR role as the administrative expert. It would be a qualitative metric measuring management and HR's opinions of the HR efficiency. The dimension for this metric is that HR designs and delivers efficient HR processes.

- *% Score on HR Role Assessment Survey on HR as an Administrative Expert* would be the proposed metric for this goal, based on a total score of 50, considering the following indicators (Ulrich, 1997):
  - HR helps the organization to improve operating efficiency
  - HR participates in delivering HR processes
  - HR makes sure that HR processes are efficiently administered
  - HR is effective in its ability to efficiently deliver HR processes
  - HR is seen as an administrative expert
  - HR spends time on operational issues
  - HR is an active participant in designing and delivering HR processes
  - HR works to monitor administrative processes

- HR develops processes and programs to efficiently process documents and transactions
- HR's credibility comes from increasing productivity.

However, it would also be important to measure another dimension for this goal. HR as a business partner must provide strategic and change agent services, while not allowing the level of operational services they currently provide to decline. In this sense, it would be interesting to look at the total scores for HR as a business partner, based on the HR role assessment survey.

- *'% Total Score on HR Role Assessment Survey'* would provide a good indication of whether the HR function is managing to act as a business partner, while still delivering efficient HR processes.

The last dimension for this goal is to assess if the HR organization is implementing their strategic plan. From an executive perspective, if the HR function is providing value-added services, they are also implementing their strategic plan on target.

- *'The % of HR strategic plan implemented on target is the proposed metric'*, and the executive team currently tracks it.

The Second goal for this perspective is to deliver affordable HR services. Employees, although mainly executives, expect HR to accomplish this goal. There are a couple of quantitative measures to determine whether HR is providing affordable services.

- *"HR expense as a percent of the overall budget"* indicates the percentage of a company's operating expense that is attributed to the cost of operating an entire HR department (Saratoga, 2000, p.49). This metric has historically amounted to a small number, usually less than 1% of the total company operating expense. In other words, for every operating expense dollar, only one penny is spent on the HR department. This is a good way to determine whether or not HR is delivering affordable services, because it can be compared to other HR functions in similar industries, or of similar size (Saratoga,

2000). This provides a more accurate picture of what is affordable services. The HR expense Percent metric is defined as the following:

$$\frac{(\text{Internal} + \text{External HR Expense}) + \text{Operating Expense}}{\text{Operating Expense}}$$

-HR expense is the total HR expenditures, both internal and external, incurred during period. The Internal HR expense includes the salary and benefit costs of the standard HR department functions, facilities cost, equipment expense, and other internal costs. The external HR expense includes the administrative cost of outsourced functions, consulting fees, legal fees, and other external costs. In this benchmark metric, costs that are not included are the costs related to training and development, security, payroll processing, medical services, childcare centres, cafeteria, and safety functions (Saratoga, 2000, p.50).

-Operating expense is total operating expenses including cost of goods sold and general and administrative expenses incurred by the reporting unit for the period as stated on income statement. It can be consolidated for the group as long as it is consistent through the report.

- *'The HR investment factor'* is another potential metric to assess this goal. This metric shows how many dollars per employee in the organization are allocated to running the HR department. According to the Saratoga Institute, a lower investment factor may indicate that a company places low value on the HR department. Therefore, this metric should be accompanied by evidence of the department's value to obtain more funding and resources. At this point, the organization can make a trade-off on what is more important. The investment factor is defined as the following:

$$\text{HR Investment Factor} = \frac{(\text{Internal} + \text{External HR expense})}{\text{Total FTEs}}$$

### The Process Perspective:

The goal for this perspective is to optimize HR services delivery processes. One dimension of this service is to ensure transaction accuracy, which should lower transaction costs. This is a metric that the Hewitt group proposes (Business Intelligence, 1998). Most services that HR provides generate a transaction. If the services were operating at optimal levels, transactions would be accurate the first time. Furthermore, as the organization continues to leverage technology in the function, it will be an interesting metric to track.

- *'The % of accuracy in HR transactions'* is the proposed metric for this goal, measuring the number of correct transactions/ the number of total transactions processed during the given time period. In the future, this metric could also be complemented by the cost per transaction, which should decrease as the service delivery process is optimized due to fewer errors, and fewer people involved in the process.

Another dimension to measure for this perspective is hiring cycle-time. It is important to note, however, that although hiring cycle-time does provide a good indicator of the efficiency of the recruitment process, it is not prudent to focus solely on reducing the time. The GTE organization did focus on cycle-time reduction, resulting in lower quality hires, higher turnover rates, and unsatisfied customers (Ulrich, 2000, p.75). However, it is important to know how long this service delivery process takes in order to effectively plan recruitment strategies.

- *'Hiring Cycle-time'* is the proposed metric. It is counted in Calendar days and defined as the following:

Average number of days from date the requisition is received until offer is accepted

Total number of positions.

Another indicator for this goal is reporting accuracy. In a complex organization that is just starting to leverage technology, reporting accuracy is a challenge.

- *'% Accuracy of reporting for decision-making on first request'* is a metric that several organizations use to measure this goal (Ulrich, 2000, p.74). It would be calculated by counting incorrect information, including missing information, on each report requested and received as a percentage of the total number of reports.

Another indicator for this goal is whether HR roles and responsibilities are defined and documented. If roles are clear and understood, then there should be fewer transaction errors, and potentially better service quality. This is also important to ensure that the group is working efficiently and not duplicating work.

- *'The % of HR jobs with roles and responsibilities clearly defined and documented'* (Business Intelligence, 1998) is the proposed metric for this goal.

#### **The Learning and Growth Perspective:**

The organization has a goal to maximize its Enterprise Resource Planning system capability. It has invested in Peoplesoft, and is currently expanding to web based technology and SAP where applicable as part of an overall project plan. This is a very important project with largely scoped plan that requires visible tracking.

- *'The % of ERP goals completed based on the project plan and milestones'* is the proposed measure to ensure that this goal is on track.

Another goal for this perspective is to develop and retain HR people. For HR to deliver efficient and effective services, it is imperative that they keep their talent.

- *'The % HR Voluntary Separation Rate'* is the proposed metric for this goal. If the rate is high, then this could have a negative impact on customer's perception of the HR role. It could also increase overall costs in the HR function. Furthermore, it is an indicator of greater issues that should be discussed and resolved at the Senior HR levels, and perhaps Executive levels.

Furthermore, in order for HR to continue to transition to its business partner role, it is key to develop its capability. If HR employees are being developed, then there should be a positive impact on the HR role assessment survey scores.

- *'The % of HR employees with development plans on target'* is the proposed metric for this goal.

Finally, another goal for this perspective is that HR simplifies and documents their processes. Processes are currently under review as part of the business improvement and ERP initiative, however, they need to be further simplified and documented, and improved. There are two proposed measures for this goal.

- *'The % of HR processes documented'* measures the number of HR processes that have been documented and are accessible.
- *'The % of HR processes showing improvement against targets'* measures the number of key HR processes with targets and action plans that are actually improving. This measure should have a positive impact on service delivery quality, HR function cost, and HR role assessment.

B. Proposed sources of information for each measure:

This section of the paper will propose the sources of information for the proposed metrics. In order to calculate each measure, data must be tracked and obtained. The sources of information for these measures will be found in the organization. It is important to review these sources of information before prioritizing the measures for the scorecard. This step will facilitate the selection process based on the criteria that was determined by the HR management team. If the data is not accessible, then it will be difficult to consider this metric as part of the overall scorecard. Furthermore, identifying the sources of information for each measure will facilitate the implementation of the scorecard in the future.



As mentioned previously, this scorecard is for the Group level. In this perspective, if the data is not accessible at the Group level, the local units will have to provide the necessary information to an overall co-ordinator for each measure. Potential sources of data information were identified through research in the organization. This information has been consolidated into Table XV over the next few pages. It is important to note that the measures are presented by goal, by perspective. There is no longer any reference to the strategic themes because at this point, it should be clear that each theme is represented by the strategic goals that have been discussed throughout this chapter. Furthermore, scorecards are presented by perspective in order to see the cause and effect relationships between the measures. Ultimately, these measures should be telling the story of the strategy over time. By presenting the information in this format at this point, it will provide an overall picture of the number of measures for each dimension.

The Financial Perspective:

Goals	Dimensions	Measures	Information sources
Grow employee effectiveness and productivity		<p><i>Revenue Factor:</i></p> <p><math display="block">\frac{\text{Total Revenue}}{\text{Total FTEs}}</math>                     FTEs = Total hours worked for the year, including overtime, divided by 2080 (40 hours * 52 weeks). Vacation or sick time is not included.</p>	<p>-The Revenue figure for the Group is available on a yearly basis from the annual report, or from the Group Finance Manager</p> <p>- The FTE figure can be obtained through the payroll manager for each site (Belfast, Wichita, Toronto, Montreal, Dallas) and consolidated for a total figure for the reporting period.</p>
Grow employee effectiveness and productivity		<p><i>Income Factor:</i></p> <p><math display="block">\frac{(\text{Revenue-operating expenses})}{\text{Total FTEs}}</math>                     Operating expense: total operating expenses including costs of goods and general and administrative expenses. Depreciation, amortisation expenses, taxes, merger expenses, deferred restructuring charges, and nonrecurring charges or losses are not included.</p>	<p>-The Operating expense figure for the group can be obtained from the Group Finance Manager. The information is obtained from each local unit and consolidated using the same definition over the same reporting period.</p>
Grow employee effectiveness and productivity		<p><i>Human Value Added:</i></p> <p><math display="block">\frac{\text{Revenue} - (\text{operating expense} - \text{compensation costs} - (\text{benefit costs} - \text{PTNW}))}{\text{Total FTEs}}</math>                     Compensation costs: cost of all salaries, wages, performance awards and bonuses, overtime and pay, premiums, commissions, on-call pay, PTNW (payment for time not worked is vacation, holiday, sick leave, and authorized time off pay), retroactive payments, severance pay, and other cash incentives. Do not include stock options.                      Benefit costs: total cost incurred for benefit programs during survey period, including only the employer's share of the cost.</p>	<p>-Compensation costs figure can be obtained from the Group Finance Manager and the Group Compensation Manager.</p> <p>-Benefit costs can also be obtained from the Group Finance Manager, and the Group Compensation Manager.</p> <p>-The PTNW figure can be obtained from the Group Compensation Manager, who can consolidate this information from the local units.</p>

Table XV: Proposed Measures and Information Sources

**The Financial Perspective (Continued):**

Goals	Dimensions	Measures	Information sources
Grow employee effectiveness and productivity		<p><i>Human Capital ROI:</i></p> <p><math display="block">\frac{\text{Revenue} - (\text{operating expenses} - \text{compensation costs} - \text{benefit costs} - \text{PTNW})}{(\text{compensation costs} + \text{benefit costs} - \text{PTNW})}</math></p> <p>-See previous definitions for additional information.</p>	<p>-As mentioned previously, all of this information could be obtained from the Group Finance Manager and Compensation Manager. They can consolidate this information into the equation as presented.</p>
Achieve cost/value balance in HR service delivery service		<p><i>% Variance in HR Budget:</i></p> <p><math display="block">\frac{\text{Forecasted Value} - \text{Actual Value}}{\text{Forecasted Value}}</math></p>	<p>-This information can be obtained from the Group Compensation Manager who currently manages the budget for the Group HR function.</p>

Table XV: Proposed Measures and Information Sources

The Customer Perspective:

Goals	Dimensions	Measures	Information sources
Develop organizational capability	<ul style="list-style-type: none"> <li>• <i>HR as Strategic Partner:</i> <ul style="list-style-type: none"> <li>⇨ Participate in process of defining business strategy</li> <li>⇨ Ask questions that move strategy to action</li> <li>⇨ Design HR practices that align with business strategy</li> </ul> </li> <li>• <i>HR as a Change Agent:</i> <ul style="list-style-type: none"> <li>⇨ Manage transformations</li> <li>⇨ Ensure capacity for change</li> <li>⇨ Understand values and identify new behaviours to enhance future competitiveness</li> </ul> </li> </ul>	<p>-% score on strategic partner role on HR Role Assessment Survey (Ulrich and Conner, 1997) Likert Scale of 1-5, for a total of 50 points, where a higher score is positive.</p> <p>-% score on change agent role on HR Role Assessment Survey (Ulrich and Conner, 1997) Likert Scale of 1-5, for a total of 50 points, where a higher score is positive.</p>	<p>For Both Measures: -A new survey to be introduced -Survey sample of HR professionals and their respective local unit management team, distinguishing between executives and line management. - By surveying both HR and management, will provide and indication of expectation alignment as well as service quality.</p>
Develop organizational capability	<ul style="list-style-type: none"> <li>• <i>Operational excellence:</i> <ul style="list-style-type: none"> <li>⇨ Quality of products and services provided by department</li> <li>⇨ Quality of support received by other departments</li> <li>⇨ Processes reduce cycle-time and defects</li> <li>⇨ Six Sigma is improving operational excellence</li> </ul> </li> <li>• <i>Clarity of direction:</i> <ul style="list-style-type: none"> <li>⇨ Clarity of objectives</li> <li>⇨ Objectives planning is thorough</li> <li>⇨ Understanding of roles and responsibilities</li> </ul> </li> </ul>	<p>-Organizational capability % EOS score Likert scale of 1-7, where a higher score is positive</p>	<p>-Question # 13 on EOS -Survey sample of employees across group (including but distinguishing manager and executive levels).</p>

Table XV: Proposed Measures and Information Sources

The Customer Perspective (Continued):

Goals	Dimensions	Measures	Information sources
<p>Strengthen employee Commitment (people will want to do it).</p>	<ul style="list-style-type: none"> <li>• <i>HR as an Employee Champion:</i> <ul style="list-style-type: none"> <li>⇨ Listens to employees</li> <li>⇨ Responds to employees</li> <li>⇨ Finds ways to provide employee with resources to meet their changing demands.</li> </ul> </li> </ul>	<p>-% score on <i>employee champion role on HR Role Assessment Survey</i> (Ulrich and Conner, 1997) Likert Scale of 1-5, for a total of 50 points, where a higher score is positive</p>	<ul style="list-style-type: none"> <li>-A new survey to be introduced</li> <li>-Survey sample of HR professionals and their respective local unit management team, distinguishing between executives and line management.</li> <li>- By surveying both HR and management, will provide and indication of expectation alignment as well as service quality</li> </ul>
<p>Strengthen employee commitment (people will want to do it)</p>	<ul style="list-style-type: none"> <li>• <i>Organization Commitment</i> <ul style="list-style-type: none"> <li>• <i>Work Satisfaction:</i> <ul style="list-style-type: none"> <li>⇨ Recognition Satisfaction</li> <li>⇨ Environment Satisfaction</li> <li>⇨ Job Satisfaction</li> <li>⇨ Career Satisfaction</li> <li>⇨ Relationship Satisfaction</li> <li>⇨ Work hours Satisfaction</li> <li>⇨ Involvement Satisfaction</li> </ul> </li> </ul> </li> </ul>	<p>-% score on <i>Employee Opinion Survey</i> Likert scale of 1-7, where a higher score is positive</p>	<ul style="list-style-type: none"> <li>-Question # 29 on EOS</li> <li>-Survey sample of employees across group (including but distinguishing manager and executive levels).</li> </ul>
<p>Integrate fair people practices and processes</p>	<ul style="list-style-type: none"> <li>• <i>Perceived fairness:</i> <ul style="list-style-type: none"> <li>⇨ Fairness of development processes</li> <li>⇨ Fairness of pay</li> <li>⇨ Supervisor support</li> </ul> </li> </ul>	<p>-People practices and process fairness and consistency % EOS score Likert scale of 1-7, where a higher score is positive</p>	<ul style="list-style-type: none"> <li>-Question # 41 on EOS</li> <li>-Survey sample of employees across group (including but distinguishing manager and executive levels).</li> </ul>

Table XV: Proposed Measures and Information Sources

The Customer Perspective (Continued):

Goals	Dimensions	Measures	Information sources
Develop employee capability (people have the competencies)	<ul style="list-style-type: none"> <li>• <i>Individual development Satisfaction:</i></li> <li>⇨ Opportunities</li> <li>⇨ Career discussions with supervisor</li> <li>⇨ Work reviews</li> <li>⇨ Understanding of how performance is judged</li> <li>⇨ Career information</li> </ul>	-Individual Development Satisfaction % EOS Score Likert scale of 1-7, where a higher score is positive	-Question # 47 on EOS -Survey sample of employees across group (including but distinguishing manager and executive levels).
Develop employee capability (people have the competencies)	<ul style="list-style-type: none"> <li>• Leadership Bench-strength</li> </ul>	-% of participants in Leadership Development Program (LDP) who are ready for next assignment: # of ready now in LDP Total number of participants The Leadership Development Program is focused on management personnel and up, but also includes non-management employees who demonstrate leadership potential.	-Leadership Development Plan Program (Succession Planning exercise) information in Peoplesoft which is reviewed on a quarterly basis. -Group Organizational Development can provide this information for the overall organization.
Optimize work force planning (right people, right time, right place)		-% of unfilled positions: # of unfilled positions Total number of positions Includes new positions and replacements.	-The Group Staffing Manager would consolidate this information. -Currently, each local unit uses their own system to track this information.
Provide value added HR service	<ul style="list-style-type: none"> <li>• HR strategic plan implementation</li> </ul>	-% of strategic plan implemented on target # of strategic plan targets completed Total number of targets	Group OD director to consolidate this information.

Table XV: Proposed Measures and Information Sources

The Customer Perspective (Continued):

Goals	Dimensions	Measures	Information sources
Provide value added HR service	<ul style="list-style-type: none"> <li>• <i>HR as an Administrative Expert:</i> <ul style="list-style-type: none"> <li>⇒ HR processes are efficient</li> <li>⇒ HR delivers processes efficiently</li> <li>⇒ HR increases productivity</li> <li>⇒ HR develops programs and processes to be efficient.</li> </ul> </li> </ul>	<p><i>-% score on administrative expert role on HR Role Assessment Survey (Ulrich and Conner, 1997)</i></p> <p>Likert Scale of 1-5, for a total of 50 points, where a higher score is positive</p>	<p>-New Survey- sample of HR professionals and their respective local unit management team, distinguishing between executives and line management.</p> <p>- By surveying both HR and management, will provide and indication of expectation alignment as well as service quality</p>
Provide value added HR service	<ul style="list-style-type: none"> <li>• <i>HR as a Business Partner:</i> <ul style="list-style-type: none"> <li>⇒ HR as a strategic partner</li> <li>⇒ HR as a change agent</li> <li>⇒ HR as an Employee Champion</li> <li>⇒ HR as an Administrative Expert</li> </ul> </li> </ul>	<p><i>-HR Role Assessment Survey Score for all four roles (Composite measure ranging from 50-2000)</i></p> <p>(Ulrich, 1997)</p> <p>-Total scores above 160 may be considered higher quality, and below 90 may indicate lower quality (p.39).</p>	<p>-View of total scores from survey sample of HR professionals and their respective local unit management team, distinguishing between executives and line management.</p> <p>-By surveying both HR and management, will provide and indication of expectation alignment as well as service quality</p>
Deliver affordable HR services		<p><i>HR Expense Percent:</i></p> $\frac{(\text{Internal} + \text{External HR Expense})}{\text{Operating Expense}}$ <p>- Internal includes salary, benefit costs of standard HR departments, facilities cost, equipment expense, etc. - External includes administration costs of outsourced functions, consulting fees, legal fees etc.</p>	<p>-The Group Compensation Manager will provide this information by consolidating for all local units.</p>
Deliver affordable HR services		<p><i>HR Cost per employee:</i></p> $\frac{(\text{Internal} + \text{External HR expense})}{\text{Total FTEs}}$	<p>-The Group Compensation Manager will provide this information by consolidating for all local units.</p>

Table XV: Proposed Measures and Information Sources (continued)

The Process Perspective:

Goals	Dimensions	Measures	Information sources
Clarify direction and align objectives		<p>% of PMP completed:</p> <p># of PMPs completed</p> <p>Total # salaried staff</p> <p>-Completion means objectives have been set and agreed upon.</p>	<p>Group Organizational Development</p> <p>Manager consolidates information</p> <p>-Local OD/HR employees request copy of PMP for each employee</p>
Lead and manage change		<p># of Change Management Projects using BMC</p> <p>-BMC is the organization's established change methodology.</p>	<p>-Corporate Change Management Director collects for each group using Lotus Notes</p> <p>Change Leadership knowledge sharing database.</p>
Engage employees		<p>% EOS Response Rate</p> <p>Number of employee responses</p> <p>Number of employees surveyed</p>	<p>-Group Organization Development</p> <p>Director consolidates information from each local unit organization development specialist</p>
Engage employees		<p>% completion on Employee Opinion Survey follow-up action plans</p> <p># of actions completed</p> <p>Total number of agreed upon actions</p> <p>Agreed upon action plan is established with HR and unit leaders in the form of a contract</p>	<p>-Group Organization Development</p> <p>Director consolidates information from each local unit organization development specialist</p>
Engage employees		<p>Ratio of grievances to number of employees</p> <p>Total number of grievances</p> <p>Total Headcount</p>	<p>-Group Organizational Development</p> <p>Director consolidates this information</p> <p>-Local units labour relations specialists provide the local information.</p>

Table XV: Proposed Measures and Information Sources (continued)



The Process Perspective (Continued):

Goals	Dimensions	Measures	Information sources
Engage employees		<p><i>Voluntary Turnover Rate:</i></p> <p><u>Voluntary Separations</u></p> <p>Total Headcount</p> <p>-Includes separations initiated by employee, or encouraged to leave through early retirement incentives. - Headcount is the average number of employees the company has on payroll by taking inventory of headcount at each month and adding all 12 end-of-month figures, and dividing by 12 to obtain average headcount for the year.</p>	<p>-Group Organizational Development Director consolidates this information</p> <p>-Peoplesoft system provides information</p> <p>-Local Organizational Development specialists provide local information when applicable.</p>
Engage employees		<p># of references to <i>industrial tribunals</i></p> <p>Included unfair dismissal, Labour standards, Human Rights Commission, etc.</p>	<p>-Group legal council for HR support consolidates information.</p>
Engage employees		<p><i>Accident Frequency</i></p> <p>Total # of accidents * 200,000</p> <p>Total number of hours worked</p>	<p>-Group Health and Safety Director to consolidate information</p> <p>-Local units to provide local information.</p>
Engage employees		<p><i>Accident Severity</i></p> <p>Total lost days * 200,000</p> <p>Total number of hours worked</p>	<p>-Group Health and Safety Director to consolidate information</p> <p>-Local units to provide local information.</p>
Provide continuous learning opportunities and resources to all employees	<ul style="list-style-type: none"> <li>• <i>Training investment</i></li> </ul>	<p><i>Training costs as a percentage of payroll</i></p> <p><u>Training costs</u></p> <p>Payroll costs</p> <p>Training cost includes labour, materials, development, delivery, evaluation, travel costs, facilities, salary and benefits of trainers and participants training time.</p>	<p>-Group Compensation Manager to consolidate this information</p>

Table XV: Proposed Measures and Information Sources (continued)

**The Process Perspective (Continued):**

<b>Goals</b>	<b>Dimensions</b>	<b>Measures</b>	<b>Information sources</b>
Provide continuous learning opportunities and resources to all employees	<ul style="list-style-type: none"> <li>Leadership development</li> </ul>	<p>% of high potential employees with a development plan on target</p> <p># of high potentials with development plan on target</p> <p>Total number of high potential employees</p> <p>High potential employee is identified during LDP exercise based on set criteria.</p>	<p>-Group Organizational Development Director consolidates this information from Local unit OD specialists.</p>
Attract and retain talent	<ul style="list-style-type: none"> <li>Attract Talent</li> </ul>	<p># of qualified applicants per position</p> <p>Total number of qualified applications</p> <p>Total number of positions</p>	<p>-Group Staffing Manager to consolidate this information through recruitsoft system</p> <p>-Local units to supply information</p>
Attract and retain talent	<ul style="list-style-type: none"> <li>Retain High potential employees</li> </ul>	<p>HP voluntary separation rate:</p> <p># of Voluntary HP separations</p> <p>Total HP headcount</p>	<p>-Group OD director to consolidate</p> <p>-Peoplesoft will provide report</p> <p>-Local OD to supply information</p>
Attract and retain talent	<ul style="list-style-type: none"> <li>Retain employees</li> </ul>	<p>% Total Separation Rate (Involuntary number + Voluntary number)</p> <p>Total Separations</p> <p>Headcount</p> <p>Total = Involuntary, occur without employee choice + Voluntary, occur by employee choice</p>	<p>-Group OD Director to consolidate</p> <p>-Peoplesoft report will provide information.</p>

Table XV: Proposed Measures and Information Sources (continued)

The Process Perspective (Continued):

Goals	Dimensions	Measures	Information sources
Optimize HR service delivery processes	<ul style="list-style-type: none"> <li>Transaction accuracy</li> </ul>	<p><u>% accuracy in HR transactions</u></p> <p><u># of defect free transactions</u></p> <p>Total number of transactions</p> <p>Transactions include change of status and benefit transactions. One action is equal to one transaction.</p>	HRIS Director to consolidate this information.
Optimize HR service delivery processes	<ul style="list-style-type: none"> <li>Hiring cycle-time</li> </ul>	<p><u>Cycle Time to fill positions</u></p> <p><u>Total Days (Requisition received-date accepted)</u></p> <p>Total number of positions</p>	<p>-Group Staffing Manager to consolidate this information</p> <p>-Local units to provide information</p>
Optimize HR service delivery processes	<ul style="list-style-type: none"> <li>Reporting accuracy</li> </ul>	<p><u>% accuracy of reporting for decision-making on first request</u></p> <p><u># of incorrect information per report</u></p> <p>Total number of reports requested</p>	HRIS Director to consolidate this information
Optimize HR service delivery processes	<ul style="list-style-type: none"> <li>Clear roles and responsibilities</li> </ul>	<p><u>% of HR jobs with documented roles and responsibilities</u></p> <p><u>-# of jobs with documented roles</u></p> <p>Total # of HR jobs</p>	Group OD director to consolidate this information.

Table XV: Proposed Measures and Information Sources (continued)

The Learning and Growth Perspective:

Goals	Dimensions	Measures	Information sources
Provide effective communication tools	<ul style="list-style-type: none"> <li>Communications:                             <ul style="list-style-type: none"> <li>Information sharing</li> <li>Usefulness of communication tools</li> </ul> </li> <li>Six Sigma understanding</li> </ul>	<ul style="list-style-type: none"> <li>-% EOS score on communications Likert scale of 1-7, where a higher score is positive</li> <li>-% of total population trained in Six Sigma Analyst training</li> <li>Total # of training participants</li> <li>Total # of employees</li> <li>-% of target group trained in Change Management</li> <li>Total # of training participants</li> <li>Total # of target group employees</li> <li>-% score on Employee Opinion Survey</li> <li>Likert scale of 1-7, where a higher score is positive</li> <li>-% of employees who received a formal appraisal</li> <li>-# with performance rating</li> <li>Total # of employees</li> </ul>	<ul style="list-style-type: none"> <li>-Question # 63 on Employee Opinion Survey</li> <li>-Survey sample of employees across group (including but distinguishing manager and executive levels).</li> <li>-Group Vice-President, Six Sigma Provides this information on a monthly basis.</li> <li>-Information is consolidated from local units.</li> <li>-Group Director, Organizational Development can provide this information.</li> <li>-This would be the only new question to add to the existing Employee Opinion Survey.</li> <li>-Group Organizational Development Director consolidates this information.</li> <li>-Information is available in Peoplesoft</li> <li>-Local Organizational Development specialists also provide information if necessary.</li> </ul>
Build employee understanding of Six Sigma and change management	<ul style="list-style-type: none"> <li>Change Management Understanding</li> </ul>		
Build employee understanding of the business	<ul style="list-style-type: none"> <li>Business understanding:                             <ul style="list-style-type: none"> <li>Understanding of the firm's competitive strategy and operational goals.</li> </ul> </li> <li>Recognize performance</li> </ul>		
Recognise performance and compensate competitively			

Table XV : Proposed Measures and Information Sources (continued)

The Learning and Growth Perspective (Continued):

Goals	Dimensions	Measures	Information sources
Recognise performance and compensate competitively	<ul style="list-style-type: none"> <li>Compensate competitively</li> </ul>	<p>Compensation Factor: Compensation Cost Headcount</p>	<p>-Group Compensation Director consolidates this information</p>
Recognise performance and compensate competitively		<p>% Score on EOS survey on compensation fairness</p>	<p>-Question 64 on EOS -Survey sample of employees across group (including but distinguishing manager and executive levels).</p>
Identify and communicate best managed people practices globally		<p># of best managed people practices leveraged globally Leveraged means identified and implemented in another division.</p>	<p>-Group Organizational Director provides this information.</p>
Provide effective tools and learning experiences	<ul style="list-style-type: none"> <li>Provide accessible opportunities and information</li> </ul>	<p>% of development activities available on line versus plan # of activities on line Total planned</p>	<p>-HRIS director provides this information</p>
Provide effective tools and learning experiences	<ul style="list-style-type: none"> <li>Provide effective development support</li> </ul>	<p>-% score on Employee Opinion Survey Likert scale of 1-7, where a higher score is positive</p>	<p>-Questions 70-72 on Employee Opinion Survey -Survey sample of employees across group (including but distinguishing manager and execs)</p>
Define competency requirements		<p>% of Job Families with identified competency requirements # of Job Families with identified competency requirements Total number of job families</p>	<p>-Group OD Director to consolidate this information -Information provides by local OD specialists.</p>

Table XV: Proposed Measures and Information Sources (continued)

The Learning and Growth Perspective (Continued):

Goals	Dimensions	Measures	Information sources
Maximize workforce planning effectiveness		<p>% of <u>unplanned requisitions</u></p> <p># of <u>unplanned requisitions</u></p> <p>Total number of requisitions</p>	<p>-Group staffing manager to consolidate information</p> <p>-HR directors for each unit to provide Information.</p>
Maximize technology		<p>% of <u>ERP goals on track</u></p> <p># of <u>ERP goals on track</u></p> <p>Total number of targets</p>	-HRIS Director to provide this information.
Develop and retain HR people	<ul style="list-style-type: none"> <li>Develop HR employees</li> </ul>	<p>% of <u>HR development plans on target</u></p> <p># of <u>HR development plans on target</u></p> <p>Total number of HR plans</p>	-Group OD Director to provide this Information.
Develop and retain HR people	<ul style="list-style-type: none"> <li>Retain HR employees</li> </ul>	<p><u>HR separation rate:</u></p> <p># of <u>voluntary HR separations</u></p> <p>Total HR headcount</p>	-Group OD Director to provide this Information.
Improve and document HR processes	<ul style="list-style-type: none"> <li>Document HR processes</li> </ul>	<p>% of <u>HR processes documented</u></p> <p># of <u>processes documented</u></p> <p>Total number of HR processes</p>	- Group OD Director to provide this Information.
Improve and document HR processes	<ul style="list-style-type: none"> <li>Improve HR processes</li> </ul>	<p>% of <u>key HR processes showing improvement against targets</u></p> <p># of processes with improvement <u>targets</u></p> <p>Total number of HR processes</p>	- Group OD Director to provide this information.

Table XV: Proposed Measures and Information Sources (continued)

### C. Selection of Measures for Scorecard:

This section will prioritize the measures that will be selected for the scorecard. At this point there are many measures for each dimension. As Ulrich, Becker and Huselid highlight, the scorecard should consist of around 25 measures because of the need for simplicity whilst maintaining the integrity of the scorecard (2001, p.24). There are currently 54 potential measures for the scorecard, with 5 measures for the financial perspective, 14 measures for the customer perspective, 18 measures for the process perspective, and 17 measures for the learning and growth perspective. Since this scorecard will be a tool used by the executive management team, the measures that are tracked and made visible in the scorecard should be worthy of their attention. It will therefore be necessary to prioritize the measures based on the criteria for good measures.

The HR Council proposed the criteria for good measures, using an approach that is supported in the literature (Business Intelligence, 1998). Measures need to be:

- Specific: focus specifically on one area and not too many things.
- Simple: easy to understand and follow
- Valid for the entire Group
- Robust: reliable overtime and are not overly influenced by external factors.
- Important to Measure: the information is important enough to be visible to the Senior Executive committee
- Accessible data: data can be accessed
- Reasonable administration costs: if too much time is required to collect this information, or a special system is needed, the benefit may outweigh the cost.

This next section will review and propose the measures for each goal and for each perspective according to these criteria. The objective will be to propose the final measures for the HR scorecard.

a) **The Financial Perspective:**

i) Grow employee productivity and contribution:

The potential measures proposed for this goal are the Revenue Factor, the Income Factor, the Human Value Added Factor, and Human Capital ROI. The following section will review the reasons why the Revenue factor, the Income factor and the Human Capital ROI will be retained for the scorecard.

- The 'Revenue factor' is an interesting for this scorecard since the data is accessible, relatively easy to collect and valid for the Group. It is a simple metric that seems to be understood by management. Furthermore, it measures employee productivity and contribution, which is specific for this goal.
- The 'Income factor' is an interesting metric because it considers the profit per employee, and it is simple, valid for the Group, and the data is accessible. For this organization, profitability is a very important financial metric. In this perspective, it will be also interesting to also look at profit per employee.
- The 'Human Capital ROI' calculates the value added of investing in the organization's human assets. This is an interesting metric because it looks at the rate of return on people, in other words, for every dollar invested in people what is the rate of return? The higher the number, the better the rate of return. This metric is specific and easy to understand. It is also valid for the group and the data is accessible, although it is not currently being tracked as a formal process. This metric should be retained for the scorecard. It will be interesting to look at profit per employee, and then the rate of return per dollars invested in employees to provide an overall picture.
- The 'Human Value Added' metric calculates the leverage employees have on profitability expressed as adjusted profit dollars per FTE. If this metric has a higher value, employees should be generating more revenue. Since this metric is a close relative to the 'Human Capital ROI', it should not be retained. There would not be much benefit to tracking both of these measures, given the need for simplicity.



- ii) Achieve cost/value balance in HR service delivery:
- The potential measure proposed for this goal will be retained for the scorecard. The metric ‘% Variance in the HR budget’ is currently measured as part of the budget performance reporting and is easy to collect, specific and simple, and worth measuring for the executive team.

In summary, the following 4 financial metrics should be retained for the scorecard:

- The Revenue Factor
- The Income Factor
- The Human Capital ROI
- The % variance in the HR budget.

**b) The Customer Perspective:**

- i) Provide value added HR services:
- The first measures are based on the HR role assessment survey, evaluating the HR function as a business partner, including the following roles: the strategic partner, the change agent, the employee champion, and the administrative expert. While all of these roles are looked at separately for each of the strategic goals they represent, the overall composite result of these will be proposed as the scorecard measure. From a higher level perspective, this is the measure that is the most important for senior management attention. Therefore, the ‘HR role assessment survey % score’ for the four categories will be combined to provide a measure of whether HR is providing value added services as a business partner. If necessary, this measure can be broken down to assess the function’s effectiveness in each role, for each strategic goal (develop organizational capability, strengthen employee satisfaction, and provide value added HR services).
  - The other measure proposed for this goal is the ‘% of the HR strategic plan that has been implemented on target’. This metric should also be retained, as the data is accessible, specific and very relevant for the executive team.

ii) Deliver affordable HR services:

- ‘HR expense %’ will calculate how much the HR function is costing the organization. This metric can be benchmarked to see if the cost is in line with other HR organizations. If the metric is much lower, and the service quality is not high, it may justify that a larger portion of the budget be allocated to HR, or show why the function is not meeting its budget targets when they may be too stringent. This metric is simple, specific, robust, and the data is accessible, although it is not currently being measured in a formal way. It should, therefore, be retained for the scorecard.
- ‘HR cost per employee’ will provide visibility to how much the organization is investing in the HR function per employee. This metric can also provide similar information to the ‘HR expense %’, viewed in a different perspective. It would be interesting to compare this metric to the HR role assessment scores over time. On the one hand, if the value is low, then it may indicate that the HR function is not investing in its people and systems. This would most likely have an impact on the quality of services they are providing. On the other hand, if the figure is too high, and the percentage score on the HR role assessment survey is low, it may indicate that the HR function is not managing its budget effectively. In this perspective, this is an interesting metric to provide visibility to the executive team. Furthermore, the data is accessible and relatively easy to administer, it is simple, specific, robust, and valid for the entire group, so it should be retained for the scorecard.

iii) Develop organizational capability:

- The proposed measures are based on the EOS results, considering operational excellence and clarity of direction. . These measures are currently being tracked in the organization on a 2-year basis. To provide an overall perspective for the executive team, the results of the overall question should be tracked and reported more frequently by doing random surveys to collect employees perceptions on a quarterly basis. In this sense, the metric that would be retained for the scorecard would be the ‘Organizational capability % EOS Score’. This is a simple and specific metric, and the data is available and valid for the group. The other two

measures can be analyzed and presented separately. This should help the organization establish whether there is improvement in this goal, as the overall measure should be sensitive to changes in opinion, and whether there are relationships between the variables.

iv) Strengthen employee Commitment:

- In a similar perspective, 'Employee Commitment % survey score' considers both organizational commitment and work satisfaction, but the overall score for the individual question should be retained for the scorecard. It is simple, specific, and the data is accessible. By focusing on the individual score, it should be more sensitive to changes in opinion as opposed to taking the average of the scores on the dimensions, which could dull the impact of changes. This metric is also currently tracked on a two-year basis, but should be reported on a quarterly basis for the scorecard. The scores for organizational commitment and work satisfaction can be analyzed and shown separately when necessary. It will also be interesting to test the assumed relationships between these variables.

v) Integrate fair people practices and processes:

- The employee opinion survey also provides information for this goal. For the scorecard, the proposed measure is the 'People practices and processes fairness % EOS score' considering fairness of development processes; fairness of pay; supervisor support. The overall measure for the individual question on people practice and process fairness should be retained for the scorecard, as it is specific and simple, and the data is accessible. This information is also currently being tracked on a two-year basis. It should tracked on a quarterly basis, and compared to the other scores to assess the assumed relationships.

vi) Develop employee capability:

- 'Leadership bench-strength' is a metric that will enable the organization to track the % of leaders, or people with leadership potential, who will be ready in the short-term to move to their next identified assignment. This is a good indicator of how well they are being developed, and how strong the leadership base is in

the organization. It is a quantitative measure and is currently being tracked on an annual basis during the succession planning process. It is a simple metric, robust, valid for the group, and the data is accessible. This metric should be retained on the scorecard and reported on a more frequent basis, ideally on a quarterly basis.

- The ‘% Score individual development satisfaction’ is a qualitative metric that is based on the EOS results. It considers career opportunities, career discussions with supervisors, work reviews, career information and an understanding of how their performance is being judged. The overall score, based on the individual question asking how employees rate overall individual development in the organization, should be retained for this scorecard. This is a simple and specific measure. It is more sensitive to changes in opinions, as opposed to taking the average of the responses, and can also be tracked to assess the assumed relationships between the indicators. This information is valid for the group, and the data is accessible, as it is currently measured as part of the EOS on a two-year basis. It should be made visible to the executive team on a quarterly basis.

vii) Optimize workforce planning (right people at the right time):

- The ‘% of unfilled positions’ is a quantitative metric that would enable the organization to assess how well they are planning for their workforce. Workforce plans should be created with forecasting and the budgeting processes and turnover projections; combined with specific recruitment strategies for difficult to find critical skills and succession planning. If this is done in an effective manner, the ‘% of unfilled positions’ should be lower, since the right people should be available at the right time, despite the influences of the labour market. This data for this metric is accessible, and is measured in certain parts of the organization. Furthermore, since it is simple, easy to understand, and interesting for executive visibility, it should be retained for the scorecard.

In summary, the following 10 measures were retained for the customer perspective:

- HR role assessment survey % score (Composite)
- % HR strategic plan that has been implemented

- HR expense percent
- HR cost per employee
- Organizational capability % EOS Score
- Employee Commitment % EOS Score
- People practices and processes fairness % EOS Score
- Leadership bench-strength
- Individual development satisfaction % EOS Score
- % of unfilled positions

c) The Process perspective:

i) Clarify direction and align goals:

- The ‘% of Performance Management Programs (PMP) completed’ is the proposed metric for this goal. It would enable the organization to assess how many managers are communicating direction and aligning departmental and individual employee goals. One might argue that this does not measure the quality of the objectives that are being set. However, this metric is more simple and understandable, and the data can be accessed. It will be interesting to compare this metric to the employee opinion survey results on clarity of direction. This score should be higher if the PMPs are being completed. If the score is not higher, then perhaps it is a quality issue, and improvement actions will need to be identified. This metric should be retained for the scorecard. It will require some administration to track, but it is worth providing visibility to executive management.

ii) Lead and manage change:

- The proposed metric for this goal is the ‘Number of change management projects using the organization’s change methodology’. However, this measure is not specific, simple, nor easy to track. There are many initiatives that are using the methodology, but not in a systematic way, and it would be difficult to identify what are the change management projects. Since in the overall model it would in

part be captured in the learning and growth perspective, it is proposed that this process goal not have a measure. This would be acceptable to the organization.

iii) Engage employees:

- The '*% Response Rate*' on EOS is a simple, specific metric that is valid for the Group. Furthermore, the date is easily accessed. This metric should be retained for the scorecard because it provides a good indicator of how well the organization is engaging employees by soliciting and receiving their feedback. It should be compared to the Employee Satisfaction Score.
- The '*% completion of the EOS follow-up action plans*' is a metric that will ensure that the results of the survey are being followed-up. It is important to communicate with employees and obtain their feedback, however it is even more important to act on it to maintain credibility. This metric is interesting, but it is less simple and the data is not currently accessible. It is a more complex metric because there is currently no formal process and accountability. It should not be retained for the scorecard at this point in time. However, it should be noted that if there is a higher response rate on the EOS, then one could assume that employees see a benefit to taking the time to respond, implying that they have seen positive results from the surveys. Therefore, the first proposed metric can also provide a good indicator of whether or not surveys results are acted upon.
- The '*Voluntary separation rate*' is a metric that will enable the organization to assess how many people chose to leave the organization. If people do not feel engaged by the organization they may leave. This is a specific measure and the data is accessible. However, since it is also being used to help measure the goal of attracting and retaining talent, it will be viewed on the scorecard as representing the latter goal instead. It should be noted that certain key measures might reflect more than one goal (Business Intelligence, 1998).
- The '*Ratio of grievances to employees*' is a metric that would enable the organization to track grievance trends, with the assumption that a higher ratio implies dissatisfaction. While this measure is specific and simple, it is not valid for the entire Group. Some of the groups, specifically in Belfast, have a much higher percentage of unionization that can lead to higher grievance rates. Furthermore,

some organizations view grievances as positive, as they foster the resolution of issues. Therefore, this metric should not be retained on the scorecard.

- The '*Number of references to industrial tribunals*' is a metric that could indicate how well the organization is managing internal disputes. However, it may not accurately measure this goal. Corporate lawyers and labour relations specialists will argue that certain cases go to industrial tribunals for strategic purposes, to set precedents, and they are often settled in favour of the company. Therefore, it may not be worth measuring and should not be retained for the scorecard.
- The '*Accident frequency*' measures the number of accidents and is simple, accessible and currently tracked by executive management on a quarterly basis. It should be retained for the scorecard.
- The '*Accident severity*' measures the number of days lost due to accidents and again is simple, accessible and currently tracked by executive management on a quarterly basis. It should therefore be retained for the scorecard.

iv) Provide continuous learning opportunities and resources to employees:

- The metric '*Training costs as a % of payroll*' is simple, specific, and easy to collect. This metric would be calculated by adding the total amount of money spent on training and then considering it as a percentage of total payroll costs. The data is accessible and would provide an overall indication of how much money the organization is allocating to employee development. It should be retained for the scorecard.
- The '*% of high potential employees with a development plan on target*' is a metric that will ensure that the talent pool is being developed. This metric would be calculated by assessing the progress that is made on each structured development plan, identified during the leadership development process in the succession planning exercise. This metric is specific, simple, and the data is accessible and relatively easy to collect. Furthermore, in this organization, there is currently no mechanism in place to ensure that development plans are being implemented. This metric would provide visibility of progress to the executive team. Although HR does not always have control over some of these measures, they have a role

of influence and can use this information to obtain support where necessary. Therefore, this metric should be retained for the scorecard.

v) Attract and retain talent:

- ‘The # of qualified applicants per position’ is a simple, specific and easy to understand metric. Furthermore, the data is accessible from the organization’s current systems. This metric should be retained for the scorecard as it is pertinent for all of the groups and provides a very good indication of how well the organization is attracting talent. This metric is also worthy of executive attention, and could also justify investing in specific recruitment strategies.
- The ‘% total separation rate’ is a powerful metric that should be retained for the scorecard. It is calculated by dividing the total separation rate (the sum of the involuntary and voluntary separation rates) by the total population to obtain an overall percentage. It is a simple metric that will enable the organization to track trends in separation rates. It is specific, simple, valid for the group, robust, and the data is accessible through the Peoplesoft system. For more information, both the ‘Number of involuntary and voluntary separations’ should also be presented on the scorecard beside the overall rate. This information will provide visibility on the number of employees who decide to leave the organization, which could be controlled by continuously engaging the employees and providing development opportunities, as well as employees who were asked to leave, which could be a good indicator of poor hiring and management practices. It is important to provide visibility of this information to the Executive team. It will be interesting over time to track the relationships between this metric and the other variables.
- The ‘High potential voluntary separation rate’ should be retained and presented separately in the scorecard. For this organization, it is key that those employees who demonstrate leadership potential (high potential employees) are retained, as they are part of the leadership development program. This metric is simple, specific, understandable, valid for the group, and the data is accessible. It is important to provide visibility of this information to the executive team to ensure that the organization does its best to retain these employees. This information is captured in the leadership development process on an annual basis, however it



should be collected and presented on a quarterly basis on the scorecard to track progress and take more immediate action if necessary.

vi) Optimize HR service delivery:

- The ‘% accuracy in HR transactions’ is an interesting metric to retain for the scorecard. It tracks the number of error free HR transactions that are processed through the Peoplesoft system. Accurate transactions are a product of good computer skills and of quality processes, so that the information that is being entered into the system is also correct. This metric is specific, simple, and relatively easy to collect through the Peoplesoft system. It is worth measuring, and provides visibility to ensure that resources are deployed on value added activities as opposed to correcting mistakes. It also provides a good indicator of process quality.
- The ‘Cycle time to fill positions’ is another measure that should be retained for the scorecard. It calculates the overall number of days it takes the organization to fill positions by adding days to fill (date opened to date accepted, not started) for external candidates and internal candidates and dividing this total number by the total number of additional and replacement hires. This measure is simple, specific, valid for the group, and the data is accessible. This is a very high level measure to track trends in hiring efficiency, considering both hard and easy to fill positions. However caution is needed as quality should not be sacrificed for speed. Its use and an associated reduction in cycle time can also suggest that there are less open positions as well. Measuring hiring effectiveness through tracking the quality of hires is also a potential measure to ensure that quality is not being sacrificed for speed. However, while some parts of the HR organization do follow-ups on hiring quality, it is not a systematic process and would require too much work for the organization to track this information at this point in time.
- The ‘% of HR jobs with documented roles and responsibilities’ is a metric that should not be retained for the scorecard. This metric is specific, relatively simple, but would require some data collection up-front. However, this metric is being measured as part of the overall ERP project plan. In this sense, it will be cap-

tured by the metric measuring the % of the ERP project plan on target, and should not be measured separately for simplicity sake.

- The metric measuring the ‘% accuracy of reporting’ for decision making on first request would enable the organization to track missing information that is required for decision-making purposes, whether due to technology or process. This is an interesting metric from a corporate perspective, where information is often required for decision-making reports. However, it is not a simple metric because there are many ad-hoc reports with changing and unclear requirements that would make it difficult to track over time. At this point in time, this organization should not retain this metric for the scorecard.

In summary, the following 12 measures should be retained for the process perspective:

- % of PMPs completed
- % Response to EOS
- Accident Frequency
- Accident Severity
- Training costs as a % of payroll
- % of High Potential employees with a development plan on target
- # of qualified applicants per position
- High Potential separation rate
- % Total Separation rate (Voluntary number + Involuntary number)
- % accuracy in HR transactions
- Cycle time to fill positions

d) The Learning and Growth Perspective:

i) Provide effective communication tools:

- ‘Communications % EOS Score’ should be retained for the scorecard. This information is simple, specific and accessible. It is currently collected on a two-year basis through the EOS. It should be captured on a quarterly basis to meas-

ure Employee opinion on day-to-day communications. It will be interesting to compare the results of this measure with the percentage of PMPs that have been completed to see if there is a relationship.

- ii) Build employee understanding of Six Sigma and Change Management:
  - The ‘% of employees trained as Six Sigma Analysts’ which is specific to this organization, is an interesting metric to track for the scorecard. It is simple, specific, understandable, valid for the group, and important to track for the executive team. By tracking this measure, it will indicate how many employees are being exposed to Six Sigma concepts, potentially applying them to their jobs and developing these competencies.
  - The ‘% of target employees (management, and professionals who are in a change agent role) trained in the organization’s change management methodology’ is also an important metric to retain for the scorecard. The executive team can track the organization’s progress towards developing change leadership competencies in order to lead and manage change. This metric is also simple, specific, valid for the group, and the data is accessible.
  
- iii) Build employee understanding of the business:
  - ‘Business understanding % EOS score’ is a metric that is specific and easy to understand. However, the data is currently not accessible and would require some work to collect. Furthermore, due to the competitive sensitivity of the detailed strategic plan, it is not fully communicated to all employees for security purposes. For simplicity sake, this metric should not be retained for the scorecard at this point in time. Although this means that there will be no measure for this goal, it is sufficient for the organization at this point.
  
- iv) Recognize performance and compensate competitively:
  - The ‘% of employees who have received a formal appraisal’ is an interesting metric for the scorecard. This measure is calculated by assessing how many employees have an overall performance rating, which is linked to the salary review process. This metric is specific, simple, valid for the group, and the data is ac-

cessible, although it would require some effort to collect. However, it is important to provide visibility of this information to the executive team to ensure that employee performance is being managed.

- The 'Compensation factor' calculates the total cost of compensation compared to headcount. This is a simple metric, understandable, and the data is accessible. It will require some work to collect and present, however, but it would be interesting to track this information at the executive level. It can also be benchmarked with the competition to provide a very high level view of the competitiveness of the organization's compensation. It should therefore be retained for the scorecard.
  - The '% EOS score on salary fairness and competitiveness' should be retained for the scorecard. This is a specific and understandable metric that is currently measured on an annual basis in the EOS although it should be measured on a quarterly basis for the scorecard. This qualitative metric is a good complement to the other two quantitative measures proposed for this goal. All of these measures should be retained for the scorecard.
- v) Identify and communicate best managed people practices globally:
- The 'Number of HR practices leveraged globally' should not be retained for the scorecard. It is not simple and the data is not accessible. Unfortunately, this process goal will not have an indicator although with time it is recommended that the organization define a reasonable metric for this goal. Perhaps measuring the extent of the use of benchmarking and leveraging HR practices across the organization could be a metric for the future.
- vi) Provide tools and learning experiences.
- The '% of development activities available on line versus plan' is an interesting metric for this scorecard. However, this measure will also be captured as part of the ERP plan, which will be measured as part of another learning and growth goal. Given the number of measures that have already been proposed for the scorecard, it is considered not worth separating this out as another metric.

- vii) Another goal for this perspective is to define competency requirements:
- The ‘% of job families with defined competency requirements’ should be retained for the scorecard. This metric is specific, simple and robust. The data is accessible, although it would require some work to track. It is important to provide visibility to the executive team on this goal, as it would ensure that progress is being made towards this goal. This measure will be interesting to look at in comparison to the other development measures. If competency requirements are identified, development opportunities should become clearer.
- viii) Maximize workforce-planning effectiveness:
- The ‘% of unplanned hiring requisitions’ should be retained for the scorecard. This is a specific, simple metric that is valid for the group, and the data is very accessible. The workforce plan is created with the business unit management team based on information from the budget process, turnover projections and succession planning information. A large number of unplanned hiring requisitions would imply that the workforce plans are not effective. It would be important to provide visibility of this information to the executive team and to compare this percentage with the number of unfilled positions, or hiring cycle time, and continuously improve the quality of the workforce plans.
- ix) Leverage technology (ERP):
- The ‘% of ERP goals on track’ should be retained for the scorecard. This is a relatively simple and specific metric that is valid for the group. The data is also accessible as it is currently tracked as part of the project management process. This metric would enable the organization, and the executive team, to track the progress of this important initiative for the HR function. It is a big project, touching most processes including e-learning (for development) and e-recruitment (hiring processes). It will be interesting to compare this metric with overall HR costs, service delivery quality, perceptions of HR as a business partner, employee satisfaction with development opportunities, and so on to see if the project affects any of these measures.

- x) Develop HR people:
- The ‘% of HR development plans on target’ should be retained for the scorecard. This metric is simple, specific, and the data is accessible. If HR people are improving their skills as business partners, and leveraging technology, then the results in the HR role assessment survey should be more favourable. Therefore, these measures should prove to be leading indicators over time.
  - The ‘% HR Voluntary Separation Rate’ should be retained for the scorecard as well. It is also specific, simple, and the data is accessible. If the number is high, it could have a leading impact on service quality and HR Role quality. It could also indicate other issues of interest for the Senior Management Team.
- xi) Improve and document HR processes:
- The ‘% of HR processes that are documented’ should be retained for the scorecard. This metric is specific, simple, valid for the group, and the data is accessible. It would require a certain effort to collect, but is worth measuring in light of the ERP project that could have an impact on the processes.
  - The ‘% of key HR processes showing an improvement against targets’ should be retained for the scorecard. This metric is simple, valid for the group, and the data is accessible as it is currently collected and presented as part of the Six Sigma initiatives. It would be interesting to compare this metric to overall HR costs and quality assessments.

In summary, the following 13 measures should be retained for the scorecard:

- % EOS Score on communications
- % of employees who have been trained in the Six Sigma Analyst training
- % of target employees who have been trained Change Management Methodology
- % of employees who have received a formal appraisal
- The compensation factor
- % EOS score on salary fairness and competitiveness
- % of job families with defined competency requirements
- % of unplanned hiring requisitions

- % of ERP goals on track
- % of HR development plans on target
- % HR Voluntary Separation Rate
- % of HR processes that are documented
- % of key HR processes showing an improvement against targets

### 3.3.3. Elements of the HR Scorecard for this Organization:

As a result of the design phase, the HR scorecard presented in Table XVI is composed of 38 measures. The measures are balanced in that they are qualitative and quantitative, leading and lagging, and financial and non-financial. The measures for the HR scorecard are very pertinent for this organization as they reflect the HR strategy, which was the building block for the design of the scorecard. There are more measures than was originally envisioned, however, it was important to consider all aspects of the HR strategy. Over time, the organization may determine that some strategic goals are no longer necessary track in particular as the cause and effect assumptions are validated, enabling the total number of metrics to be reduced.

It is important to note that the scorecard is part of an overall strategic management process. As a next step, the organization will need to implement the scorecard. This will be done by first collecting the data and assessing current performance, and then establishing performance targets. Once this exercise has been completed, then the organization will continue to collect and review these measures on a quarterly basis, and learn about the strategic assumptions. This will be an on-going process so that the organization can learn and adapt when necessary. This scorecard must be integrated into an overall strategic management process, where learning is fed back into the organization and acted upon. Ideally, it should be cascaded into department and individual objectives.

The scorecard should be reviewed on a quarterly basis with the executive team and HR senior management. One part of the scorecard considers HR management throughout the organization, where both the HR function and management share accountability. This part of the scorecard should be reviewed with the Executive Committee of the organization.

Where HR does not have direct authority over the results of the scorecard, they are accountable for ensuring that the information is visible and then influencing, advising, and seeking support from the executive team. In this perspective, the HR function shares accountability of the results with the executive team, although this should be clarified up-front (Ulrich, 1997, 2001). The second part of the scorecard focuses on the internal HR function. This part should at least be reviewed with the HR senior management team and perhaps the Executive Committee where applicable. By reviewing this scorecard over time, the HR Function will be able to evaluate the effectiveness of the overall Function, considering HR management throughout the organization, and the efficiency and effectiveness of the Function itself.

In summary, this section consisted of an application study of the design of an HR Scorecard. The actual design of the scorecard was a complex process composed of several steps. As a first step, the strategic goals were reviewed, discussed, and clarified for this HR function. As a second step, the HR strategy was articulated into a causation map in order to obtain relevant measures for the scorecard. This map is based on a series of assumptions that are built into the strategy. These assumptions will be tested over time, and modified if necessary. As a third step, potential measures were proposed for each of these goals. The measures were proposed from existing measures in the organization, to facilitate the implementation, or new measures obtained from various sources. All of these measures were prioritized based on the measurement selection criteria that was outlined in the assessment phase. It was key that the selected metrics were simple, specific, valid for the Group, and that the data was accessible. The existing Employee Opinion Survey is the source of information for most of the qualitative measures. A new survey was also proposed, the HR Role Assessment Survey, which is quite simple to administer. Overall, the resulting measures are all relatively simple to collect, which was deemed very important for the success of this scorecard.



Table XVI: MEASURES FOR HR SCORECARD

	#	Goals	Measures
Financial	F1-	Grow employee productivity and contribution	<ul style="list-style-type: none"> <li>Revenue Factor</li> <li>Income Factor</li> <li>Human Capital ROI</li> </ul>
	F2-	Achieve cost/value balance in HR delivery service	<ul style="list-style-type: none"> <li>% Variance in HR budget</li> </ul>
	C1-	Provide value added HR service (Business partner services)	<ul style="list-style-type: none"> <li>% HR role assessment survey score (composite result of strategic partner + change agent + employee champion + administrative expert)</li> <li>% of HR strategic plan implemented on target</li> </ul>
Customer	C2-	Deliver affordable HR services	<ul style="list-style-type: none"> <li>HR expense percentage</li> <li>HR cost per employee</li> </ul>
	C3-	Develop organizational capability	<ul style="list-style-type: none"> <li>Organizational capability % EOS Score</li> </ul>
	C4-	Strengthen employee commitment (people want to)	<ul style="list-style-type: none"> <li>Employee commitment % EOS Score</li> </ul>
	C5-	Integrate fair people practices and processes	<ul style="list-style-type: none"> <li>People practices and process fairness % EOS Score</li> </ul>
	C6	Develop employee capability	<ul style="list-style-type: none"> <li>Individual Development satisfaction % EOS Score</li> <li>Leadership bench-strength</li> </ul>
	C7	Optimize work force planning (right people, right time)	<ul style="list-style-type: none"> <li>% of unfilled positions</li> </ul>
	P1-	Clarify direction and align goals	<ul style="list-style-type: none"> <li>% of PMPs completed</li> </ul>
Process	P2-	Engage employees	<ul style="list-style-type: none"> <li>% response to EOS</li> <li>Accident frequency</li> <li>Accident severity</li> </ul>
	P3-	Provide continuous learning opportunities and resources to employees	<ul style="list-style-type: none"> <li>Training costs as a percentage of payroll</li> <li>% of High potential employees with a development plan on target</li> </ul>
	P4-	Attract and retain talent	<ul style="list-style-type: none"> <li># of qualified applicants per position</li> <li>% Total separation rate (Involuntary + voluntary rates)</li> <li>High potential voluntary separation rate</li> </ul>
	P5-	Optimize HR service delivery processes	<ul style="list-style-type: none"> <li>Cycle time to fill positions</li> <li>% accuracy in HR transactions</li> </ul>
	L1-	Provide effective communication tools	<ul style="list-style-type: none"> <li>% EOS Score on communications</li> </ul>
Learning and growth	L2-	Build employee understanding of Six Sigma methodology and change management	<ul style="list-style-type: none"> <li>% trained in Six Sigma Analyst training</li> <li>% of Management and professionals in a change agent role trained in the Change Management methodology.</li> </ul>
	L3-	Recognize performance and compensate competitively	<ul style="list-style-type: none"> <li>% of employees who received a formal appraisal</li> <li>Compensation factor</li> <li>% EOS Score on salary fairness and competitiveness</li> </ul>
	L4-	Provide effective tools and learning experiences	<ul style="list-style-type: none"> <li>% of ERP goals on target</li> </ul>
	L5-	Define competency requirements	<ul style="list-style-type: none"> <li>% of job families with identified competency requirements</li> </ul>
	L6-	Maximize work force planning effectiveness	<ul style="list-style-type: none"> <li>% of unplanned hiring requisitions</li> </ul>
	L7-	Leverage technology	<ul style="list-style-type: none"> <li>% of ERP goals on target</li> </ul>
	L8-	Develop and retain HR people	<ul style="list-style-type: none"> <li>% of HR development plans on track</li> <li>% HR voluntary separation rate</li> </ul>
	L9-	Improve and document HR processes	<ul style="list-style-type: none"> <li>% of HR processes documented</li> <li>% of key HR processes showing improvement against targets.</li> </ul>

## CONCLUSION

With the challenges facing organizations, more and more HR functions are expected to contribute as business partners. However, this transition has been difficult for many HR functions. This paper has proposed that for HR to be a real business partner, it is key that it measures its effectiveness. Without this type of assessment, HR will not be able to show its strategic contribution. However, few organizations measure their effectiveness. Furthermore, a review of the literature on evaluating HR effectiveness suggests that there is a lack of theory on this topic, and little scientific research. There seems to be a debate on a common definition to measuring HR effectiveness. In general, it seems that some authors adopt a qualitative approach, some a quantitative approach, and others propose a more global approach. However, all of these approaches have their limitations and would not support the HR function in a business partner role.

This paper has proposed an alternative approach to evaluating HR effectiveness, the balanced scorecard. This approach is interesting because it combines all of the traditional approaches, while ensuring that all measures are aligned with the strategy. The balanced scorecard is built from the strategy, proposing a balanced set of metrics, including financial and non-financial, leading and lagging, and qualitative and quantitative metrics. This approach would enable the HR function to capture measures reflecting performance in all four HR roles, supporting it as business partner.

In this perspective, this research has focused on developing a balanced scorecard as a potential approach to evaluating the effectiveness of the HR function. Given the exploratory nature of this research, this study was an application study of developing a scorecard for an HR function in a large, international organization. (The name of this organization has been withheld for confidentiality purposes.) The objective of the study was to develop the scorecard based on this function's HR strategy, recommending the measures for the goals in each perspective for the HR function to be able to implement. The study discussed the process used to design the scorecard, and proposed the elements of the scorecard.

To design the scorecard, the team followed a process proposed by the literature. The process was composed of 3 phases, the planning, assessment and design phase. The first two phases had been completed with the HR senior team outside the scope of this project. The results of these phases needed to be reviewed and discussed as a case study in order to have completed the design phase. Essentially, the two phases focused on building awareness of the concept, planning the project, selecting the team, reviewing HR and business strategy alignment, defining the measurement criteria, and assessing the existing measures throughout the organization.

The next phase was an applied study, consisting of the design of the scorecard for this HR function. There were two steps in this phase. As a first step, it was necessary to identify the critical HR strategic goals by synthesizing the information from the HR strategy information. A strategic objective linkage map was created to depict the assumed cause and effect relationships between the strategic goals in the four perspectives. This map would ensure that the goals were clear and pertinent before translating them into tangible metrics. It would also ensure that the selected metrics would reflect the strategy, and be financial and non-financial, as well as leading and lagging.

The second phase was to identify measurement dimensions and metrics for these goals. It was important to use as much as possible the existing measures in the organization to facilitate the implementation process. To supplement these measures, other measures were researched through the Internet and literature searches. A number of potential metrics were proposed for each goal. Given the large number of proposed metrics, it was important to prioritize the actual metrics for the scorecard based on the measurement criteria that the senior HR management team had defined up-front. For this organization, it was deemed important that the measures were simple, specific, robust, and the data was accessible. They also needed to be worthy of the executive team's attention. In order to select the metrics for the scorecard, it was necessary to first identify the sources of information for the proposed metrics to assess data accessibility. Then, for each goal, the potential metrics were evaluated and selected accordingly. As a result, 38 measures were proposed for the scorecard, which are very pertinent for the organization because they are based on the HR strategy. The proposed scorecard is ready for the organization to implement.

As a next step, the organization would need to ensure that the proposed tracking systems are in place to collect the information, and then assess their current performance. This would enable the senior HR team to set targets and track progress on quarterly basis with the senior management team. Furthermore, it would also be important for the organization to integrate the feedback into their management system, where identified areas of improvement would be immediately addressed. Over time, the Function would be able to assess the validity of their strategic assumptions. This feedback is key to the success of the scorecard, and the effectiveness of the HR function.

As a general conclusion, this application study shows that the scorecard is an interesting approach to evaluating the effectiveness of the HR function. Both the process and the instrument support the evolution of the HR function as a business partner. For this organization, the scorecard is an instrument that is accessible and applicable for the global organization, and it is ready to be implemented. Once implemented, it should enable the contribution of people of all levels of HR to be recognized. Furthermore, it should enable the organization to track the performance of these metrics over time in order to evaluate the effectiveness of the Function, and focus limited resources on key areas.

In future research, it would be interesting to assess the effectiveness of this balanced scorecard as an instrument for evaluating the HR Function. Once the scorecard is implemented over a certain amount of time, it will be possible to assess the effectiveness of the measures and the instrument itself, something that is beyond the scope of this research paper.

Another potential area of interest for future research could focus on the effectiveness of the strategy itself. The scorecard is very dependent on the quality of the HR strategy. In this study, it was assumed that the existing strategy was effective. However, organizations often find that building scorecards result in modifications to the strategy. This type of questioning was beyond the scope of this project. Over time, however, this instrument will enable the organization to test the validity of the strategic assumptions. Yet, for future research, it could also be interesting to look at the scorecard as an instrument for clarifying and developing strategy.

Finally, it is also important to note that organizations often limit themselves to selecting metrics where the data is easily accessible. This may exclude some key strategic measures that would need to be developed. It would be important to ensure that the organization understands the consequences of this type of decision up-front before embarking in the process. Fortunately, in this study, some strategic measures were selected because the data could be made accessible. As the organization develops experience with the scorecard, it may opt to select some other strategic measures that would require some work to collect, but could have a substantial impact.

Hopefully, this paper has offered an alternative approach to evaluating the effectiveness of the HR effectiveness, and will contribute to developing new competencies in this area. As the HR function evolves to a business partner role, this may prove to be very valuable. As this study is exploratory in nature, it would be difficult to state unequivocally that the HR scorecard is the most effective strategic measurement system for the HR function. Further research over time would be required to confirm such a statement. The study does however offer an original approach to measuring the effectiveness of the HR function, especially in its role as a business partner. It is also an approach that is being proposed more and more in current literature and supports the suggestion that the HR scorecard is an interesting option for the HR function that wants to act as a business partner.

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