Balanced Scorecard for HR (Human Resource)

AKS-Labs

The document reviews different aspects of using Balanced Scorecard for HR unit of company. How to control and improve hire process, how to manage candidates, how to improve interview with BSC, how to control and improve trainings.

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1. Company strategy with balanced scorecard - common approaches

Every business organization aims to enhance it performance levels and shift the focus to the information era of competition and provide greater value to its stakeholders. The concept of Balanced Scorecard (BSC) emerged from such requirements, a performance management instrument that can be integrated into the working of the business processes and used effectually for executing and monitoring of tasks by the workforce.

Since time immemorial, management experts have performed various studies and researches in this field and an independent management consultant Mr. Art Schneiderman led the rest of the specialists in deriving the very first Balanced Scorecard in the year of 1987, followed strategically by the celebrated duo, Robert S. Kaplan and David P. Norton who identified and defined the major perspectives representing an organization's aspects, that were:

1. Financial perspective
2. Customer perspective
3. Internal Business perspective
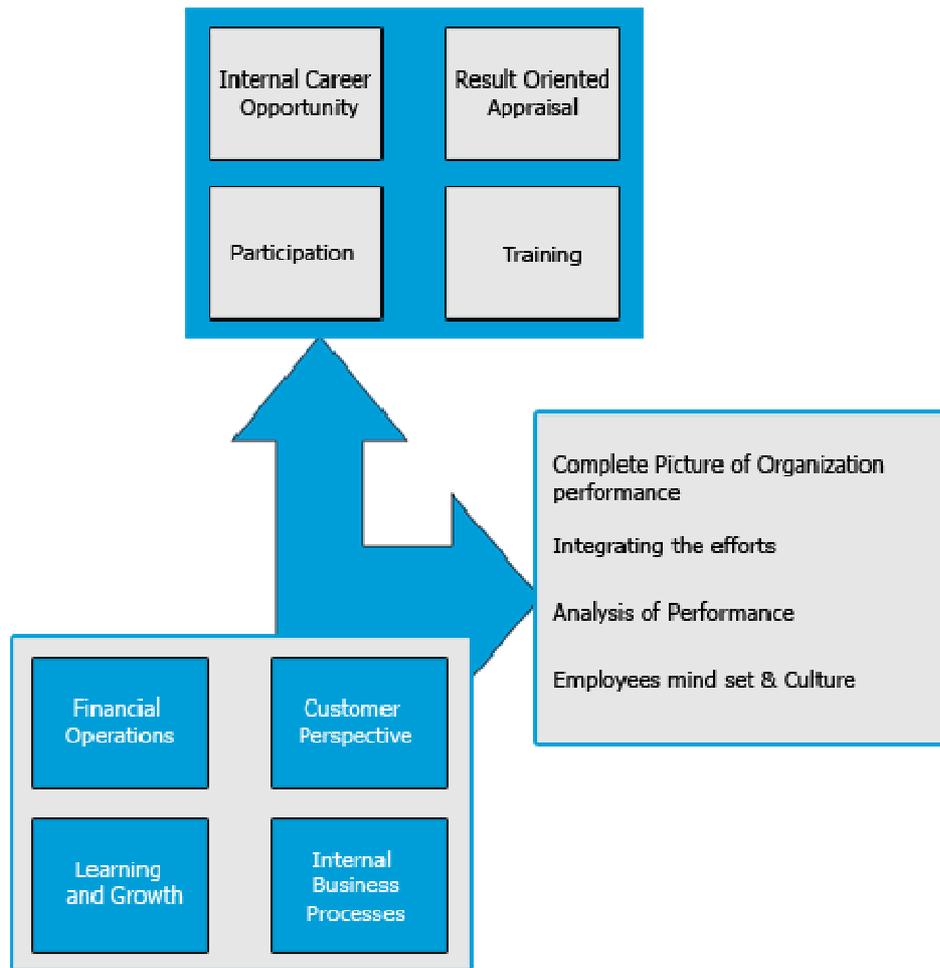4. Innovation and Learning perspective

The Human Resources is one of the most critical components of an organization taking the onus of accelerating the productivity and effective usage of human capital in the organizational procedures. Human resource practices have a direct correlation with the organization's performance and require successful integration with the organizational goals to prudently apply the theoretical concepts with practical connotations. HR elements can have some major areas of significance involving employee accountability, scalable administration, recruitment and retention aspects and many more.

The widely used HR metrics are inclusive of job satisfaction and related periodical feedback sessions with the immediate supervisor and HR coordinator; furthermore, employee turnover is another major facet that entails the cost to company, the cost of new hiring to fill in along with new recruitments, followed by valuable training and development methodologies to augment working and on the job learning modules. Overall, the Human Resource assessment of such metrics infers transferring of these intangible inputs into tactical values holding value and scope for betterment, which in turn leads to efficacious reference of data and information and further link the Human Resource policies with the management vision.

The Balanced Scorecard has been successfully integrated with the chief Human Resource functionalities comprising the recruitment process which is the most critical of all as the future of the business performance is dependent on effective recruitment of the right people for the right positions to deliver the right performance at the right time.

Moreover, amplifying the execution of the goal sheet objectives and transforming them into measurable results ensures the prosperity of any business in the volatile market scenario. Likewise, the training possibilities must be explored to the fullest to extract the best out of the workforce and offer growth opportunities keeping in mind the business goals. Honing employee skills certainly broadens the compass of working simultaneously keeping up the motivational levels and morale to the optimum intensity.

The performance stimulus can include monetary as well as non-monetary benefits to the limit of extending growth prospects to the deserving employees, correspondingly checking the internal factors like the incoming challenges and control prospects. The leadership aspect encompasses the alliance between the process managers and the vital success factors that contribute to the business ambitions under the direction of the management superiors.

Internal Career
Opportunity

Result Oriented
Appraisal

Participation

Training

Complete Picture of Organization
performance

Integrating the efforts

Analysis of Performance

Employees mind set & Culture

Financial
Operations

Customer
Perspective

Learning
and Growth

Internal
Business
Processes

A Balance Score Card acts as a link between management perspective and
HR activities to achieve long term vision of top management.

2. Company HR strategy - what companies need to achieve their strategic goals

Since Human Resources are the most critical of any organizations resource, effectual selection of manpower becomes an imperative but cautious process, choosing the right candidate for the job at hand; as any erroneous and hasty decision will jeopardize the organization's growth prospects and long term strategic improvement. Defining the job profile carefully and analyzing the potential candidate's qualifications and abilities and completely scanning their aptitudes for coherent placement.

A well sketched system of recruitment coupled with an equally trained staff garners promising results in terms of hiring competent intangible resources that contribute in business excellence and enhanced productivity.

The process of strategic management is conducted most efficaciously by organizations for planning and achieving long term goals through vigilantly and implementing cross functional decisions that specify and clearly depict the business vision and ambitions in the form of processes and projects and programs; allocating resources to execute the said programs. Here is where the role of Balanced Scorecard comes in tracking, evaluating and assessing the performance of resources and their timely progress. This is a consistent process that many organizations follow and adapt to keeping a close check on competition and market forces and performs re-evaluation of these strategies at periodic intervals.

This premeditated process is initiated with the help of a productive taskforce that performs in accordance to the company objectives and long term goals that garner measurable results. The vision of Human resource team is to produce a staff of support functions that works as per the planned management objectives and facilitates extensive workforce planning and looks forward to achievement of benchmarks by the team and compensate them accordingly, along with inducing monetary and non-monetary compensation to employees performing better.

Market competition thrives on any organization's taskforce performance and intensive strategizing in terms of productivity and quality standards keeping the budgetary concerns in mind, which is quite a challenge for any business. Organizations that are savoir-faire enough in the terms of correct perception of market forces and customer demands along with technological advancement can determine their ability to motivate their employees to perform and exceed expectations. Motivation is the key to inspire the workforce to go forward that extra mile and go beyond the monetary incentives towards recognition and effort acknowledgement to rise over and above the standard performance and deliver extraordinary results.

A transparent relationship between the manager and the team facilitates optimum interaction and efficient working, fully exploiting their abilities and talents and giving a sense of ownership and inducing a spirit of participation and onus taking in the processes and giving their hundred percent; thereby initiating a feeling of contribution that their opinion and complicity matters. Consistent attempts to improvise employee commitment with the help of evenhanded rewards and recognition and making the working and interaction process that oozes positivity and clarity amongst all. Maslow's Hierarchy of needs can be integrated with the working processes mainly with the last two components of self actualization and self esteem to extract consistently impressive performances from the workforce and building long term loyalties, keeping in line constant challenges and appraisals.

Balanced Scorecard and Workforce Management

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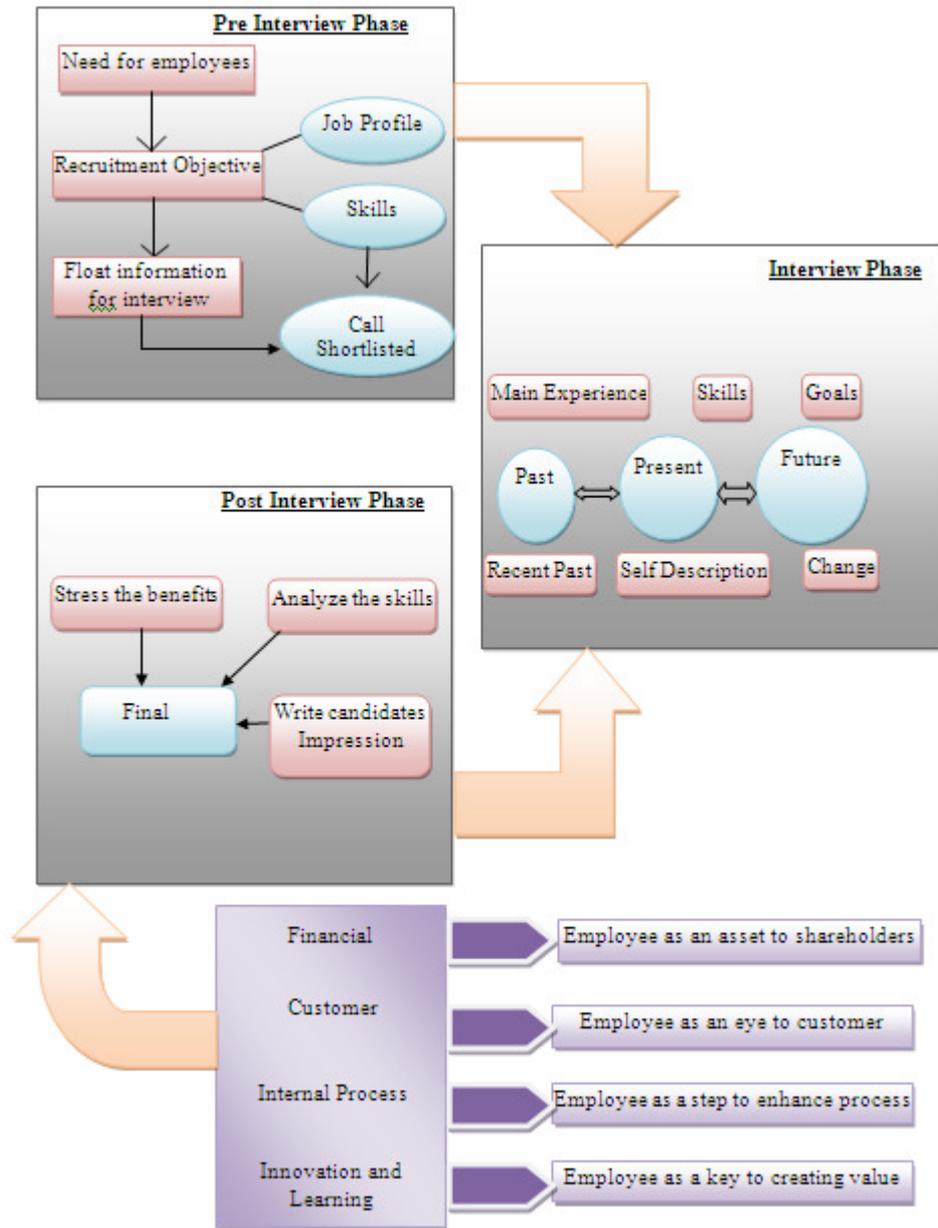
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Company HR strategy - What employees companies need to achieve its strategic goals

3. Representing the HR strategy in a form of Balanced Scorecard

A Human Resource Strategy is extracted out of an organization's business strategy comprising of the long term plans and objectives. The task of goal setting and job defining is directly linked to the view of a company's overall strategy and ambitions that requires an integrated approach by the process managers to proceed towards building the mainstream plans. Any organization frames and drafts its strategic objectives through an in-depth analysis of market forces and competition levels which comprise the demand and supply relationship in accordance with new trends and keeping in close check the substitute industries, new entrants and degree of volatility of the competitive levels.

Any company wanting to have a competitive edge and advantage in the market over its rivals carefully needs to identify and define the elementary factors of market like prices, quality and supply etc. Moreover, a cautious analysis of these factors is imperative to build them in accordance with the company long term plans and market demands and follow it up with avidly defending them basis the customer demand and organization competence. An HR strategy is required to work correspondingly to the management visions and broad strategies and facilitate team work on the same lines.

HR Strategy Elements

An HR Balanced Scorecard aims to integrate itself in the company business strategy and workforce performance to extract the most apt results to quantitatively measure the overall success. Kaplan and Norton identified and described four major perspectives representing the major elements of an organization as already discussed above keeping in close check the balanced view of any organization and its core areas of expertise and production. Management and workforce must devise ways to adapt to the Scorecard approach and its success largely depends upon the measures agreed upon and how they are executed in the business process.

Primarily, the Human Resource team must aim at hiring of effectual and goal oriented staff that represent self-reliance and are self starters in all aspects, willing to work hard and self motivated. However, it is imperative to note that keeping only the financial facet in focus might lead to over investment in hiring of workforce and neglecting the long term value creation goals that facilitate future growth. Applying the BSC in Human Resource management gives a holistic approach as it centers on the most functional and essential components that garner maximum results.

Incentive based plans and apposite remuneration provides a platform to the workforce to give in their best foot forward and contribute to organizational growth and excellence, besides precisely counting on the vital financial components and keeping recessional symptoms in check. Many a times it is seen that process managers and finance heads consider the employee benefits and compensation as a major chunk of operational expenditure and the same is presented in corporate meetings and discussions as well, cautiously hinting at cutting down expenses and developing stricter norms for incentive plans of the employees, which is undesirable as competent and loyal employees are an asset for any organization that require to be carefully fostered and cared for owing to their contribution to business success and growth.

Furthermore, the HR management must strive to develop and generate learning elements and knowledge sharing and effectively cascade the business objectives to the employees and provide a concrete framework to plan and organize the deliverables of the workforce to help them envision the business goals and strategies and their influence on the Key Performance Indicators. Inducing training modules and interactive information sharing sessions will help in employee orientation and help them focus. These training gatherings help the HR management to identify and work upon the desired metrics and improvise upon process efficiency and moreover, perform accurate recognition and blending of efficiency and effectiveness of the
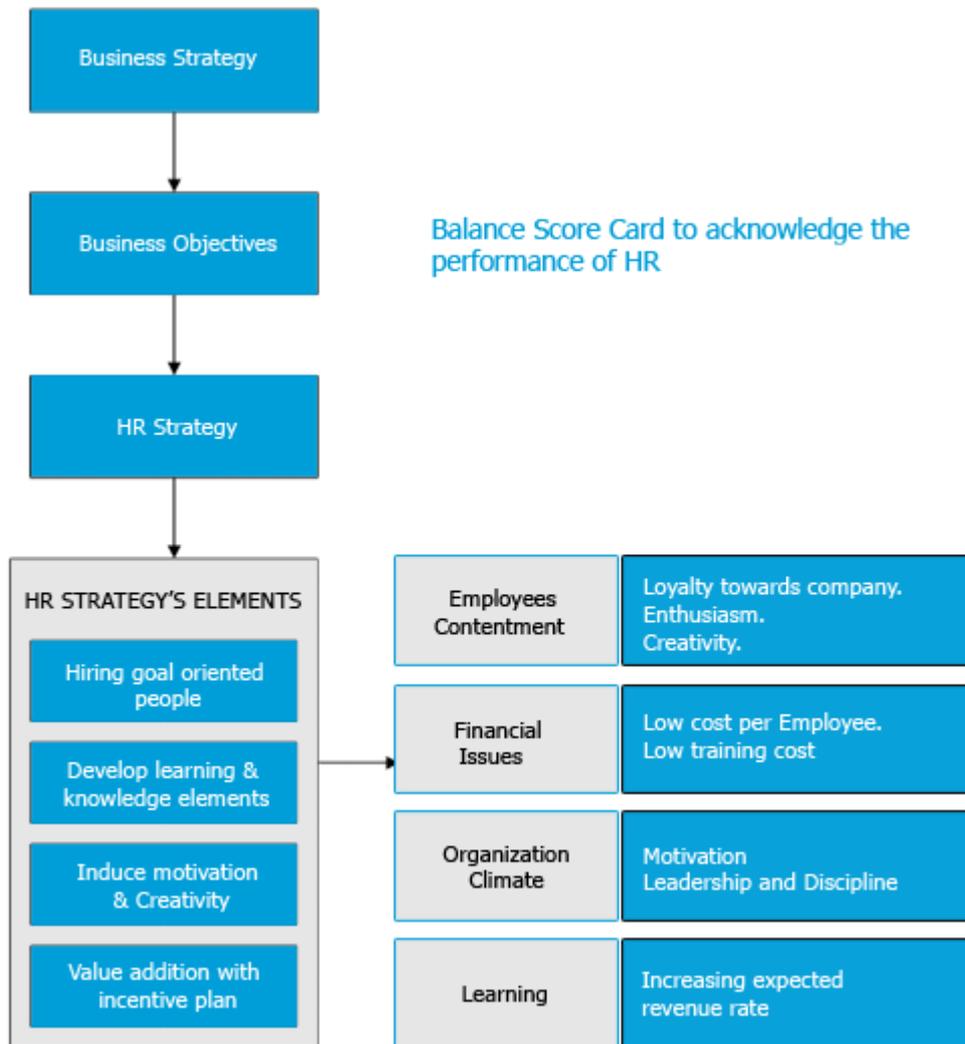
performance measures to provide a well balanced view of the process and functioning of human capital.

Another important consideration to ponder upon is encouraging the workforce to boost their motivation and ignite the sparks of creativity to enhance their performance and work towards greater job satisfaction. A balanced scorecard aims to effectually link the HR strategy, workforce performance and business objectives together and suitably evaluate them to an extent to see which combination works best and adds value to the business process. The employee skills, aptitude, knowledge base and demeanor needs to be carefully assessed and duly appraised in terms of productivity and quality of the output and further develop process measures to encourage and acknowledge the workforce efforts and strive to consistently develop them so that they continue to add value to the business and organizational competitiveness as a whole.

Value addition and increasing revenue investment per employee can prove immensely instrumental in enhancing the work performance and boosting employee morale in extracting superlative work and contributing substantial value to the organization and improvise the quality of their strategy execution and develop the right perspective towards the workforce and its causative to the business success and use the workforce metrics to drive the success process consistently for long term growth. The decision makers can measure the individual performances in terms of value added to the organization and majorly focus on those upon which the organization depends for revenue.

The Balanced Scorecard is an approach to reckon with taking considering the long term beneficial value and closely follow the Pareto Principle which states that for numerous events; eighty percent of the effects and consequences come from twenty percent of the causes, which are mainly the Key Performance Indicators. The BSC links all the organizational business units into a more coherent and cohesive entity while consistently following the individual and departmental performances which are closely integrated and the Balanced Scorecard aims to synergize and synchronize the working of all components whether tangible or intangible for organization benefit. The application of a BSC garners measureable results that can be linked with the HR strategies and Business goals and induce procedural working aiming towards maximum success and greater integration of modules that are involved in linking the two.

Business Strategy

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Business Objectives

Balance Score Card to acknowledge the performance of HR

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HR Strategy

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HR STRATEGY'S ELEMENTS

Hiring goal oriented people

Develop learning & knowledge elements

Induce motivation & Creativity

Value addition with incentive plan

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Employees Contentment	Loyalty towards company. Enthusiasm. Creativity.
Financial Issues	Low cost per Employee. Low training cost
Organization Climate	Motivation Leadership and Discipline
Learning	Increasing expected revenue rate

4. Practical Usage of Balanced Scorecard For HR

5.3 Do-It-Yourself with BSC Designer

There are numerous strategic tools existing for designing exclusive concepts regarding the BSC; however the Balanced Scorecard Designer is the most efficient set of software and internet services solution that makes it easy to measure, control and improve business performance with the help of its capability in application of the Balanced Scorecard concept.

The BSC concept is used by all major corporate houses in measuring and enhancing their business performance and further in designing their long term strategies and objectives to stand out in this competitive era. Although, the BSC Designer software is available in three major editions, however the most powerful and user friendly of all is the BSC Designer PRO having an immensely intuitive interface replete with options to include indicators and categories along with the Balancing functions to adjust weighted values.

Further, it also has the ability to integrate multiple scorecards into one and also import information using the SQL indicators; along with the facility to export the results and charts into simple and readable HTML reports. The results can also be saved in the BSC original format (.bsc) or further exported to an Excel file for further usage and this feature proves to be immensely useful as the BSC report exported to Excel can be constructively used to connect data from company ERM system with performance measurement.

Upon launch of the BSC Designer application, a default project is opened with all the four perspectives of the Balanced Scorecard concept replete with three indicators under each perspective, so that the user can start the designing process immediately. The toolbar on top is full of useful tools to add categories and indicators and create stunning looking charts and strategy maps. Upon clicking on any category or indictor the information is displayed below with description and weighted values.

At the bottom of the screen lie the five major description elements which are called the additional parameters including Value i.e. the current value and metric level; Measure i.e. measure value specified in the measurement of units which can be a score or percentage or custom measure units; Minimum and Maximum determines the scale of the metric designed to improve the current value and achieve maximum value;

Optimization, this drop box determines the optimization strategy to increase or decrease the values and the last one is the Target Description, this is an optional field where any additional notes can be put in which explains the business alignment indicators and measurement units that are to be used. The BSC Designer PRO can be effectually used in creating striking looking strategy maps automatically with its interactive tools and enhanced features and hence this tool earns rich kudos for its exclusive working and stellar performance. Now let us look at the steps involved in using this sophisticated tool with the help of easy to comprehend screenshots.

1. **Creating the Measurable Parameters.**

2. Grouping the Parameters under broad perspectives.

3. Converting Objectives into Parameters.

4. Assigning Weighted Values to Parameters.

5. Decide Optimization Levels.

5.4 Trainer Scorecard

This part of the e-book is available only in the full version. More information on http://www.hr-scorecard-metrics.com/