



# Get Your Act Together

## Implementing an HR Scorecard

It's the Tony Awards. You're poised in the audience; your acceptance speech has been well-rehearsed. You nervously play with the invitation as the announcer reviews the nominees. So many have achieved so much. You think back—the end result of the production started with a vision. Actors were chosen. The script was written. With script in hand, everyone learned and followed their lines as they pursued the director's vision for the production.

The HR scorecard (the HR Department's strategic performance measurement tool) is HR's script for its role as a strategic business partner. Much as an actor must first understand the essence of the story in order to appreciate how the character's role supports the director's vision, so must the HR Department begin with the end in mind and understand its role in supporting the credit union's mission. If an actor merely reads the lines, the show will not go on. Likewise, without a clear and focused direction, it's "curtain call" for HR if it is not acting out the strategic goals of the organization.

To carry the theatrical analogy one step further, how does the actor recognize an award-winning program and realize that the performance is aligned with the director's vision of success? The solution is clear—simple, observable metrics such as standing ovations, loud applause, and fan mail; or at the other extreme, poor reviews, hisses, and empty seats after opening night. Such measurements provide the necessary feedback to switch gears and respond appropriately.

For an HR professional the evaluation cues are different but no less direct. They include measurements such as attracting talent to the organization and increasing productivity. On the negative side, there may be continuing confusion about policies or climbing turnover that thwarts organizational objectives.

The analogy above proposes that the imperative for HR is strategic alignment to the vision. The process springs from the mission to ultimately derive an HR scorecard that measures HR's contribution to the organization's priorities.

## Developing a Scorecard- THE SCRIPT

### Your Credit Union—A hypothetical example

**MISSION:** Deliver value-added financial services and products to our membership in the three-county area.


**VISION:** We want to be the financial institution of choice. We offer our members a variety of products that provide members with alternative financial solutions to meet all their needs. Our product diversity enables our members to satisfy their lifestyle goals and dreams, build their children’s future, plan for their retirement, and help them through difficult times. Excellent service drives us, and our employees enjoy the relationships we are able to build within our community.

#### ACT ONE

##### SCENE ONE

Identify the strategic drivers that will guide your business during the next year and beyond. What is the credit union’s plan for realizing and sustaining a competitive advantage in the marketplace? Be prepared to research if the formal strategic plan does not lay out the business strategies that HR must facilitate.

#### Identify the Strategic Drivers

-  **Membership Growth/Market Share**
-  **Profitability**
-  **Member Satisfaction**

#### ACT ONE

##### SCENE TWO

Once the overall premise is identified, HR must respond to the business strategies that drive the HR strategy. The key to the HR strategy is to identify not only what performance drivers support the mission-critical strategies but also how they support the vision. This linking to the bottom line from the top down is the value proposition.

#### Membership Growth/Market Share

- Community outreach
- Addition and retention of profitable members
- Dynamic brand image
- Member loyalty



#### Profitability

- Cost control
- Risk control
- Value creation



#### Member Satisfaction

- Exceptional service
- Product diversity



## ACT TWO

### SCENE ONE

How will HR contribute and demonstrate its value to the business? This is where the HR strategy grounds you. It is the mapping process that pinpoints key milestones that will ultimately chart your progress. This alignment to the vision involves knowing what lies ahead for the organization in order to support the strategic plan. Interaction with counterparts in other business units is essential since HR underlies all functions from the human capital standpoint. The end result is HR performance drivers that merge into a comprehensive scorecard to track priorities.

Considerations are likely to include training and organizational development, recruitment strategy, compensation and reward systems, operational factors including policies and procedures, performance management systems, and employee relations. Just listing HR activities is not good enough. Certainly you aren't hiring for hiring's sake, training for training's sake, or administering merits because there's a budget surplus.

Documenting the tactic behind each HR output communicates a clear intention, makes sure everyone is headed down the same path, and builds credibility. HR does what it does because that is what the business dictates.

### Align HR to the Vision

#### **Membership Growth**

1. Attract, hire, and retain talented employees who serve our members and execute the business plans (recruitment, compensation, performance management)

#### **Profitability**

1. Develop an effective and productive workforce (training and development)
2. Streamline HR processes that respect management priorities (operational)
3. Promote the sales and service philosophy (performance management, training)
4. Ensure regulatory compliance (operational)

#### **Member Satisfaction (refers to employees and members)**

1. Facilitate mastery in delivering exceptional service (performance management, training and development)
2. Develop employees as current and future leaders (training and development, succession planning, career paths)
3. Ensure fairness across the organization (operational, employee relations)

## ACT TWO

### SCENE TWO

The outline for a script is beginning to emerge as you lay out your plan of action. At this juncture, HR intersects the business strategies as an enabler. Priorities, expectations and accountability are crafted. The HR Scorecard should be “balanced.” In other words, the scorecard should not only consider traditional financial elements (cost control, ROI) but also reflect learning/knowledge/performance, internal processes, and member satisfaction.

## HR SCORECARD

### Membership Growth

- ✓ Average time to fill a vacancy is reduced to X weeks
- ✓ 80% of employees have a year-end performance rating of XX or above

### Profitability

- ✓ 100% of sales force attend sales training class and receive quarterly performance updates from managers
- ✓ Average employee sales increase by X% over previous year
- ✓ Achieve 100% internal audit score

### Member Satisfaction

- ✓ Maintain turnover at less than XX%
- ✓ Obtain an Employee Satisfaction Score of X.XX

## ACT THREE

Are you achieving what you set out to do?

A negative answer does not mean failure. The purpose of scorecard metrics is to promote continuous improvement, not to challenge breakdowns. In fact, one could argue that a key advantage of the scorecard is to discover failures. The benefit of analysis is to leverage HR as a change agent. Measurement is merely a tool to ensure that HR is driving performance. It is bound to reveal actions that need to be taken and that ultimately advance your efforts.

There are several guidelines to follow:

- 1 Have clear, meaningful measurement. Evaluate contributions and results associated with strategies. Cast out informational metrics with no context (e.g. number of hires).
- 2 Align each of the HR scorecard measures with at least one initiative from the strategic plan. This ensures creation of meaningful metrics.
- 3 Don't have so many measurements that you can't understand or administer the data. More is not necessarily better. Select only those measurements that count.
- 4 Decide how frequently you want to measure.
- 5 Publish your scorecard and results. Often what HR implements, managers execute. An open line of communication with leaders is a prerequisite to ensuring the HR scorecard remains current and targeted.
- 6 Consider employee and/or member surveys as a measurement tool. These are particularly useful for capturing intangible aspects such as attitude

that may be difficult to measure otherwise. With effective design, surveys help to correlate cause and effect to employee performance and member satisfaction.

If all of this seems daunting, start small and keep scoring simple. Cluster HR scorecard initiatives into three or four meaningful categories and use a measurement for each category that captures the spirit of what you are trying to achieve. Or begin with the top three critical projects or programs. Eventually, you will break down further measurements as they become more consequential in your day-to-day practices and you become more confident in their value.