

2004 Annual Wisconsin SHRM State Conference

Measuring Human Resources

Developing an HR Scorecard/Dashboard for
Assessing and Reporting HR's Impact on
Bottom Line Results



Jeffrey L. Russell
Co-Director
Russell Consulting, Inc.

Lee Wiersma
VP of Human Resources
UW Credit Union



Our Objectives . . .

- Introduce the idea of *leading* indicators as a way to measure HR effectiveness
- Describe the power of the HR Scorecard
- Explore the application/use of the HR Scorecard/Dashboard at UWCU
- Share the tracking results of the UWCU HR Dashboard
- Answer your questions . . .

The Failure of HR Strategy

In a 2002 industry survey by SHRM . . .

- Only 34% of executives view HR as a strategic partner
- Only 44% of respondents indicated that their organization communicates its strategy well
- Only 22% indicated that general employees understand company's strategy
- 21% indicated that HR only deals with operational issues vs. strategic ones
- Only 23% indicated that HR strategy was tightly integrated with company strategy
- Only 25% of HR departments use a balanced scorecard on HR's contribution to strategy

[SHRM Research, N=1310, [Aligning HR with Organization Strategy Survey](#)]

What is the Value
of Tracking HR
Effectiveness?

How are you
currently
measuring HR
effectiveness?



Why Track HR Effectiveness?

- **To guide decision making** – It helps HR staff in how best to manage the HR system to support the company.
- **To evaluate program/department effectiveness** – It constitutes a “report card” to guide improvement efforts.

To Be Most Effective . . .

The most effective measures of HR:

1. Identify a clear, consistent, and compelling *connection* between the company's strategy and the work of each employee.
2. Zero in on the *critical few measures* that have the greatest impact on the company's bottom line.
3. Document the effects of HR on company performance in *credible ways* that employees, line supervisors, and managers can understand.

The HR Deliverables

- HR Performance

Drivers → Results

- HR Performance

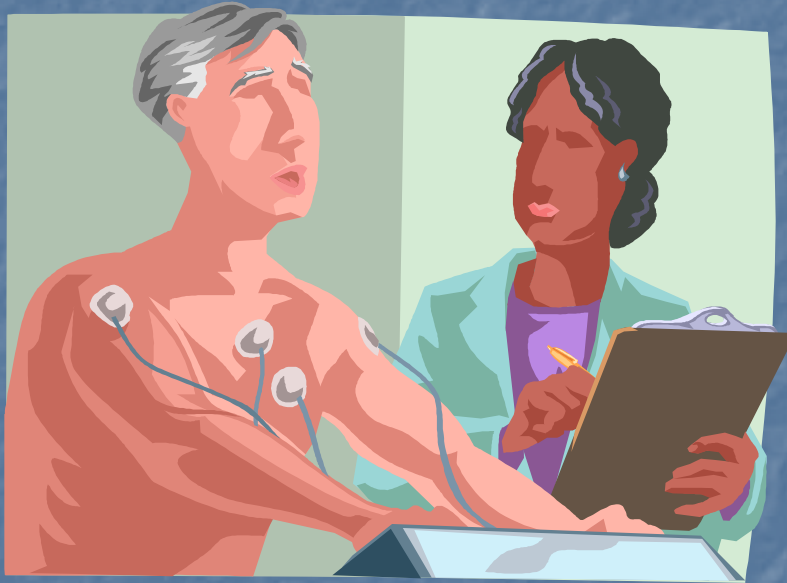
Enablers → Reinforcing the Drivers

Measuring HR Results . . .



- How do you know if your HR efforts are **successful**?
- How do you **measure** the effects or results of these HR, training, and OD efforts?
- How will you **know** that your efforts and initiatives have paid off?

Measuring Human Health



- What are the key signs of *human* health?
- How do you **know** if you are healthy or unhealthy?
- Which of your “**vital signs**” might you chart over time?
- What might happen if you **ignore** these vital signs?

Measuring Health After the Fact

- Tracking your “vital signs” along the way can give you an early warning of emerging health concerns.
- Failing to measure these vital signs – or ignoring the signs – can lead to . . .



Lagging Indicators

Lagging indicators are **outcome measures** that help you gauge your HR progress by examining the final end result or outcomes of your collective efforts.

Use of the “lagging” term reflects the delay or gap between your actions and a change in the final end result.

Characteristics

- **Outcome** measure.
- Indicates the *end result* of the system.
- Tells you what happened, not what *is* happening.
- Less effective at measuring the effects of specific changes made to the system.

Lagging Indicator Examples

Non-HR Examples . . .

- **Health** – heart attack, liver failure, stroke, **death!**
- **Automobile** – arrived safely at destination (or not), engine failure, blown tire, citation from traffic enforcement, etc.
- **Economy** – GNP growth, national debt, unemployment rate, etc.

HR Examples . . .

- Employee retention.
- Employee performance.
- Organizational performance.
- Customer retention.
- Employee productivity.
- ?

Lagging indicators have a **direct** bearing on a company's bottom line. There is a business interest in and a direct financial benefit from improvement in these areas.

Leading Indicators

Leading indicators are *process measures* that help you gauge *incremental* progress you are making toward key HR outcome (lagging) measures.

- ❑ Since leading indicators measure the results from your processes, there is less of a delay between your actions and a change in the system.
- ❑ They are the *performance drivers* – the key factors that enable the overall end result (outcome) you want to achieve.

Characteristics

- Process measure.
- Immediate feedback to the system.
- Tells you what *is* happening now.
- Can be tracked over time.
- Provides an “early warning” of emerging results.
- Very responsive to changes in the system

Leading Indicator Examples

Non-HR Examples . . .

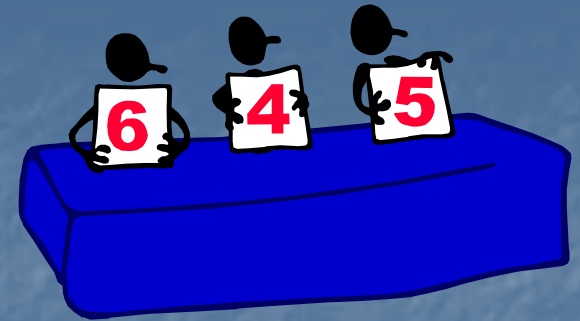
- **Health** – Heartbeat, body temperature, blood sugar levels, cholesterol levels, blood pressure, etc.
- **Automobile** – gas gauge, engine temperature, speedometer, odometer, oil level, indicator lights, rumble strips on the roadway, GPS coordinates, etc.
- **Economy** – home starts, capital equipment purchases, layoffs, stock market value, public confidence, exchange rates, etc.

HR Examples . . . Increasing retention

- A reduction in absenteeism in key positions.
- % increase in internal people expressing interest in position
- Number of positive comments from customers
- ?

Leading indicators have an *indirect* bearing on a company's bottom line. While there is a business interest in improvement in these areas, there may not be an immediate financial benefit to the company.

The HR Scorecard



1. Focuses on *leading* indicators.
2. Identifies the differences between HR *doables* and HR *deliverables*.
3. Demonstrates **HR's contribution** to strategy implementation and to the company's bottom line.
4. Helps HR managers focus on and manage their **strategic responsibilities**.
5. Encourages HR **flexibility** and **change**.
6. Encourages "Customers" of HR to become more **self-sufficient**.
7. Provides **focus** for HR and OD staff.

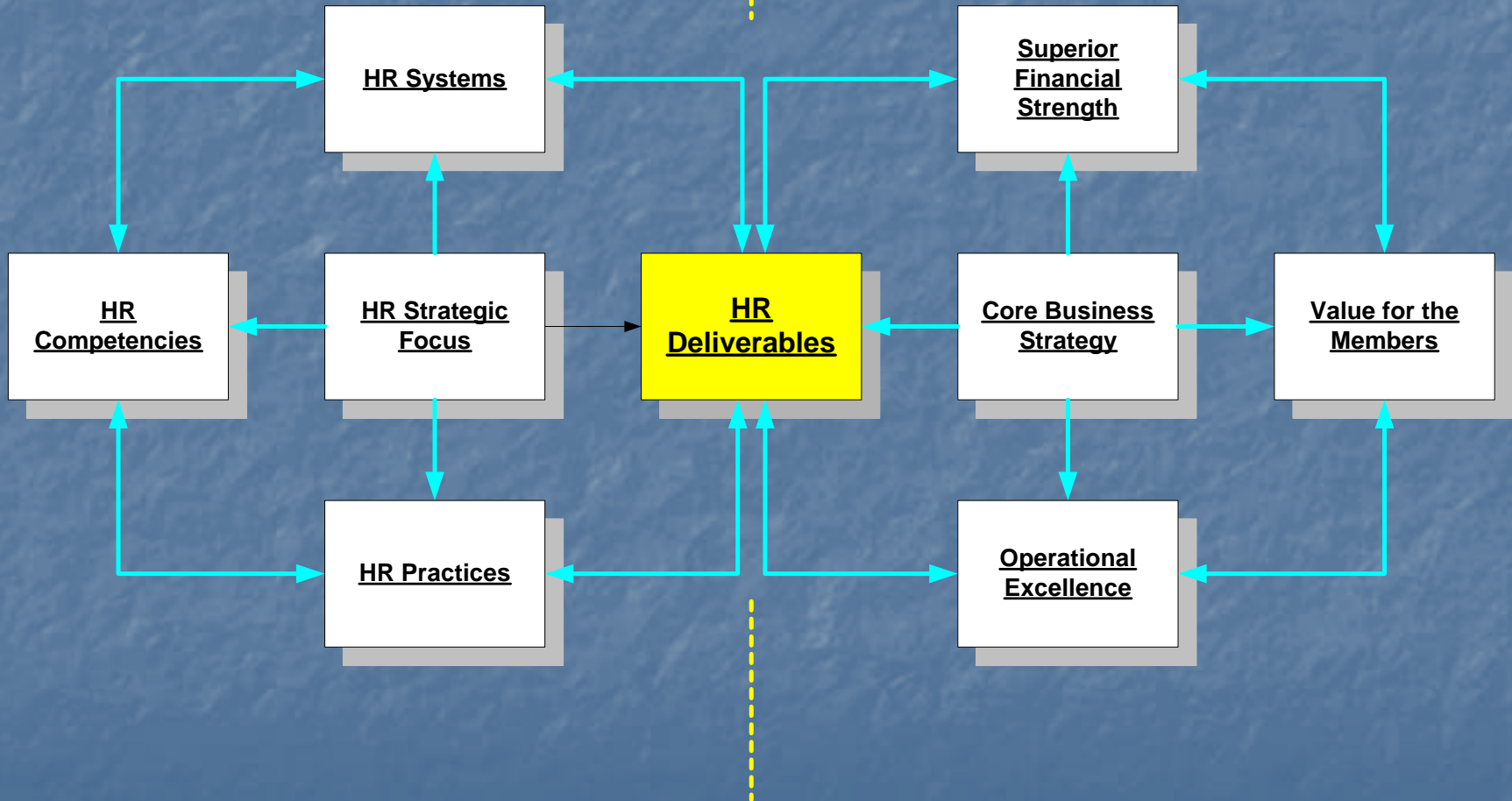
The HR Dashboard



HR and the UWCU Scorecard

HR Scorecard

UWCU Fundamental Goals

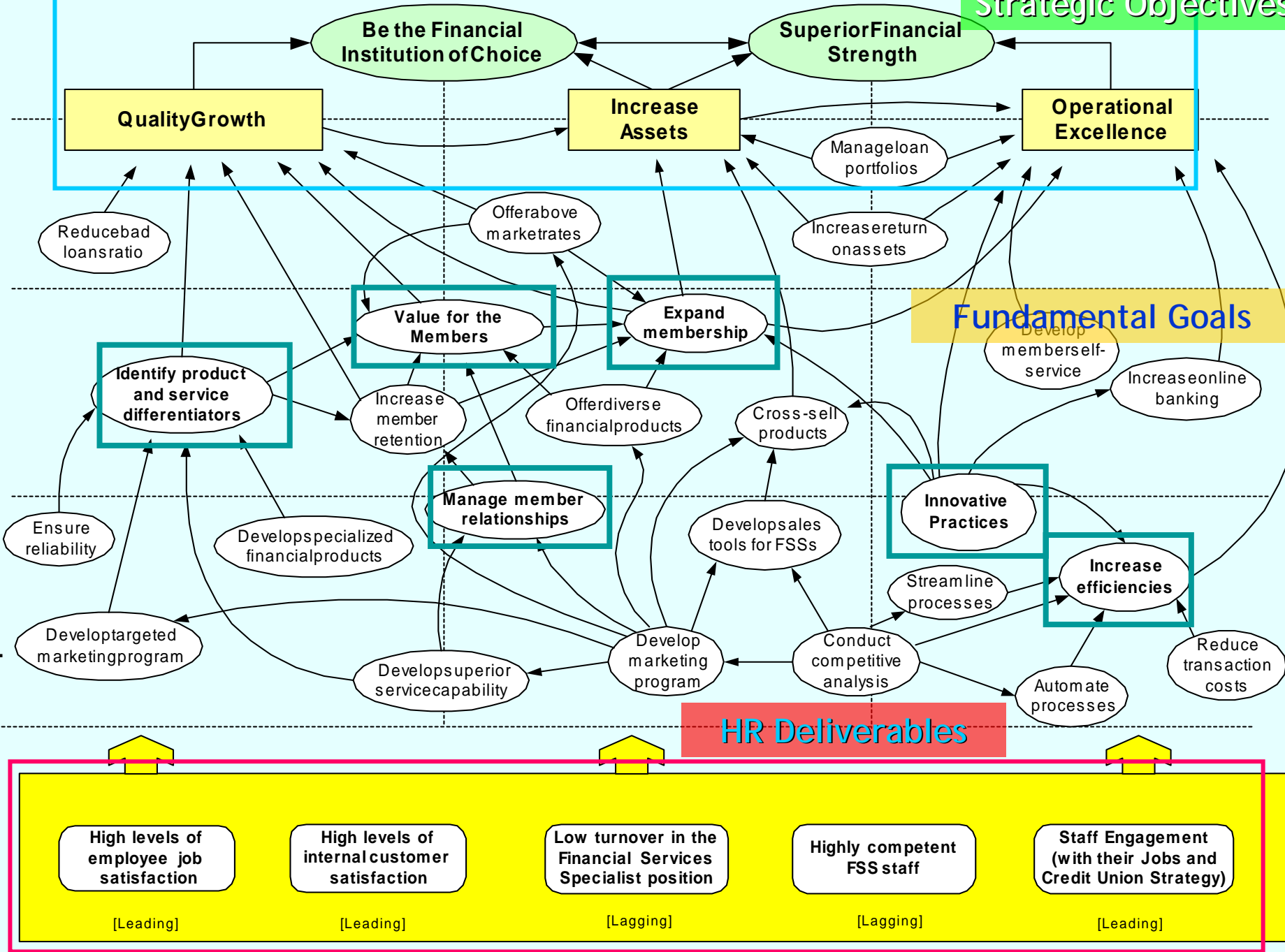


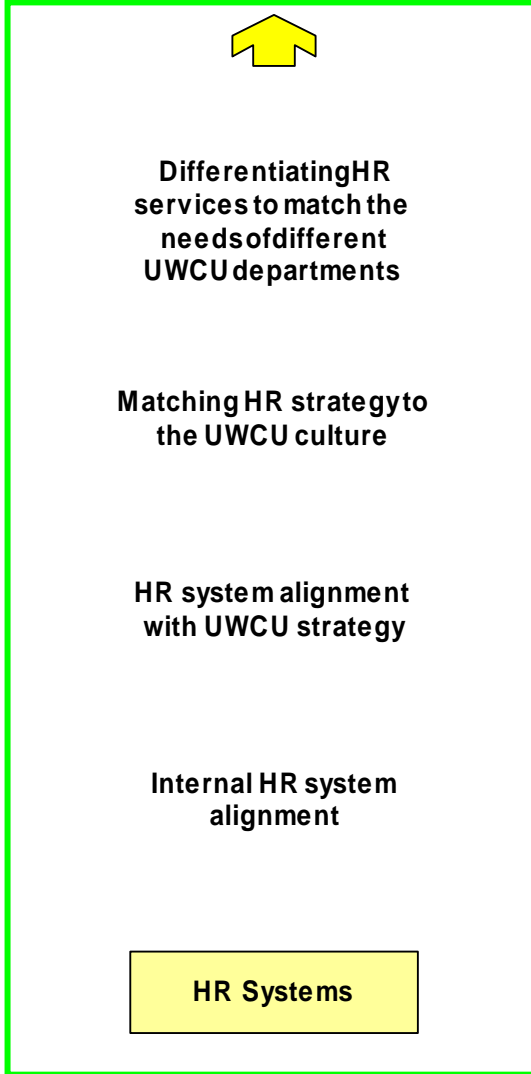
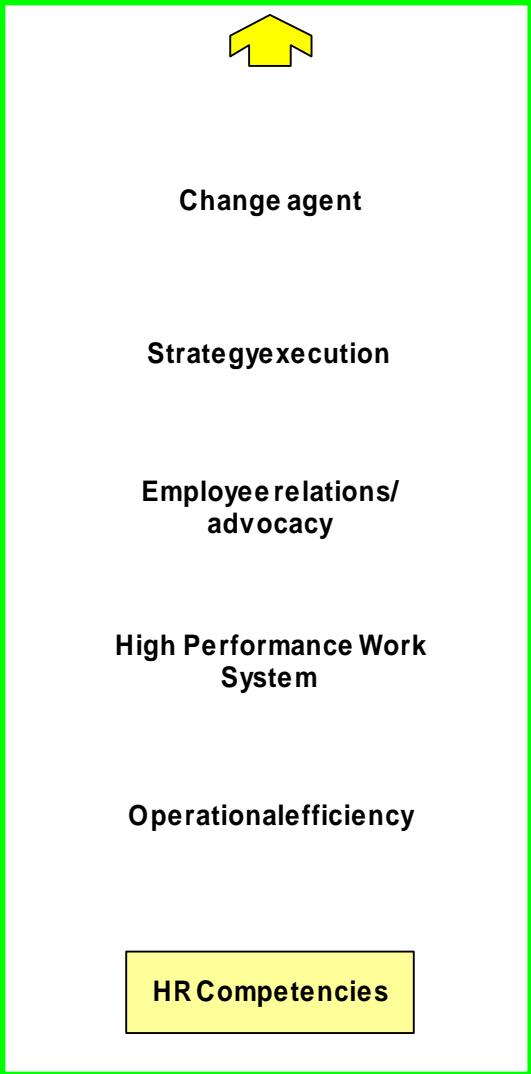
Financials

Members

Operations

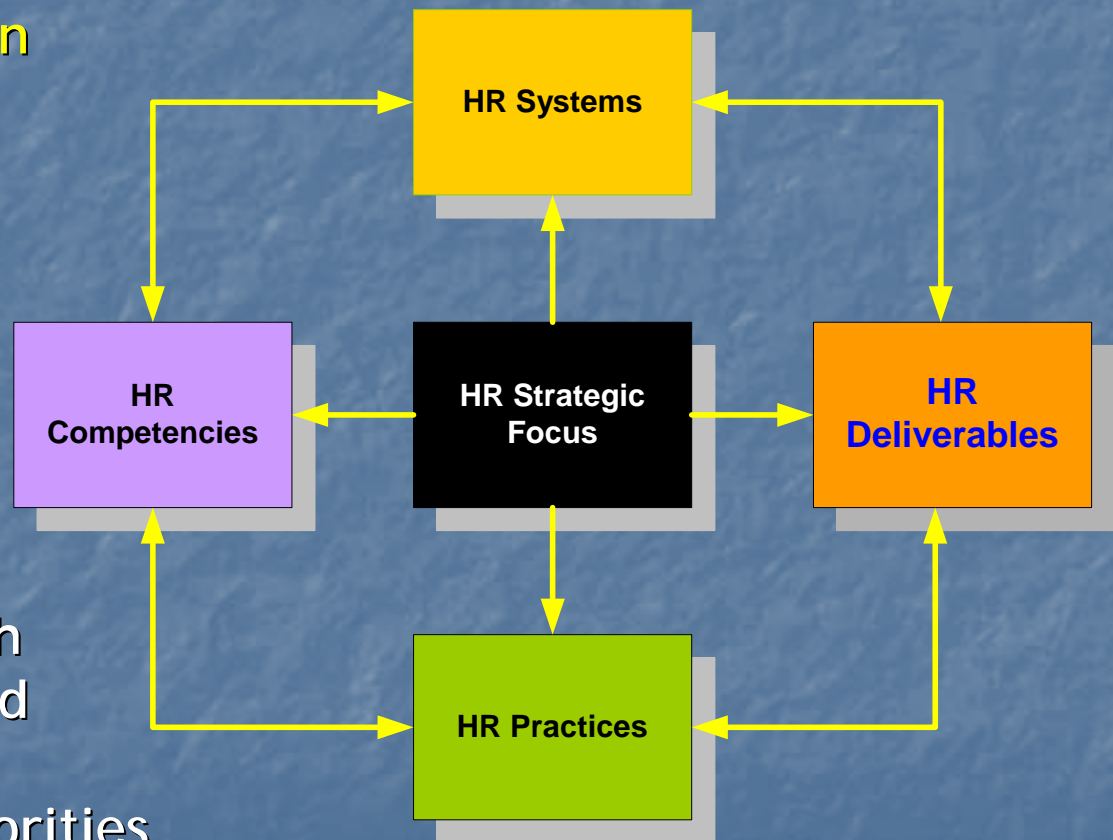
HR Deliverables





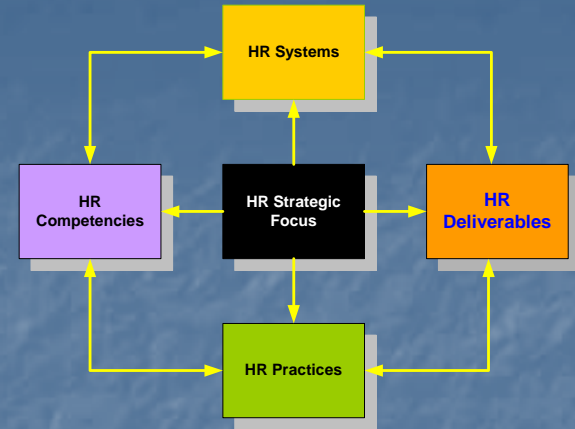
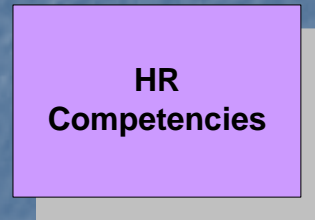
The HR Scorecard

Balancing **value creation** with **cost controls** and efficiencies



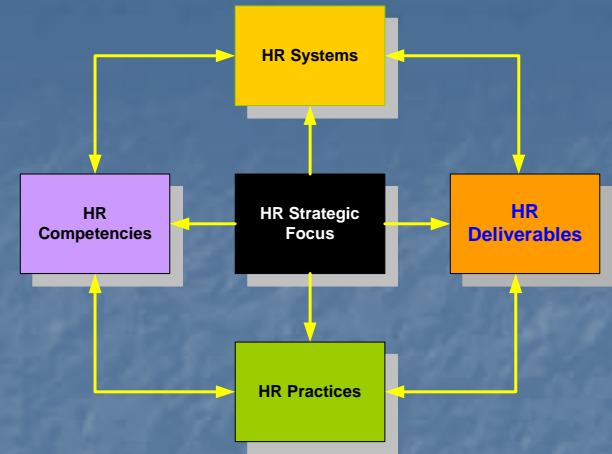
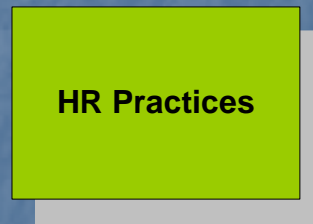
Involves identifying both performance **drivers** and **enablers** to support the company's strategic priorities

HR Competencies



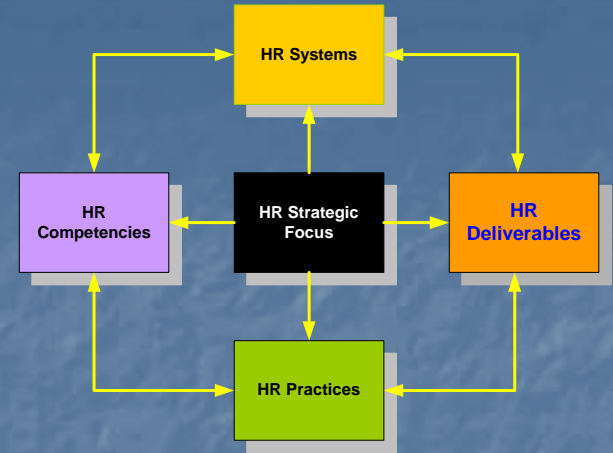
- Change agent
- Strategy execution
- Employee relations/advocacy
- Best practices in HR
- Operational efficiency

HR Practices



- Succession planning
- Training and development
- Communication
- Internal customer satisfaction
- Effective work design
- Labor-management relations
- Performance measurement
- Compensation and benefits
- Employee orientation
- Recruitment and selection
- Staff competency model

HR Systems



- Differentiating HR services to match the different needs of different UWCU departments units
- Matching HR strategy to the UWCU culture
- HR alignment with UWCU strategy
- Internal HR alignment

Creating Measures of UWCU HR System Alignment

- Assessing staff perceptions of the internal alignment of our HR practices – Are they internally consistent with one another?
- Assessing staff perceptions of the external alignment of our HR practices:
 - To what extent do our HR deliverables enable the credit union's performance drivers and strategic objectives?
 - To what extent do our HR practices enable/support our HR deliverables?

Assessing Our Internal "Fit"

HR Practices	Recruitment & Selection	Training & Development	Performance Management	Compensation Administration	Benefits Administration	HR Cost Control	HR Value Creation
Recruitment & Selection		+24.4	+20.0	+29.2	+42.2	+25.2	+45.2
Training & Development			+18.6	+9.0	+9.8	+18.3	+39.6
Performance Management				+34.8	+19.8	+16.1	+36.7
Compensation Administration					+49.0	+34.8	+42.4
Benefits Administration						+33.5	+52.3

Assessing HR Systems Support of Our HR Deliverables

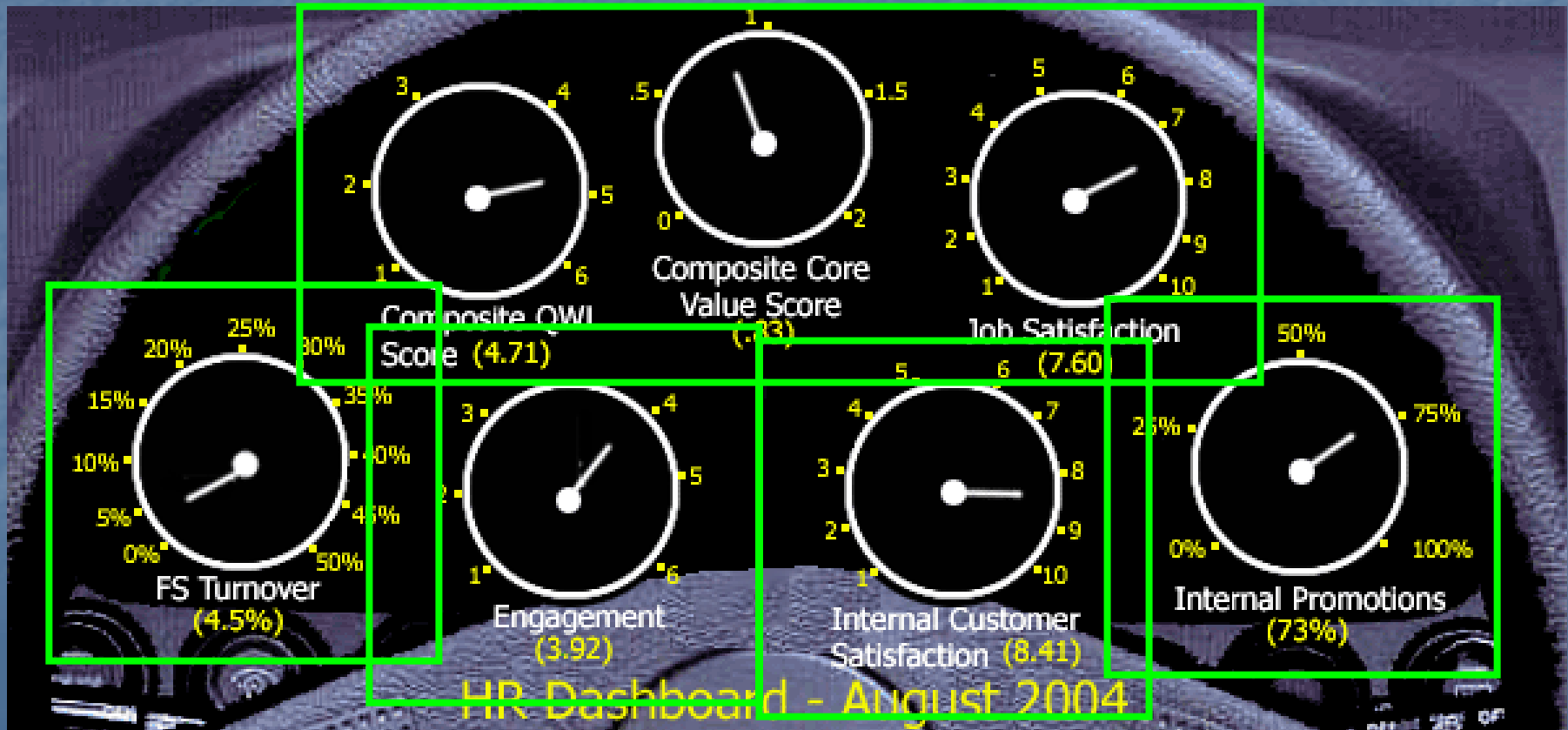
	High Level of Employee Job Satisfaction	High Level of Internal Customer Satisfaction	Low Turnover in Financial Services Specialist Position	Highly Competent Financial Services Specialist Staff	Staff Engagement (with Job and CU Strategy)
Recruitment & Selection	+38.8	+34.6	+31.3	+34.2	+17.2
Training & Development	+30.2	+29.8	+27.7	+33.1	+27.0
Performance Management	+37.9	+31.5	+36.1	+33.7	+32.3
Compensation Administration	+52.2	+39.8	+47.5	+29.4	+17.4
Benefits Administration	+54.8	+37.9	+44.2	+21.4	+9.5

Assessing HR Deliverables Support of UWCU Fundamental Goals

	Superior Financial Strength	Premium Quality Service	Value for the Members	Quality Growth	Innovative Business Practices	Operational Excellence
High Level of Employee Job Satisfaction	+44.9	+61.0	+55.0	+43.4	+43.3	+50.2
High Level of Internal Customer Satisfaction	+38.8	+51.1	+45.8	+38.4	+41.3	+46.2
Low Turnover in Financial Services Specialist Position	+37.6	+57.4	+62.0	+46.0	+36.0	+48.0
Highly Competent Financial Services Specialist Staff	+50.4	+56.3	+61.8	+50.8	+43.8	+55.8
Staff Engagement (with Job and CU Strategy)	+41.8	+41.0	+38.2	+40.5	+42.2	+45.2

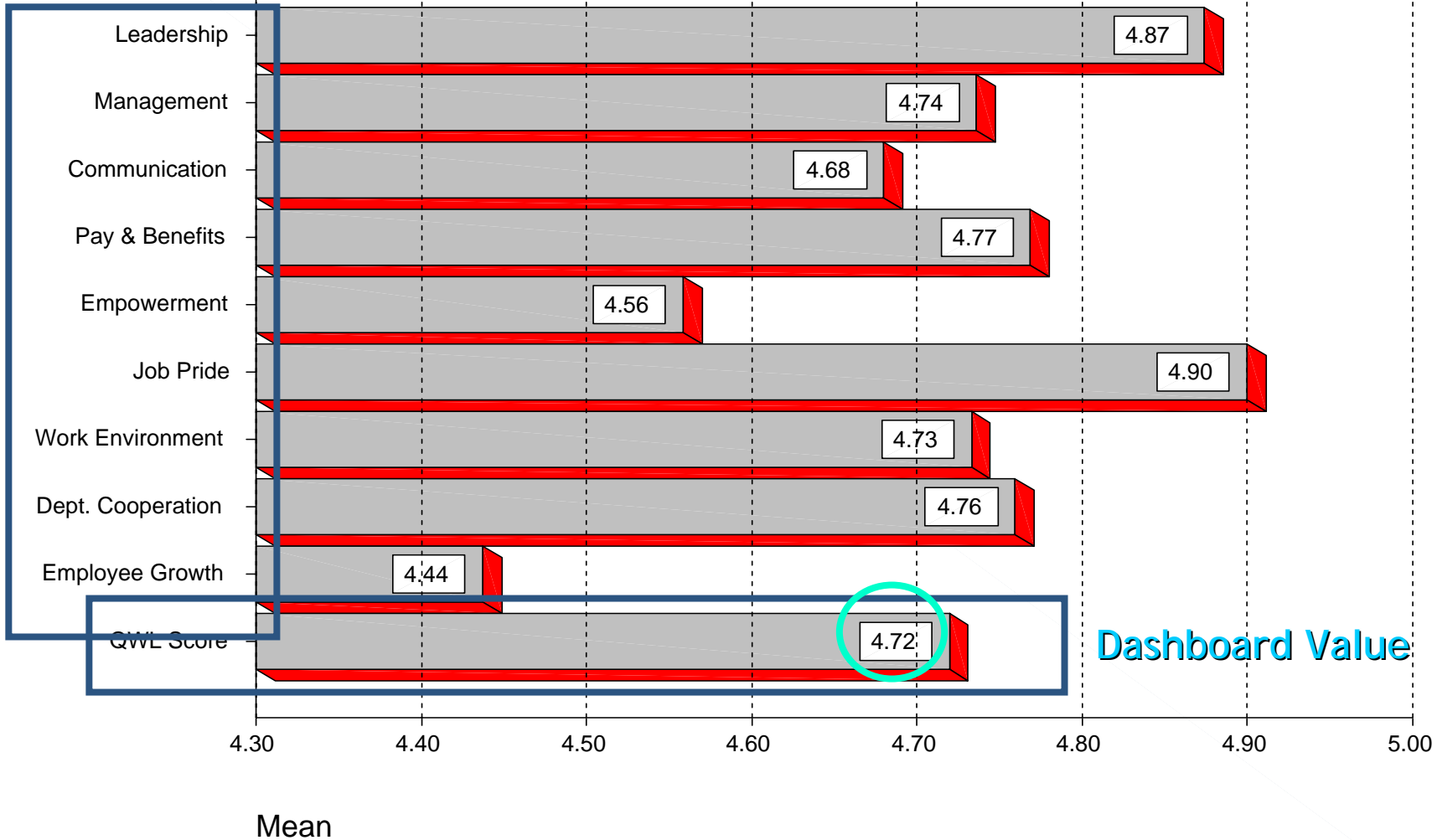
What is the HR Dashboard?

The Credit Union's HR Dashboard is a panel of dials that display HR effectiveness on the HR Deliverables: *Job Satisfaction* (QWL, Values, 10-point), *FSS Turnover*, *Engagement*, *Internal Customer Satisfaction*, and *Internal FSS Promotions*.



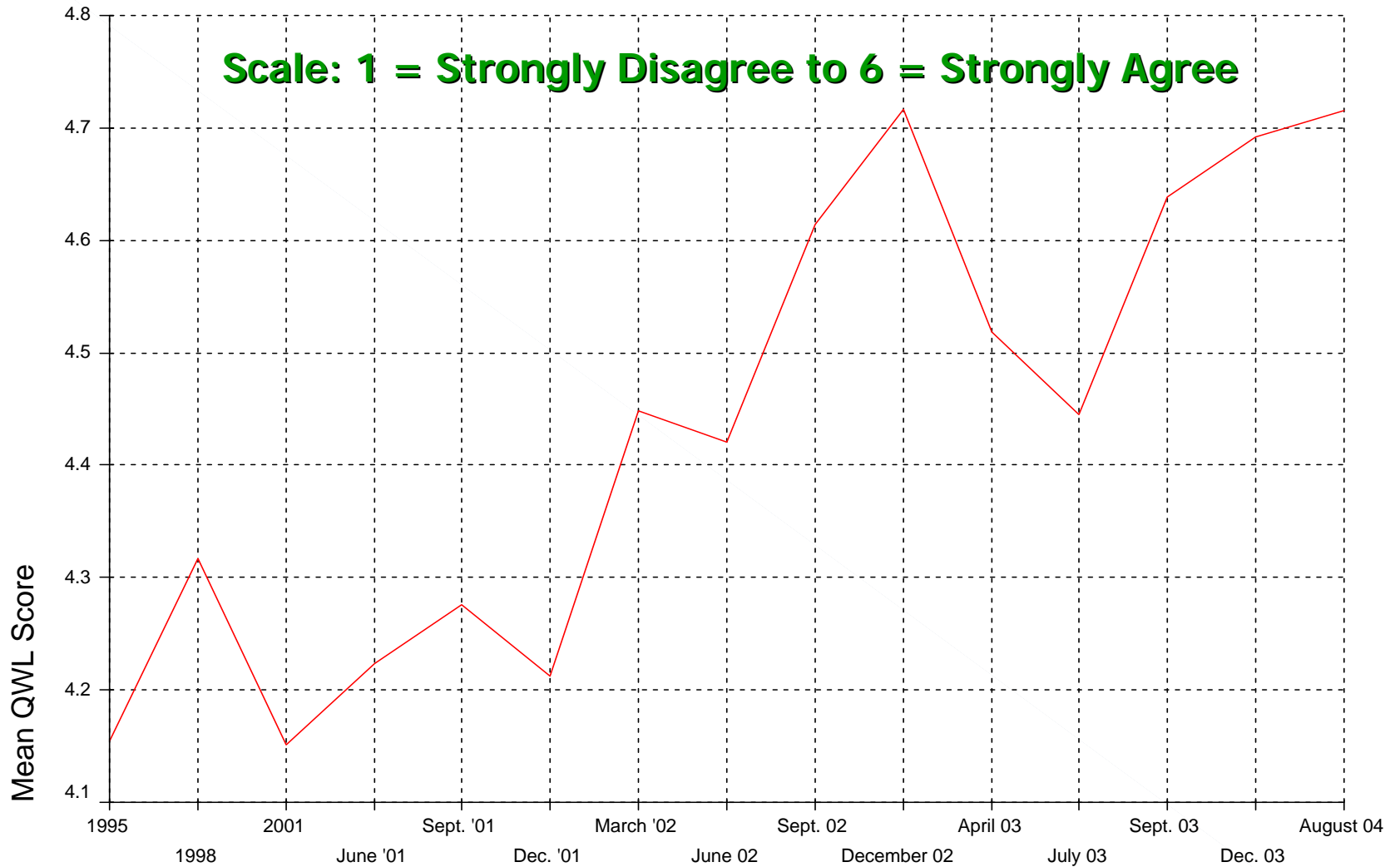
HR Dashboard -- QWL Dimensions

QWL Dimensions



HR Dashboard: Quality of Worklife

Scale: 1 = Strongly Disagree to 6 = Strongly Agree



Time of Employee Assessment

HR Dashboard: Overall Job Satisfaction

Scale: 1 = Very Dissatisfied to 10 = Very Satisfied

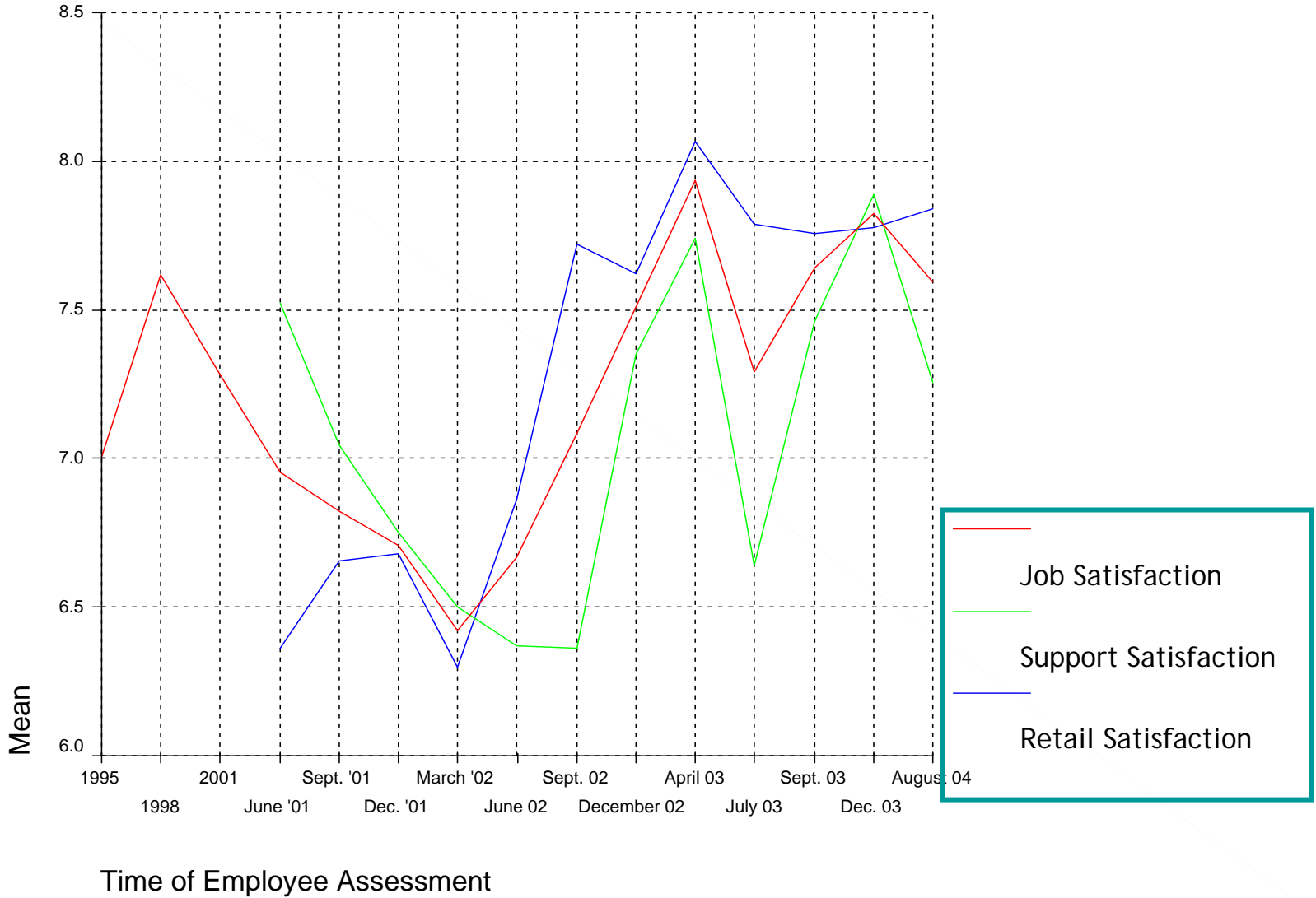


Time of Employee Assessment

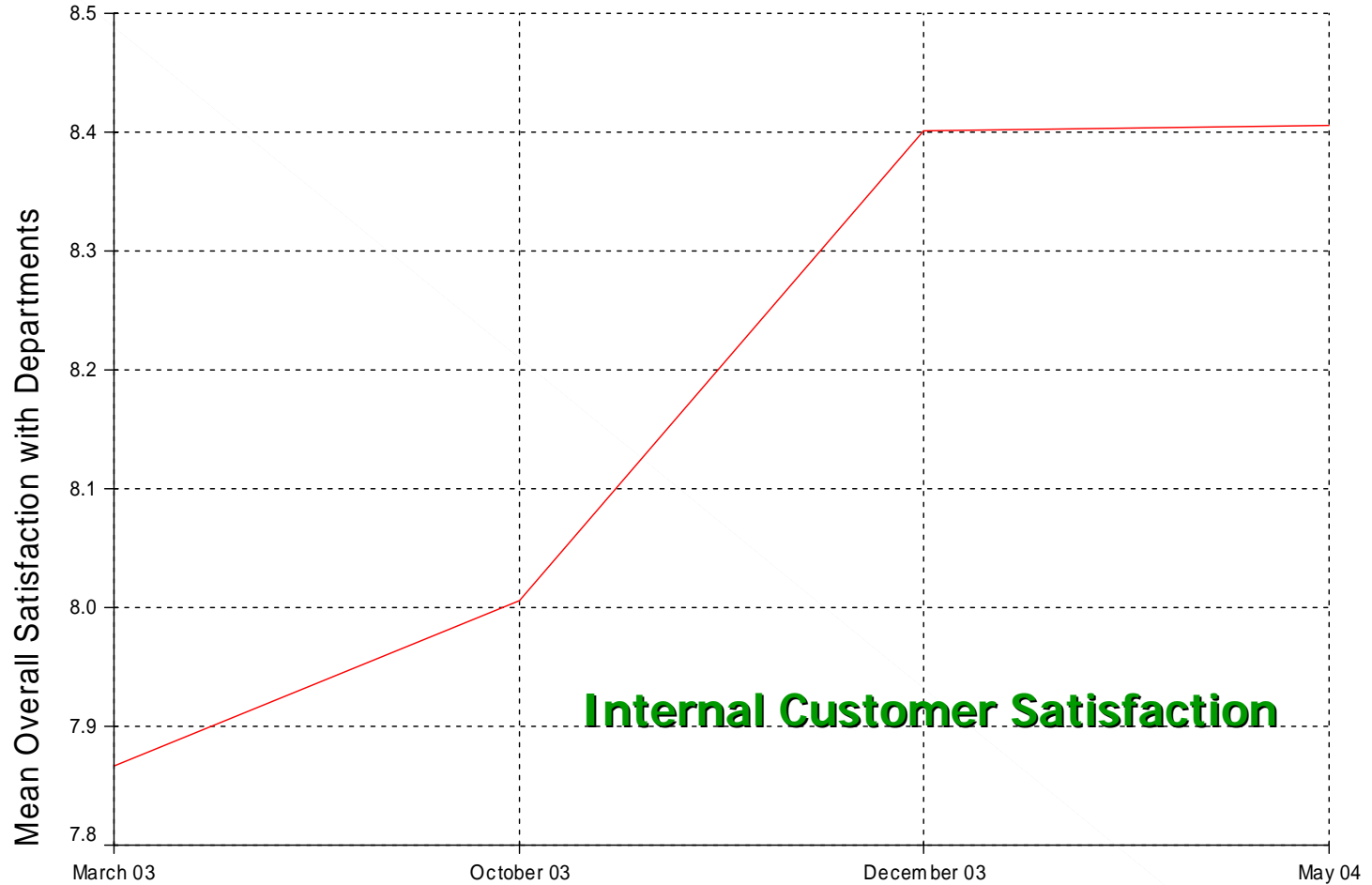
HR Dashboard: Values Gap



HR Dashboard: Overall Job Satisfaction



Overall Satisfaction with All Credit Union Departments



Time of Internal Customer Survey

Scale: 1 = Very Dissatisfied to 10 = Very Satisfied

Developing Your Scorecard

1. Define/Describe Your **Business Strategy**.
2. Develop a **Strategy Map**.
3. Identify the **High Leverage** HR Deliverables.
4. Identify Key Components of the **HR Architecture** that Support the HR Deliverables.
5. Develop the **HR Scorecard/Dashboard**.
6. **Educate Internal Customers** on the Meaning and Use of HR Measures.

TPI at Sears

[Total Performance Indicators]

Key performance drivers at Sears:

- Attitudes about the **job** . . .
- Attitudes about the **company** . . .

Your Questions . . .



Thank you for the opportunity
to guide you along the HR
Scorecard journey!

Best of luck in your efforts at
strengthening the effectiveness of
your HR programs

For an updated version of this
PowerPoint and the Handouts for
this session, visit:

www.RussellConsultingInc.com

