

HR Scorecard:

after near twenty years, does it yet make sense?

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In the beginning of this XXI century, the literature and practices of human capital management, in different types of organizations around the world, seemed to demonstrate, with some evidence, that leaders of human resources departments only would *seat at the strategy table*, in its own right, when they would be able to show, based in facts, that their teams had been effectively adding value by helping the business growth. In 1992, Kaplan & Norton created the Balanced Scorecard (BSC), a performance measurement tool, that won a vast network of supporters in a short time. The main reason for this acceptance was the potential demonstrated by the BSC to facilitate organization alignment between operations and strategy.

The practical tool used for that alignment was called *scorecard*. Each organization using the BSC methodology had to develop different scorecards, so many depending on the organization size and structure. Independently of the size, the structure of any organization includes two types of units or departments: 1) business units; 2) support units. The human resources departments belong to the support units' group. Since the first years of the 90's decade, they were struggling to answer a big question: *how can our team demonstrate that the value we create has a direct and quantified impact in the business strategy of our company?*

When the first specific approach emerged, (Husselid et al., 2001) promising to help organizations to solve that problem, the human resources professionals started, almost immediately, testing this new tool called – *human resources scorecard*. A few years later, the same authors (Husselid et al., 2005) published a new book, complementing the first one and showing some important measures that human resources teams could use to see the impact of their work in the business growth. This last publication demonstrated that the human capital measurement needed an urgent paradigm's change: *the traditional indicators, used in the last two decades, mainly focused in activities, although still useful, were increasingly counting less for the strategy execution*. The human resources functions would have to change the direction of their measurement systems to more specific goals: quantify the results and outcomes originated by the human capital function in the business growth. Currently, the human capital management history was turning over a new leaf. At the same time, the BSC creators (Kaplan & Norton, 2004, 2006) had been gaining more supporters around the world and the methodology became stronger and more flexible. Government and non-profit organizations

started using the BSC too. Currently, a new tool inside the BSC model – *the strategy map* – became famous and used in virtually all BSC projects to clarify and describe graphically the corporate strategy in just one page. The human resources directors had now a precious tool to help them create and align the *human resources scorecard* with the business strategy.

The use of these tools in organizations has been growing and the human capital leaders gained a belief that the old problem could be solved – *teams soon would be able to quantify the value they created*. However, in the last ten years, the organizations management changed a lot in all the world. The speed of change and its disruptive effects put new challenges to the human capital management and a new paradigm may be emerging. We live now in a globalized business environment. Some of the actual key words we read and listen to are: talent management, employer brand value proposition, new leadership models, organizations managed as a “team of teams” (McChrystal, 2015), teams leading teams (Deloitte, 2018), digital transformation and artificial intelligence. We can ask: *How to manage the strategy execution in this environment?* But, as the human capital is the decisive element for the strategy execution success, we can formulate a second question: *after near twenty years, does the HR Scorecard yet makes sense, in the new environment?*

In this article, we will define some interactions between the BSC methodology and human capital management practices to help thinking about those two questions. Sometimes we will quote real data from a strategic change project in a Portuguese social non-profit organization, with a business volume of four million euros and employs two hundred fifty workers, where we have been working as management consultants.

Keywords

Balanced Scorecard; Human Resources; Performance Management; Strategy Execution; Alignment.

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