

Beyond the Administrivia: Incorporating Best Practices to Strengthen Your Human Resources Strategic Plan

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Human resources (HR) professionals increasingly are being called on to better align HR processes and practices to support the enterprise-wide business plan. Decades of experience in companies ranging in size from startups to the Fortune 10 has brought to light six best practices for optimizing the effectiveness of such efforts. HR managers must ensure that their firm's business strategy is the primary input for their own strategy, incorporate data from multiple sources and stakeholders, recognize that not all parts of an organization are equally important in terms of strategy, identify the people issues that underlie the strategy, enhance HR's services as part of the annual HR planning process, and develop a balanced scorecard of metrics. Only by understanding the implications of the enterprise-wide strategic plan on the HR function and assessing its current capability will HR managers be able to develop an effective strategic plan and the metrics to keep it on track. The framework for doing so can be customized to suit the HR needs of organizations of all sizes and be adapted to strategic planning for other staff functions as well.

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The CEO of a large consumer market research firm that was undergoing a major restructuring was unhappy with the contribution that the human resources (HR) function was making to his company. "All too often, the HR staff acts like quasi social workers who are too focused on being an employee advocate, are very tactical and administratively focused," he said. "We are burning through

a lot of budget with external consultants. Shouldn't the HR function be providing coaching, change management, and OD support?"

His feelings are not uncommon. In many organizations, staff functions such as HR do a poor job of aligning their efforts with their enterprise's overall strategic plan. Addressing this gap begins with the realization that functional strategic planning involves much more than making a list of projects tagged with deadlines.

In 2013, CEB, Inc. (formerly the Corporate Executive Board), a respected advisory services firm, completed a study that noted three major challenges that HR professionals face in strategic planning:

- **Lack of understanding of the overall business strategy:** This leads to a failure to develop and align HR capabilities and business planning processes that are critical to supporting that strategy.
- **Inability to translate the business strategy into the HR strategy:** The root cause of this is a lack of a thorough understanding of the business, how it generates profit, and how HR contributes to shareholder value.
- **Poorly articulated HR plans:** Too many HR functions either have an informal HR strategic plan (not written) or one that does a poor job of explaining how HR's services align to support overall business requirements, are measured, and bolster staff competencies. When HR

leaders do not clearly articulate their strategies, tactics, and programs and communicate them to key stakeholders, it is very difficult for them to make a solid business case to secure adequate resources.

A review of previous research and work conducted by The Catalyst Consulting Group, LLC, with more than 100 companies has revealed six best practices that must be incorporated into an HR planning process to optimize its effectiveness.

1. *Ensure that the enterprise's business strategy and planned strategic initiatives are the primary input for the HR strategy.* One of HR's key roles toward this objective is to identify what type of culture is needed to successfully execute the enterprise-wide strategy.
2. *Incorporate data from multiple sources (enterprise-wide plans, management reports, etc.) and stakeholders, such as direct feedback from HR's internal customers.* HR managers must periodically conduct a "sanity check"—that is, compare current HR capabilities to HR best practices to obtain objective perspective on strengths and performance gaps. This data will inform their decision-making.
3. *Realize that not all parts of an organization are equally important in terms of strategy.* HR managers must prioritize their customer segments and allocate capacity according to organization level (for example, executives), function (such as R&D), brand, and/or even geography or external customer segment. This contrasts with the historical way HR has historically operated—"whoever walks in the door first gets served." Total availability only leads to sub-optimized resource allocation.
4. *Identify the people issues that underlie the strategy, align culture to support the strategy, and alleviate gaps between the current and needed HR practices.* HR managers must provide the leadership to align all facets of an organization to closely support the business strategy.
5. *Enhance HR's services and business model as part of the annual HR planning process.* HR managers must do more than just provide "vanilla HR" services. That is, the need to go beyond meeting minimum expectations, such as ensuring that employees get their checks on time, benefits are properly processed, and all the administrivia is addressed. Too often "vanilla HR" ends up being all that the HR department does. Examples of more strategic HR services that add value to the organization include leading organizational restructuring projects, providing business transformation expertise, designing talent management and succession planning programs, and offering HR due diligence, integration planning, and acquisition integration support.
6. *Develop a balanced scorecard of leading and lagging metrics.* These metrics should be tightly aligned to HR's service level agreements at the functional level and to the performance appraisal process for HR staff at the individual level. The scorecard should help HR managers assess the value of each of the services they provide to their customer groups. This will help them determine whether they need to develop new services or to shift capacity to provide more value to the business.

Taking these best practices into account, an effective HR strategic planning and alignment process should encompass these four steps:

- Understand the implications of the enterprise-wide strategic plan on the HR function and the organization's people systems.
- Assess the current capability of the HR function.
- Lay out the HR strategic plan
- Develop an HR scorecard.

Understanding the Implications of the Enterprise-Wide Strategic Plan

In assessing the implications of their organization's overall strategic plan, HR managers must pay

particular attention to how that plan will affect not only the organization but also the people within it. But to do that, they must first have a thorough grounding in what it takes to implement key enterprise-wide strategies. In his 20-year career, Glenn Wambolt, vice president of human resources for North America at Hexagon Manufacturing Intelligence in North Kingstown, Rhode Island, has held key HR positions across various Johnson & Johnson companies. “HR wants a seat at the table,” he says, “but often they don’t have strong enough business skills to be able to translate business needs into HR actions.” Specifically, HR staff members need to refine their strategic thinking and organizational development skills and develop a clear understanding of the nature of their employer’s business and how it makes money.

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At this point in the planning process, it is critical to fully understand cause and effect. If the organization is moving in a certain direction, what are the implications for the HR practices, the services HR provides, and the capabilities of the HR staff? Asking the right questions will generate discussions that will reveal possible impacts and potential courses of action. For example: Is there a plan to enter a new market or introduce a new product? Is the business expected to expand or contract? Are there going to be any changes in core processes or technology that are associated with delivering the company’s core products or services? Are there any external concerns—such as changes in regulations, taxation, or competitor actions—that can affect the organization and its people systems (performance management, compensation, etc.)? More specific questions, such as the ones below, can be used to

further identify the potential impact that environmental variables or strategic decisions can have on HR practices:

- What are the enterprise-wide strategies?
- What is the organization trying to achieve from a metrics standpoint?
- What strategic initiatives are planned?
- What capabilities are most critical to executing the HR strategy and initiatives?
- What are the key success factors in the industry? How does the company compare against the competition?
- What are the key capabilities that the company needs to successfully execute its business strategy?
- What capability gaps keep line executives up at night?
- Are there any disruptive technologies that can have a profound impact on the organization in the near term?
- What are the strategic and core roles that are most critical for success?
- Do any of the above variables affect the company’s business model or structure? For example, will there be an effect on what is in-sourced or outsourced, either domestically or abroad?

Exhibit 1 (page 32) outlines some of the key elements discussed by the HR leadership team of a life sciences company that undertook a strategic assessment. In addition to illustrating some of the most common inputs, this impact analysis reflects a thorough understanding of the effect that the new strategy will have on the organization, and highlights some of the capabilities and roles essential for its deployment. The boldfaced items are areas of primary focus.

Assessing HR’s Current Capability

To determine a baseline of clients’ existing HR capabilities and to help them develop a case for action, The Catalyst Consulting Group, LLC, has developed a number of proprietary tools for collecting data across the nine HR dimensions outlined below.

Exhibit 1. Excerpt of a Completed HR Impact Analysis

Anchors	Capabilities Needed	Implications	Timing	Roles (Strategic & Core)
I. Key Strategies				
1. Growth through geographic expansion into Latin America	Market research/data, Sales Global supply chain mgt.	(No sales force in Latin America.), Where do you locate the sales force? Do you partner with another company and set up a joint venture? Do you use distributors? Current supply chain is US-centric	1Q17	Sales Rep 1&2, Director of Sales, Regional VP Sales
2. Growth through product/service extensions—joint venture with ABC company	Product licensing	Very weak corporate development expertise		Corporate Development Director
II. Strategic Initiatives				
Acquire XYZ Company	Due diligence, post-merger integration	Need to have post-merger framework, methodology, & tools	3Q 18	VP Acquisition Integration, Integration Consultants
Implement PeopleSoft	Business analytics, Systems integration	IT group has strong maintenance and infrastructure skills, has not had a lot of experience in implementing large-scale systems on time/on budget	4Q 18	Business Analysts

- Competencies: HR functional knowledge, industry/business knowledge, cross-functional knowledge
- Strategic alignment: formalized HR business plan, strategic customer segmentation, HR metrics
- Infrastructure: intellectual capital, technology enablers (kiosks, HR information systems, etc.)
- Policy development: number of formal policies, amount of standardization
- Service offerings: services offered, percentage of HR capacity allocated to each
- Structure: reporting levels, spans of control, staffing levels and ratios, clarity of roles
- Process efficiency and effectiveness: assessment of cycle times and cost, whether functionality is centralized, decentralized, in-sourced, out-sourced, on-shored, off shored
- Systems design: comparisons of HR systems to best practices
- Management effectiveness: strategic partner capability, quality of HR leadership, depth of talent, and bench strength

A variety of data collection methods are used, including observation, a review of appropriate documentation (for example, business strategy, budgets, structure charts, and existing processes and systems), and interviews with internal customers. A cornerstone of the data collection process is a short, targeted intranet survey of a vertical cross-section of HR's customer segments. The survey identifies the importance of and level of satisfaction with current HR services, identifies new HR products and services, and assesses how much capacity HR allocated to each service and customer segment. Customers are also queried regarding their perceptions of HR's competency levels, strengths and weaknesses, and specific opportunities for improvement.

In situations such as this, it is often useful to conduct an administrative task analysis to identify the volumes of transactions (for example, the number of benefit changes), number of forms used, and time HR staff allocates to recordkeeping activities. Such an analysis can be used to collect data to confirm

or dispel perceptions and, if necessary, create a business case for better allocating HR's capacity to activities that add higher value, modifying the service delivery models (use self-service kiosks, have employees enter some of their own data, establish centers of excellence, etc.), and offering a better balance of strategic versus tactical HR services.

During this process it is also important to survey HR staff members about their perceptions concerning their core competencies, customer satisfaction with each HR service, and the amount of time and effort they devote to each customer segment, product, and service (see Exhibit 2). This can be extremely useful in gauging how connected HR staff members are to the needs of their client groups. In many instances, HR employees are comfortable providing the services they are skilled in instead of the more strategic services that customers demand—and this often signals a performance gap.

In Exhibit 2 the cells that focus on services that are of high importance but yield low satisfaction are highlighted. These are gap areas that require attention. When coupled with other data that have been collected (current HR capabilities versus best practices, time on task, etc.), these findings reveal strengths, performance gaps, and root causes of deficiencies.

As Exhibit 3 (page 34) shows, it can also be extremely useful for the HR leadership team to compare the function's current capabilities with the established HR best practices detailed above. Doing so will help to identify and prioritize additional strengths, performance gaps, root causes of problems, and opportunities for improvement. (Because of the proprietary nature of client data, Exhibit 3 describes a generic deliverable to illustrate how data can be configured to quickly identify current HR capability versus HR best practices.)

Developing a Strategic Plan to Balance and Add Value to Customers' Needs

Before a strategic HR plan can be developed, the company's senior and HR executives must first

HR Services	Op Co 1						Op Co 2					
	HR		Line Exec		HR		Line Exec		HR		Line Exec	
	Importance	Satisfaction	Importance	Satisfaction	Importance	Satisfaction	Importance	Satisfaction	Importance	Satisfaction	Importance	Satisfaction
1. Recruitment	2.8	2.3	3.0	1.2	3.0	1.5	3.0	3.0	2.0	3.0	3.0	2.0
2. Compensation	3.0	1.0	3.0	1.7	3.0	3.0	3.0	3.0	1.0	3.0	3.0	1.0
3. Benefits Administration	2.0	2.3	2.8	2.2	3.0	1.5	3.0	3.0	2.0	3.0	3.0	2.0
4. Payroll Problem Resolution	2.5	1.2	2.2	2.0	3.0	1.5	3.0	3.0	2.0	3.0	2.0	2.0
5. Training	2.5	2.0	3.0	1.4	3.0	1.0	3.0	3.0	1.0	3.0	2.0	1.0
6. Succession Planning	2.5	1.5	3.0	1.2	3.0	2.0	3.0	3.0	1.0	3.0	3.0	1.0
7. Employee Relations	3.0	2.8	2.7	2.1	3.0	2.0	3.0	3.0	1.0	3.0	3.0	1.0
8. Information System Administration	1.0	1.0	2.2	1.5	3.0	2.0	3.0	3.0	1.0	3.0	3.0	1.0
9. Policy Development and Interpretation	3.0	3.0	2.4	1.9	3.0	2.0	3.0	3.0	2.0	3.0	3.0	2.0
10. Organizational Development	3.0	2.0	2.7	1.2	3.0	2.0	3.0	3.0	2.0	3.0	3.0	1.0

Exhibit 3. Gap Analysis Summary Example

GAPS	HR Best Practices				
	Recruit on social media sites to attract younger candidates	Utilize Centers of Excellence	Use self-service technology to reduce administrative labor content	Sophisticated forecasting and workforce analytics including Human Capital Management	CRITICAL GAP
HR Strategic Alignment	L	M	L	L	YES
XXXXXX					
Competencies of HR Staff	M	M	M	H	
XXXXXX					
HR Business Model/Structure	M	L	L	L	YES
XXXXXX					
HR Usage of Enabling Technology	H	H	H	M	
XXXXXX					

address a twofold challenge: They need to acknowledge the fact that not all parts of the organization are equally strategic, and then they have to determine which parts are the most strategic.

The HR leadership team must take into account the current staff’s core capabilities and provide a combination of meaningful experiences (action learning, developmental projects, classroom education) and mentoring/coaching opportunities to enhance both their knowledge of the business and their strategic skills. In some cases, tough decisions will have to be made to transition staff members who are either unwilling or unable to take on higher-level HR services.

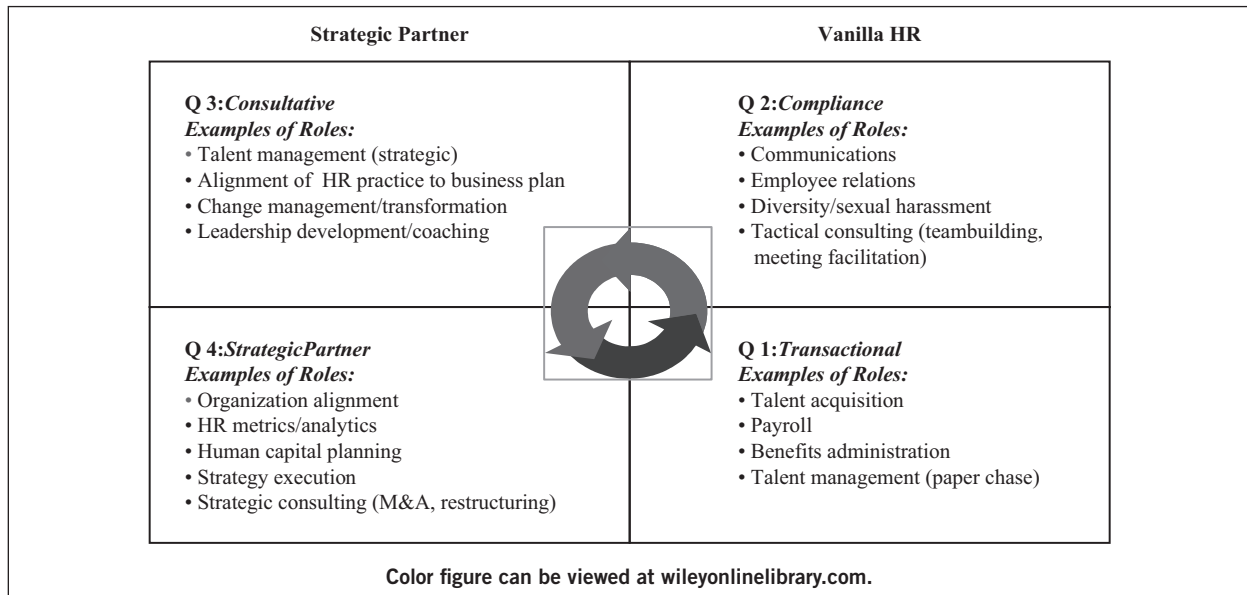
In so doing, HR will be able to make a strong business case for the allocation of its resources in accord with the strategic importance of each customer segment. Michael Bruno, a former senior HR executive for both PepsiCo in Valhalla, New York, and IAC Search and Applications in New York, recalls that when he worked for Pepsi, “all HR executives were required to spend time at one of the restaurants to learn how the company made money and exactly what HR did to add value.”

Without that kind of thorough understanding of the business, he cautions, HR staff may find that they “can’t balance the employee versus business advocacy role, so they focus on providing mostly soft side, tactical services.”

Cheryl Kennedy, a senior vice president at Hasbro in Providence, Rhodes Island, notes that at her firm, marketing and digital are some of the most critical parts of the business that the HR staff must excel at for the company to be successful. And she adds that “HR needs to do a better job of developing and communicating a business case for segmenting and prioritizing the customers they serve.”

The Catalyst Consulting Group’s work with numerous HR organizations led to the development of a strategic service quadrants model (see Exhibit 4) that can be used to both visually depict the capability of any HR function and array the service offerings of a company’s HR department according to the needs and strategic importance of each HR customer segment. It is important to resist the inclination to think that the quadrants simply chart reflect poor, good, better, and best performance, however. Reflecting balance and strategic value creation, the

Exhibit 4. HR Strategic Service Quadrants



model is designed to generate dialogue concerning whether an HR function is allocating enough capacity and capability to provide support in *each* quadrant. The allocation of capability across the four quadrants is company-specific and depends on myriad variables, such as external environmental demands, business plan, the size of the company, and the complexity of operations.

For example, some of HR's customers may require 80 percent of the department's focus to be in quadrants one and two, where the specific service offerings are primarily tactical and compliance-oriented. Conversely other HR customers may require much more strategic HR services to execute their business plans. In such cases, the HR department has to have the appropriate range of staff to provide services in areas such as business transformation and M&A integration. Once HR's customers have been strategically segmented, it is critical to determine the breakout of tactical versus strategic services, design the right HR service delivery model, and configure the appropriate staffing model, accounting for

which services are to be handled internally and which are to be outsourced.

The right side of the model, quadrants 1 and 2, represents the baseline or minimum threshold of HR functionality—vanilla HR. The focus of these activities is on administration and compliance, which must be handled promptly and effectively. Services in these sectors include staffing, benefits administration, litigation prevention, and employee relations. The key is to make sure that HR staff members are properly allocating their time. For example, an assessment conducted for a firm in the life sciences industry revealed that the company's HR directors, whose average total compensation exceeds \$300,000, were spending 50 percent of their time on employee relations. The president of the company was distressed to learn that such high-priced talent was spending so much time on quadrant 1 and 2 activities when they could have been providing change management support for enterprise resource planning, leading a major right-sizing initiative, and ensuring that the organization

had a robust pipeline of talented successors for key positions.

The left side of the model, quadrants 3 and 4, represents roles and services that reflect the role of a strategic partner. These include leading change management and business transformation initiatives, strategic consulting, organization restructuring, and other organizational alignment efforts. Business leaders must ask themselves: What percentage of HR's overall capacity is spent delivering each service? Is there an imbalance in priorities or focus?

Reflecting balance and strategic value creation, the model is designed to generate dialogue concerning whether an HR function is allocating enough capacity and capability to provide support in *each* quadrant.

According to Glenn Wambolt of Hexagon Manufacturing Intelligence, "A lot of CEOs view HR as being integral to hiring, firing, and employee engagement, but often they don't realize the full value of what HR can do. HR leaders need to have strong OD to skills to diagnose where the dysfunction lies and be able to engage senior leadership to formulate a solution." Clearly, the skills of the HR team are a critical variable in delineating the boundaries what HR can do and require periodic analysis.

Often the volume of data collected during the planning process can be overwhelming, leaving the HR leadership team unable to discern the forest for the trees. Experience has shown that HR strategy and supporting initiatives can be most easily formulated by taking the following steps:

1. Prioritize the effects of the enterprise-wide strategy and identify the critical few things HR needs to address to align the organization. Does the business model or structure need to be modified?

Which specific cultural characteristics (for example, bureaucracy, centralized decision-making, consensus decision-making) and behaviors need to be enhanced or minimized? Which HR practices (performance management, compensation, recognition, talent acquisition, etc.) drive these desired changes? According to Cheryl Kennedy, "Perhaps the most important role of HR is to help define and foster the culture needed to execute the business strategy." Often lost in the fray is the fact that behaviors and culture drive organizational performance.

2. Determine the most critical gaps identified from the HR customer survey. What are the most critical gaps identified in a comparison of current HR capabilities with HR best practices?
3. Identify three to four strategies (what you are going to do) and several supporting activities or initiatives (the how) that are essential for both aligning the organization to support the enterprise-wide strategy and addressing key gaps in HR performance. Space out the activities and initiatives across the planning horizon (do not aim to complete 90 percent of them in year one), allot the appropriate resources for each strategy, and institute a proper project management office to enhance strategy execution. A sample HR strategies and initiatives summary is presented in **Exhibit 5**.

Developing a Human Capital Plan

To be effective, the HR strategic planning process must be tightly integrated with enterprise-wide strategic planning, appropriate human resources (talent acquisition, employee development, etc.), budgeting, and management reporting processes. Although HR is well known for doing a good job of talent management and succession planning, it often falls short on human capital planning—forecasting the movement and availability of organizational capabilities needed three to five years in the future to ensure that the organization has the right number of people in the right location at the right time and for the right cost. As Michael Bruno notes, "The head of HR is

Exhibit 5. Example of HR Strategy & Initiative Summary

		Key Performance Gaps				Impact Period		
		No strategic customer segmentation	Too much administrative burden	HR staff has weak business skills	Forecast 15% shortfall in engineers for LA market	Year 1	Year 2	Year 3
Strategy 1: Transform the HR Function								
1.1	Create OE department	X				X		
1.2	Develop new employment value proposition	X	X		X	X		
1.3	Develop HR scorecard	X	X					
Strategy 2: Upskill HR Staff								
2.1	Develop curriculum tied to career ladder			X		X		
2.2	Design/purchase/deliver education			X			X	X
Strategy 3: Modify HR Service Delivery Model					X			
3.1	Establish COE's					X		
3.2	Implement WorkDay						X	

the CEO of human capital. Without effective human capital planning, the organization won't have the people it needs to execute optimally."

Human capital planning entails:

- projecting future capabilities and demand,
- assessing workforce characteristics and forecasting future supply,
- defining gaps between the current talent and the talent needed to execute the enterprise-wide business strategy, and
- developing a plan to close gaps.

Integral to this process is the identification and segmentation of key roles across the organization. Talent can be divided into various categories, including:

- **Strategic Roles:** These are critical to the long-term success of the business plan and/or encompass skills that are difficult to acquire;
- **Core Roles:** These are unique to the company and essential to the delivery of core products and services or entail considerable training before employees in these positions are productive;
- **Baseline Roles:** The capabilities in these roles can be replicated through outside resources in less costly or more productive fashion; and
- **Non-Core Roles:** These no longer align to the business plan.

Roles that are categorized as strategic are the ones that warrant significant investment in terms of development and resourcing. Core roles call for selective investment. The strategy concerning baseline

and non-core roles should center on improving efficiency and reducing costs via outsourcing, job elimination, or redeployment.

Once the roles have been categorized, it is important to understand the current workforce characteristics (for example, number, location, average age, number of years to retirement, experience in current role). This entails reviewing data that are readily available from HR information or enterprise resource planning systems. Parsing out the patterns and trends in historical workforce data (voluntary/involuntary turnover, terminations, demotions, retirements, layoffs, transfers, new hires, new roles being created, planned moves, past hiring statistics, types and sources of hires) will lead to proactive forecasting. This will generate discussions concerning skill gaps and how best to obtain staff replacements (for example, by developing new hires or moving employees internally).

It is also important to determine the relationships between the variables that drive employee movements and to understand how workforce attributes and management practices affect organizational performance. Among the questions to consider:

- What drives turnover?
- Which types of candidates are most likely to stay and leave?
- What drives staffing? (Capital expenditures, new products/markets, business expansion, changes in product/market mix, competitor actions, new products/acquisitions, technology, government regulations)
- What is the correlation between the recruiting source and retention?
- What impact does employees' satisfaction with their supervisor have on revenue?
- Which workforce and managerial attributes most affect productivity?

To fully understand the cause-and-effect relationships between variables that affect roles in each segment that has been identified, HR must ask:

- What are the historical trends regarding how soon employees retire after they become eligible?
- What positions will need to be filled and when? Are there people within the existing workforce who could be developed to fill any of these spots?
- Who will be promoted?
- What are likely to be the most difficult positions to fill?

The key activities that need to be addressed when developing a human capital plan follow.

1. **Identify external variables that affect supply of talent.** These include: industry trends, commuting distances, talent demographics, location/talent pool/traffic logistics, political developments (amount of regulation), changes in labor laws, and regional labor supply (job availability, costs, quality).
2. **Forecast employee movements.** Model the drivers in high, medium, and low scenarios, such as voluntary and involuntary turnover, retirements, and job rotations and development. Incorporate internal factors into the model that will affect demand, such as business volume.
3. **Model "what if" scenarios.** Incorporate future strategic and core needs that were identified earlier by segment, current capabilities, and appropriate external data (competitor moves, Bureau of Labor Statistics labor market data, demographic trends, etc.). Also forecast the number of expected changes by segment in terms of such factors as involuntary and voluntary moves and retirements. Finally, incorporate internal actions that will affect demand into the model and document all assumptions.
4. **Calculate +/- gaps by identifying surpluses and deficiencies.** Prioritize talent gaps (identify the number and type of talent) by time frame (short-term, mid, long-term).
5. **Identify actions to address key gaps in strategic and core segments.** Specify the competency level needed for each role (expert, proficient, etc.).

When seeking to fill an immediate need or one requiring unique capabilities, consider recruiting externally, which will take less time than developing talent within. For longer term needs or when skill sets cannot be found externally, look into providing internal development. Re-recruit at-risk employees—those who are in high demand and could easily move to another company, compounding talent gaps. Take into special account any positions that will be hard to fill, have long learning curves, or are attracting extreme competition externally.

6. **Identify specific actions for baseline and non-core segments.** These include alternative staffing options (move vs. hire); full-time, part-time, or temporary contractors; the number of resources, location, and timing; and early retirement or workforce reductions.
7. **Align appropriate HR practices.** These include the talent acquisition strategy and process, human capital metrics (for example, turnover, retention, diversity), employment value proposition, retention strategy, career ladder, and severance policies.

Developing an HR Scorecard

Even if a company has the right strategy, it can fail to meet its objectives because of poor execution. Experience suggests that success depends on the quality and decisiveness of the HR leadership team, the effectiveness of HR's project management, and having the right metrics to focus effort and create consequences for success and failure.

Since the HR function has historically been the heart and soul of most organizations, it is not uncommon for HR leaders to be very patient with staff who are below average performers. Top-notch HR managers do an exemplary job of determining their strategic direction, communicating it so that each HR employee understands how they affect both organizational and HR department performance, and coaching, mentoring, and developing

staff members. They also are not averse to moving low performers out of the organization.

In world-class HR functions, team members often lead enterprise-wide projects or, at minimum, the HR/change work streams of such endeavors. HR needs to have the discipline and skill to utilize good project management techniques such as creating:

- a project structure with effective governance, including clarity around roles, performance expectations, and decision rights;
- charters that include project deliverables, scope, detailed work plans, and budget; and
- common processes and templates that detail scope change, performance reporting, cross-project team integration, stakeholder management and communications, issues escalation, risk management, and dependency management.

Akin to an airplane's instrument panel, an HR scorecard enables HR managers to monitor a number of variables simultaneously toward ensuring optimum performance. According to Cheryl Kennedy of Hasbro, however, "HR metrics are a huge struggle for most HR functions. The biggest challenge is understanding cause and effect, so the human resources function can develop predictive analytics based on historical performance." HR managers can improve their chances of successfully developing and deploying an HR scorecard by taking the following steps:

1. Identify three to four key categories of measures, such as financial performance, customers, and process efficiency. Measures can also be taken of core HR functions, such as talent management, organizational and employee development, compensation, and benefits administration.
2. Identify a very short list of leading (predictive) and lagging indicators for each category.
3. Develop specific targets for each indicator.
4. Cascade the indicators down to the core HR process, department (compensation, learning,

and organization development), and individuals and teams responsible for them.

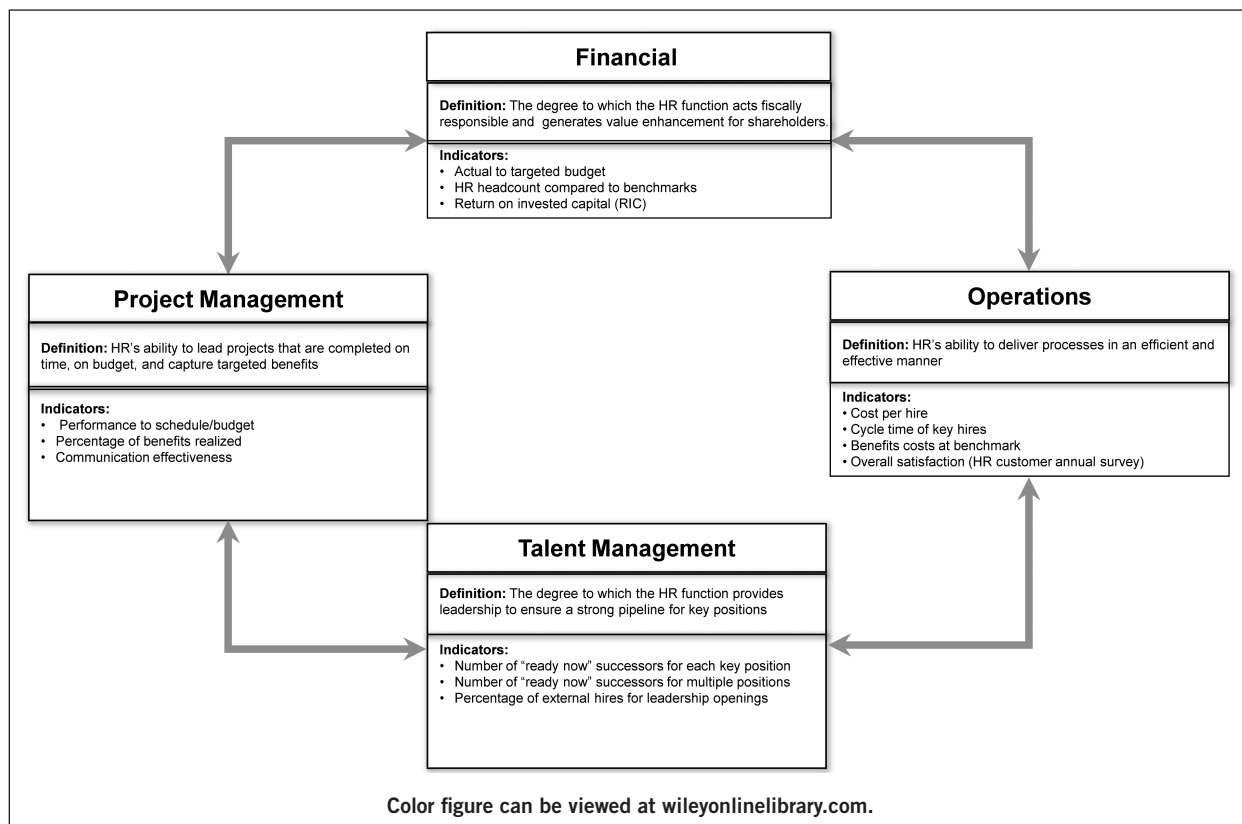
5. Link the HR scorecard to the company's performance management, recognition, and compensation processes in order to improve the organization's talent pool, making sure to precisely define outstanding, average, and poor performance, and the tangible consequences of each.
6. Align the scorecard to related systems like management reporting and budgeting.

The example of an enterprise-wide HR scorecard given in **Exhibit 6** includes four categories with a number of indicators. Cascading this scorecard down to each department within HR will ensure alignment of HR efforts.

According to Glenn Wambolt, "The test for whether you are measuring the right thing is: If it is trending poorly, does it cause you to do something different?" He makes a valid point. The usefulness of the scorecard is directly proportional to having the right metrics and creating meaningful consequences to enhance the deployment of the HR strategy.

When carefully designed, an HR scorecard can serve as a powerful tool for optimizing HR's impact on organizational performance. It will allow the HR leadership team to assess the degree to which their function is adding value to the overall organization, identify capability gaps, and suggest opportunities for refining HR's contribution to the firm.

Exhibit 6. Example of an HR Scorecard



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