Upgrading the People Perspective in Balanced Scorecards

by Dr. Stephen C. Schoonover
President, Schoonover Associates, Inc.

The Balanced Scorecard has become a mainstream method, frequently representing a major organizational transformation. In many cases, the scorecard is earmarked as the primary means for articulating and implementing business strategies and all key activities. This investment of energy can have major payoff if it is done in a consistent and sustained manner. However, because the approach usually represents a "top-down" initiative focused primarily on operational issues, practitioners frequently surface or inadvertently run into a range of problems related to human assets issues as the system is rolled out. Typical problems we see include, lack of:

- "Clear line of site" and alignment between individual behavior and organizational strategy.
- Clear roles and new skills required to fulfill new strategies.
- Appropriate metrics to support and track behavior change.
- Integration between the scorecard method and various human resource systems.

The Balanced Scorecard origins stem from the significant limitations of applying financial metrics almost exclusively as a driver of business strategy. The authors of the original approach, Kaplan and Norton, developed a multi-dimensional scorecard focusing on four major perspectives - financial, customer, internal (processes), and learning and growth. They also highlighted that "balance" should include various other dimensions of organizational life:

- Leading and lagging indicators;
- Internal and external performance;
- Financial and non-financial measures; and
- Short and long-term objectives.

In addition, experience and clarification of best practices have helped translate the approach from a conceptual framework into a consistent method for translating vision and strategy into specific objectives, measures, targets and initiatives. As with any new framework, however, application over time brings significant opportunities and problems.

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For example, many, if not most companies currently either customize or add to the original four "perspectives." This is in fact not a criticism, but an endorsement of the approach since its primary feature is to incorporate more "balanced" perspectives in the process of translating strategy into action (vs. rigidly prescribing four specific perspectives).

From the outset, however, various experts have acknowledged that the people dimension of the scorecard suffers from a lack of specific measures and methods for aligning individual actions with scorecard dimensions. In particular, we see many organizations still sub-optimizing their results because they create general measures related to people or learning, such as employee satisfaction, retention or productivity, but fail to clarify specific metrics and methods for leveraging human assets to support the scorecard.

Everyone acknowledges that leveraging human assets is critical for the success of a Balanced Scorecard initiative. But, established best practices related to the people perspective are only starting to emerge. We have recently seen five kinds of interventions applied to the employee-oriented scorecard dimension that add significant impact. These include:

- **Clarifying required "behaviors"** (i.e., competencies/role requirements) needed to support the "Balanced Scorecard." In many cases this includes developing "core competencies" with accompanying behavioral indicators to support each major dimension of the scorecard. This establishes specific standards that help individuals align their behavior to support key scorecard requirements.
- **Specifying the key success factors** for individuals to fulfill the balanced scorecard, ensuring these criteria include **standards, activities, and outcomes** that encompass behavioral criteria and methods for measuring them over time. Some organizations are starting to incorporate a more consistent approach for identifying new role requirements, new competency needs, and re-skilling strategies as a formal part of the scorecard method. This often entails an organized needs assessment, gap analysis, and re-skilling plan.

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- **Incorporating more specific "behavioral metrics" into scorecards**. For example, some organizations are starting to use competency/skill assessments to establish benchmarks, identify key gaps for targeted employee populations, and clarify desired performance levels (or decrease in gaps). Others are using measures such as degree of completion of development or training plans or improved performance on management and people-oriented items in employee surveys.
- **Providing "personal scorecards"** that represent a link between the strategic goals and personal performance requirements. Many companies are starting to establish methods to ensure improved alignment by "cascading" scorecards down in their organizations. Some are promoting the "flow down" of goals to the level of each individual employee as a means of improving personal accountability.
- **Incorporating Balanced Scorecard "goals" and "behaviors" in the organization's performance management system**. Particularly in settings with "personal scorecards", we are seeing organizations incorporate scorecard goals - both behavioral and operational - into their performance management process. This has two distinct advantages. It helps integrate scorecard metrics with HR processes and the approach to managing strategy and it taps the power and resources of the performance management system to upgrade employee capabilities.

While the above examples indicate significant progress in augmenting the people perspective of the Balanced Scorecard, we strongly advocate for the more consistent inclusion of behavioral metrics, methods for aligning individual actions with strategy, and integration of goals to support scorecards into day-to-day performance management practices.

P.O. Box 629, 359 Main Street, Falmouth, MA 02541-0629 Voice: (508) 457-5800 Fax: (508) 457-5806 www.schoonover.com