MANAGING HUMAN CAPITAL TO EXECUTE STRATEGY

THE WORKFORCE SCORECARD

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Managing Human Capital to Execute Strategy

MAIN IDEA
Corporate success today is fueled more and more by the performance of intangible assets. The most important of these intangibles is usually a firm’s workforce. Many times, the workforce is a businesses’s largest underperforming asset and the area where the greatest gains in competitive performance can be generated.

To maximize the contribution of its workforce, a firm must meet three challenges:
1. The Perspective Challenge – To view the workforce in terms of potential contribution rather than as a cost to be minimized.
2. The Metrics Challenge – To replace conventional benchmarking metrics with measures that will differentiate improvement.
3. The Execution Challenge – To hold both line managers and HR staff jointly responsible for workforce quality and performance.

In practical terms, this means companies don’t just need one strategy but actually require three strategies and three corresponding scorecards to measure the success of each of those strategies:

Strategy for the business
Balanced Scorecard
1. Operational success
2. Financial success
3. Customer success

Strategy for the workforce
Workforce Scorecard
1. Workforce success
2. Competencies
3. Behavior
4. Mind-set and culture

Strategy for the HR function
HR Scorecard
1. HR practices
2. HR systems
3. HR staff competencies

“Of all the factors affecting firm performance that CEOs and senior managers can directly influence, workforce success – or the extent to which a firm can generate a workforce with the culture, mind-set, competencies, and strategic behaviors needed to execute its strategy – is both the most important and most underperforming asset in most businesses. In an economic environment marked by hyper competition, anything less than optimal workforce success is a direct threat to the very survival of the firm.”
About of Author

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Successful companies differentiate themselves in the marketplace. In similar fashion, you need to differentiate your workforce strategy if you aspire to execute your firm’s preferred strategy. Your “A” performers must be handled differently from your “C” performers if you are to treat your workforce as a strategic asset. Your workforce assets need to be recognized and then exploited effectively just like any other asset available to your firm.

The key question here is: “Do all of our managers understand exactly how workforce capabilities and behaviors drive the execution of the firm’s strategy?”

To pass the perspective challenge, companies have to do two key things well:

1. Focus on making sure the firm’s best or “A” employees are in the most important positions and not sidetracked into areas of marginal value.

2. Develop a new set of workforce measures which will hold managers accountable for how effectively they manage the workforce.

Focusing on getting “A” players in “A” positions is vital. In practice, this usually involves three distinct levels across the entire spectrum of HR practices:

- **Level 1** – the company takes on board the HR field’s generic best practices and policies. The firm develops a HR management system which gets involved in selecting, developing, rewarding and motivating the workforce. This lays a good foundation but little more.

- **Level 2** – the company starts attempting to differentiate the mind-set and practices of its core workforce. In other words, the firm hires, trains and rewards those people who have the skill sets directly aligned with the company’s core commercial strategy. Every workforce action aligns with the enterprise business strategy.
Level 3 – the company starts customizing its workforce strategy. Explicit linkages are formed between the workforce strategy and specific business performance drivers. Different parts of the workforce will be treated differently so as to drive the execution of strategy.

Most firms emphasize commonality in workforce management rather than differentiation. They focus on corporate-wide workforce management rather than tailoring how different parts of the workforce are managed. As a result, high-performing talent is often under motivated and more likely to leave while at the same time less productive talent is overcompensated and less likely to leave. Over an extended period of time, this naturally leads to declines in workforce performance and in strategy execution.

Developing new metrics that will enhance a firm’s ability to execute its workforce strategy is the second thing companies have to do well. In practical day-to-day terms, better execution will depend on two factors:

1. Recognizing that some positions and roles within the organization have a greater influence on strategy and performance than others – and that managers should be assisted and evaluated on how well they do at filling these positions with the best talent available.

2. Tracking the amount of investment made in the people serving in these critical positions – and progressively increasing investment in these people while at the same time decreasing the investment made in people serving in other areas.

Effectively the HR people and managers have to work in partnership to build stronger differentiated workforce practices. To be more specific:

<table>
<thead>
<tr>
<th>Common practice</th>
<th>Differentiated workforce practice</th>
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<tr>
<td>CEO will struggle to quantify HR’s contribution to profits.</td>
<td>HR success is gauged by how well it tracks and develops “A” players and places them in “A” positions.</td>
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<tr>
<td>No measures of workforce competencies will exist.</td>
<td>HR will provide data on the extent of “A” players in “A” positions and the development plans for each.</td>
</tr>
<tr>
<td>HR will ensure compliance with overall salary budget projections.</td>
<td>A personalized incentive plan will be developed for each “A” player and then consolidated by HR for the entire organization.</td>
</tr>
<tr>
<td>Considerable attention is paid to generic best practices.</td>
<td>HR practices are designed around aim of strategic differentiation.</td>
</tr>
<tr>
<td>Substantial HR time will be devoted to salvaging “C” players.</td>
<td>Most HR resources will be directed to identifying, rewarding, growing and retaining “A” players.</td>
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<tr>
<td>HR will work towards making the firm the employer of choice.</td>
<td>HR focuses on making each employee rise to become an employee of choice.</td>
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</table>
“Great talent in critical positions is a source of a firm’s competitive advantage and, if not present, an obstacle to strategy execution.”
– Mark Huselid, Brian Becker and Richard Beatty

“Just as differentiation is at the core of a successful business strategy, it is also at the core of successful workforce management. If a portion of the firm’s workforce genuinely has the potential to become a strategic asset, there is only one measure of that asset value – workforce success. This needs to be diagnosed and exploited just like any other strategic opportunity or any other asset.”
– Mark Huselid, Brian Becker and Richard Beatty

There are quite literally an overwhelming number of workforce elements that can be measured.

For a workforce scorecard to be of any practical value, the metrics which are gathered and then evaluated must meet four different criteria:

1. The scorecard must be practical – it must have data that can actually be measured and collected rather than being guessed at.
2. The scorecard must be easily understood throughout the firm – so that employees can understand what's happening and change their individual actions.

The metrics challenge

Pure and simple a workforce scorecard measures how successful the firm's workforce has been in creating value using the company's designated commercial strategy. It has to align the workforce’s competencies, behavior, mind-set and culture with its performance. A practical and worthwhile workforce scorecard will flow directly from a firm’s strategy rather than being imposed artificially from the outside. Workforce measures are always from the outside-in or customer perspective and are never built up from the inside-out using an HR perspective.

The key question is: “Have we correctly identified and then correlated the best measures of workforce success – specifically workforce competencies, behavior, mind-set and culture?”
3. The scorecard must be actionable – that is, managers must be able to use the scorecard to improve key business processes.

4. The scorecard must be grounded in research and then cascaded – in such a way that success at the lower levels flows on to corresponding success at higher levels.

Conceptually an effective workforce scorecard will have four key elements, each of which will provide the answer to a key question of particular relevance as shown below:

The four key elements of the workforce scorecard are:
1. Workforce mind-set and culture – which are important because they influence how everyone behaves. To be able to execute the firm’s preferred strategy, everyone must understand what they are expected to do. You need measures here that show how well everyone understands the firm’s business model and the role of the workforce.

2. Workforce competencies – which shows what people are capable of doing. Competencies without motivation will get you nowhere. Similarly, if your people are highly motivated but lack the basic competencies required, nothing much will happen either. You need both the right competencies and the right motivation to succeed and ideally excel.

3. Leadership and workforce behavior – which measures whether or not the workforce is behaving in a way which is consistent with achieving the key objectives. Managers especially have to be clear about what the workforce should be doing or there will be significant negative impact on results actually achieved.

4. Workforce success – which focuses specifically on whether or not the workforce have executed the firm’s strategy. In practical terms, your biggest and most profitable customers will determine whether or not your workforce is a success. If you deliver on the factors they value the most highly, you’ve executed your strategy adequately. Fail to deliver in those key areas and nothing else will compensate.

Note that to systematically win in the marketplace, a firm must achieve excellence in all four areas. Doing well in just one or two isn’t enough. Instead, firms have to have the right culture and mind-set, develop and keep fresh the appropriate competencies, elicit the most productive behavior from those in “A” positions and achieve the right business outcomes. In addition, there is a set order in this process. Business leaders can’t manage results directly, but instead need to identify and then nurture the drivers of the firm’s success.

Note also that there are a great many metrics which can be incorporated into a workforce scorecard. The trick, however, is to select metrics which are useful from the perspective of your firm’s specific business strategy.
Sample Workforce Scorecard

1. Workforce mind-set and culture
   - % of the workforce that understand the firm’s business model and underlying commercial strategy.
   - % of the workforce that have demonstrated their commitment to the firm’s strategy.
   - % of the workforce that currently have the skills required to execute the strategy.
   - % of the workforce currently undergoing training in order to gain the requisite skill sets.
   - % of the workforce that feels the firm’s culture supports strategy execution.
   - The degree of consistency and clarity which is associated with messages provided by top management and HR.
   - The extent to which the firm’s culture supports “A” players and makes it possible for superior performance to be delivered by talented individuals.
   - The extent to which all necessary business information (including real-time performance data) is made available to the workforce in order to facilitate better decision making and performance tracking.

2. Workforce competencies
   - Total % of workforce who are recognized as “A” players.
   - % of workforce who are currently “B” players with the potential to grow and evolve into “A” players.
- Average % of total remuneration packages which are performance based for “A” players.
- % of “A” players who have the opportunity to earn share options.
- % of “A” players who earned their bonuses in the last financial year.
- % of the overall training and development budget spent on “A” players.
- Average ranking for executives on the standardized skills and proficiency test.
- Determination of how many qualified people would be eligible to fill any executive openings which arise.
- % exit rate for “A”, “B” and “C” players.
- Extent to which people have the opportunity to be exposed to assignments that will enhance skills.

3

Leadership and workforce behavior

- Average score on a consistently applied leadership survey.
- % of executives who are actively engaged in knowledge sharing and training programs.
- Changes in the team performance index which measures the effectiveness of teams.
- Estimates of how effective the firm is in retaining its best “A” players.
- Estimated exit rate of “C” players.
- Average changes in performance appraisal ratings over an extended period of time.
- % of employees who have met goals for customer satisfaction.
- % of employees who have skills and experience outside those used in their current job functions.
- % of improvement in key indicators of customer satisfaction.
- Number of requests submitted for transfers.

4

Workforce success

- Average market share period-to-period.
- Price premium achieved versus the competition.
- Customer complaints as a % of sales.
- Customer repurchase intent.
- Number of new products offered this financial period unlike anything sold by the competition.
- % of customers who have indicated they are satisfied without products and services.
- % of new shareholders added this financial period.
- % of orders which are shipped on time.
Measurement alone of the workforce scorecard won’t generate improved business performance. Instead, there need to be close linkages between the workforce scorecard and the HR scorecard. In other words, the HR department needs to be actively involved in setting targets for improvement and in developing and delivering initiatives that will enhance performance. HR does this in practice by using the workforce scorecard as the basis and foundation for its own HR scorecard.

To achieve results, what gets measured on the workforce scorecard needs to be closely coordinated with specific HR measures and initiatives that will help ensure the achievement of the firm’s goals. An effective HR scorecard takes into account and integrates the firm’s preferred commercial strategy. HR people are responsible for the development of the specific HR practices but implementation is shared evenly between HR and line managers. Unless both are closely involved, nothing worthwhile will happen.

“The HR management policies and practices that a firm adopts represents one of the key levers it can use to execute its strategy and to achieve its desired financial results. Our evidence shows the firms that survive and prosper over the long run develop internally consistent systems of HR policies and practices that are specifically designed to execute strategy. Firms don’t win by blindly adopting a series of ‘best practices’ taken from other companies. Lower-performing firms tend to use more generic HR management practices, and they tend to use the same HR practice for all employees throughout the business.”

– Mark Huselid, Brian Becker and Richard Beatty

“For alignment to work, the HR practices need to be strategically redundant. That is, it is not enough for the recruiting or the selection or the compensation practices to be aligned with the desired workforce outcomes – all of the HR programs and initiatives need to work together to shape the desired employee behaviors. The HR practices, as well as the message to the workforce, need to be internally consistent and supportive of the desired outcomes.”

– Mark Huselid, Brian Becker and Richard Beatty

“The number of different elements of the workforce that could potentially be measured in any organization is overwhelming. There are literally hundreds of different metrics that can be collected – some useful, some irrelevant, and some actually counterproductive to effective strategy execution. To identify the ‘critical few’ measures that really matter, managers need two frameworks – the first to help them understand the categories of workforce measures that really make a difference in the execution of strategy and a second framework to help them understand the process through which these measures are developed and implemented throughout the business. Such frameworks are important, because without really understanding what it is we are measuring – without developing models that show ‘what causes what’ throughout the business – we’ll end up with a series of unrelated metrics, not a holistic system of metrics designed to help execute strategy. A workforce scorecard provides the management team with a tool to

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- % of orders which are returned.
- % of revenues derived from new as opposed to existing customers.
- Estimated brand awareness.
- % reduction in new product development time from conception to first order shipped.
- Share of wallet achieved for “A” customers.
describe the process of strategy execution.”

– Mark Huselid, Brian Becker and Richard Beatty

The 5 elements of a sample HR scorecard

<table>
<thead>
<tr>
<th>Objective</th>
<th>Measure</th>
<th>Target</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the workforce accomplished the key strategic objectives of the business?</td>
<td>All indices to be in upper 20% of range</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>is our total investment in the workforce appropriate for what's required rather than minimized?</td>
<td>% of training and development budget spent on &quot;A&quot; players</td>
<td>Spend 75% or more of budget on &quot;A&quot; players' training</td>
<td>—</td>
</tr>
<tr>
<td>Are our key HR practices aligned with the business strategy?</td>
<td>% of all transactions shifted to self-service</td>
<td>To achieve no negative ratings</td>
<td>Strengthen HR / line manager partnership</td>
</tr>
<tr>
<td>Have we developed and implemented world-class HR management practices and policies?</td>
<td>% participation at all levels</td>
<td>100% participation at all levels</td>
<td>Design and rollout &quot;A&quot; player incentive program</td>
</tr>
<tr>
<td>Do our HR people have the skills required to design and implement world-class HR systems?</td>
<td>At least half of HR people to be rated &quot;A&quot; players</td>
<td>Run in-house and external training</td>
<td>Offer special development to potential &quot;A&quot; players</td>
</tr>
</tbody>
</table>

Effective execution means embedding workforce scorecard measures into routine managerial decision making. Developing a world-class workforce scorecard is helpful but it isn’t until these metrics are understood by managers and used by them to make better decisions about the workforce that the scorecard will have any real ability to add value. Workforce metrics have to be used as a practical tool to enhance strategic decision making.

The key question in this area is: “Do all managers have sufficient access to the workforce scorecard data so it can actually be used to communicate intent and monitor progress?”

Effective strategy execution requires a partnership to be built between a firm’s leaders, workforce and HR function. When these three components work in concert, a company
can leverage its competitive advantage to the greatest extent possible. In practice, this happens all too rarely.

Simply put, to excel in the marketplace, an organization must have three elements in place:

The business strategy describes the firm’s competitive advantage. This is an external type of differentiation. Its workforce strategy sets out how it will use its resources internally, especially its workforce, to deliver its intended competitive advantage. The workforce executes strategy and therefore for maximum effect, the organization’s business strategy, workforce strategy and HR operations must align and integrate.

For strategy execution to be successful, leaders and employees must be held accountable for the allocation and use of resources. This kind of strategic accountability requires three major components:

Each strategy should dictate which metrics would best indicate strategic progress, and success on these metrics should have some worthwhile flow-on benefits for the people involved. In many firms, these three components are out of alignment with the result that the firms perform below expectations.

“Holding work units and individuals accountable for business results is strategy execution. Firms need direction, and they need measurement to track progress. Individuals also require consequences that reinforce when they have been successful and when they have not. The challenge for leadership is building a culture of accountability.”

– Mark Huselid, Brian Becker and Richard Beatty

“An important determinant of successful strategy execution is the extent to which the firm can create a culture of accountability within the firm. The CEO and the executive team must decide the strategy of the firm, the brand message, and how the firm and its products are to be represented in the market. Each line manager should be responsible for the culture and mind-set of the workforce that reports to him or her. The role of the HR function is to provide enabling tools and techniques to manage the workforce to ensure that it is achieved. The execution of the workforce strategy is a joint responsibility between HR and line executives.

– Mark Huselid, Brian Becker and Richard Beatty

To effectively execute the workforce strategy, new and expanded roles are required at all levels of the organization. To be more specific:
The CEO needs to conduct regular strategy review discussions – with the executive team and with the board of directors. These meetings should set the strategy of the business and of the workforce rather than dwelling on the specific tactics to be used. It’s vital that the senior management clarify precisely how the firm will differentiate itself internally and externally.

The CEO needs to negotiate and set performance targets – so each member of the team knows what they will be held accountable for achieving and how the results will be determined. Everyone needs to have clarified what are their financial, customer, business process and workforce expectations.

The CEO needs to negotiate with the HR department – and specify what workforce deliverables will be required in order for the firm to execute its strategy. The CEO and the head of HR must together clarify workforce expectations, future workforce requirements and succession plans for keeping all “A” positions filled.

The role of the executive team

The executive team need to be fully engaged in crafting business strategy, workforce philosophy and workforce strategy – so they will feel accountable for the choices made and the results generated over time. An effective executive team will participate fully in discussions which mold and craft these key factors.

The executive team will identify the firm’s “A” positions – and specify how proficient the people in these positions must be in order for the firm to excel in its chosen markets. The executive team then needs to communicate these expectations to the workforce so everyone knows just what is required.

The executive team will identify all the firm’s “A” players and “B” players who have “A” potential – and will then create personalized development plans for each “A” and “B” player. These plans have to be discussed and documented, otherwise they will get lost in the normal day-to-day business operations of the organization. Each development plan must detail the actions which need to be taken to enhance the person’s performance in order to meet the organization’s current and projected performance requirements.

The executive team will then embed these development plans into the detailed performance expectations for their direct reports – so that the business leaders can be directly responsible and accountable for developing the workforce. By moving personnel development plans into positions of prominence in the performance expectations, the signal gets sent that strategy execution requires ongoing changes in the workforce. This enhanced awareness will have numerous flow-on benefits and effects.

The role of line managers

Line managers need to accept responsibility for the creation of a suitable workforce culture within their units – one which will enhance rather than hinder the unit’s likelihood of executing the preferred strategy. This responsibility is a significant part of the line manager’s responsibilities.
■ Line managers must recognize they are leaders – and accept responsibility for their own behavior and for their leadership skills. Leaders get work done through others rather than trying to do everything themselves. Leaders need to become adept at using sound HR practices to encourage their people to execute the firm’s business strategy.

■ Line managers need to clarify performance expectations – and detail those expectations for each direct report. Each employee needs to know what is expected, how they are currently performing and what they need to be doing to lift their performance in the future.

■ Line managers need to execute management decisions – and make certain the workforce understands the strategy of the business and how they fit in.

   The role of the workforce

■ Employees need to understand their business from the outside or the customer perspective in – so they can identify what they need to be doing better to execute the firm’s strategy. As well as enhancing their own job security, doing this also ensures the workforce understand the realities of the marketplace. Employees need to constantly be thinking about the business, understanding better what customers are thinking and gathering market data which can be used to optimize their own performance and that of the organization as a whole. This can be achieved by bringing customers in to the business to meet with the workforce or by encouraging employees to get out and work alongside customers. Both these actions help bring the realities of the marketplace to the shop floor.

■ Employees need to understand they must constantly be growing their capabilities and adding new ones – in order to stay competitive in the evolving marketplace. Growth in personal competencies is required to maintain a competitive advantage in the marketplace, thereby providing long-term job security. Leaders can encourage people to be growing their skills and competencies but ultimately each employee must make the decision to do the things that will help them grow and expand their competencies.

■ Employees must understand they are accountable for their own behavior – and that their personal performance will have some direct flow-on consequences. This is why the workforce should receive feedback on how they’re doing. When they deliver exceptional or outstanding performance, they need to be rewarded commensurately. Similarly, unacceptable performance should also attract appropriate consequences. In this way, leaders make the firm’s workforce philosophy operational rather than theoretical. Expectations can also be clarified and it becomes possible to differentiate employee performance. In practice, the more impressive the rewards are for outstanding performance, the greater the motivation these rewards become.

   The role of the HR function

■ HR needs to work with the CEO and the executive team – to shape the firm’s business strategy and workforce philosophy. HR needs to be involved in all discussions clarifying, negotiating, documenting and following through.
HR needs to communicate the workforce philosophy and business strategy – to line managers and the workforce. HR needs to work with everyone to develop metrics that will be indicative of workforce success.

HR needs to develop the necessary performance measurement and reward tools – which can then be used by managers to recognize and reward “A” players.

HR must design robust “A”, “B” and “C” tracking systems – so managers can be held accountable for developing their people and for differentiating performance. HR should develop the guidelines for making these classifications and teach managers how to do this in practice.

HR must help managers make difficult workforce decisions – like providing processes by which “C” players can exit the organization. This will involve appropriate notification processes, evaluation processes and so on.

HR must regularly survey the firm’s mind-set and culture – and provide managers with statistical data of their effectiveness in creating the culture required. Over an extended period, this evaluation data may be useful in tracking the effectiveness of management actions.

HR must provide the workforce with guidelines and help in growing new competencies – that is, HR must develop and make available programs by which individual employees can build their competencies. In this way, employees can take responsibility for their own careers and become progressively more valuable to the firm. These programs may involve rotational job assignments that will provide career and growth opportunities.

“HR’s deliverable is a workforce that impacts the firm’s strategy execution efforts. Workforce metrics thus are measures of mind-set, competencies, and behaviors that impact strategic components of the balanced scorecard, and help create workforce success. All HR practices should therefore be aligned with delivering workforce success and measured on metrics indicative of workforce success. The deliverable of HR must contribute to the success of the firm’s business model, and leadership must also be accountable for the success of the workforce because leaders, like HR, influence the workforce’s execution of strategy. Without joint accountability effective strategy execution cannot occur.”

– Mark Huselid, Brian Becker and Richard Beatty

“Line managers and HR must have a new partnership in strategy execution with respect to the workforce, and the efforts of both groups should be devoted to the same metrics. Strategy execution cannot be achieved only at the top of an organization. Line managers and the HR function substantially influence workforce mind-set and capabilities, both positively and negatively. Effective workforce metrics enable strategic workforce decisions to occur, which can impact the successful execution of any firm’s strategy significantly. The challenge is to use all resources to the maximum to effectively execute strategy – line managers and HR are critical components of this effort.”

– Mark Huselid, Brian Becker and Richard Beatty

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Organizations that have successfully adopted the workforce scorecard have passed the three challenges of development:

**Challenge #1** – The perspective challenge

- The CEO expects the firm’s senior executives, line managers and HR leaders to be able to articulate and explain the influence of workforce success on the firm’s ability to successfully execute its strategy.

- The CEO designates specific measures of workforce success and then holds senior managers accountable for these performance measures.

- The CEO and the senior executives will understand the importance of a differentiated workforce strategy and will be able to explain how it is implemented and how the results will be measured.

- The firm’s senior managers and line managers will form a partnership with HR leaders. Both will work together to attract, hire, develop and then retain top talent that is consistent with the firm’s strategy.

- Senior executives, line managers and HR leaders will have shared accountability for workforce success and strategic performance drivers.

- HR leaders will focus more on leading indicators of future success and less on lagging indicators of past business performance.

**Challenge #2** – The metrics challenge

- Senior managers will focus on just a small number of key workforce metrics, and everyone in the entire organization will understand why they are important to track.

- These metrics will be measured and then managed in real time rather than on a delayed basis.

- The firm’s workforce measures will be personalized and based on its own unique requirements rather than external benchmarks like best practices.
The firm’s metrics will be constantly evolving – so that the workforce measures managers are focusing on today will be very much different from those which were in common use five years ago.

The value of each workforce metric will be determined by the actual relationship between workforce success and business outcomes rather than the expected relationship.

The organization’s metrics will reflect whether or not differential investments are made on the firm’s “A” players in “A” positions or not.

**Challenge #3 – The execution challenge**

- HR will spend less time dealing with employee performance problems and devote more time and energy to distinguishing between potential “A” and “C” players at the point of hire.
- HR will start measuring its success using the same metrics as the company as a whole rather than on the strength of HR initiatives.
- HR will work continuously to create a shared mind-set around execution of the strategy rather than taking this for granted.
- HR will put in place a staffing structure which will enable it to balance being a strategic partner and delivering HR services efficiently.
- The firm’s strategic workforce measures will be owned and coordinated by a group of people rather than being assigned in an ad-hoc fashion.
- Senior executives, line managers and HR leaders will consider the results of the measurement system are well worth the effort of implementation.

“As previously noted, workforce success is both the most important and most underutilized asset in many businesses. As a consequence, most firms have the potential to considerably improve the effectiveness of their strategy execution and subsequently firm performance, and the management lever offering the greatest return is improved workforce success. This is the good news. The bad news is there is very little low-hanging fruit. If it were easy to diagnose and implement these changes, they would already have happened in most organizations.”

– Mark Huselid, Brian Becker and Richard Beatty

“The workforce scorecard is a crucial lever in the strategy execution process. Workforce success is often the key performance driver, directly or indirectly, for all other elements of strategic success. Unfortunately, senior executives usually have very limited tools for measuring workforce success or holding line managers accountable for workforce performance. In fact, many of the same firms that have highly detailed information about their inventories and physical plant have almost no information about their own workforces – presumably one of the key drivers of their strategic success. The workforce scorecard is designed to solve that problem.”

– Mark Huselid, Brian Becker and Richard Beatty

“We believe that many firms approach workforce management from the wrong
perspective, and their financial performance suffers as a result. Instead of focusing on how to execute strategy through the performance of the workforce, in many firms the first priority is cost control, and the focus often begins with the HR function. In many firms, HR operating expenses account for just 1 percent of total operating expenses. The dollars involved in a firm’s total workforce expenditures are considerably greater, typically accounting for 60 to 70 percent of a firm’s operating costs. The strategic benefits of improved workforce performance represents a significant opportunity for improvement in most firms. Simply think of what it would mean to your firm’s overall performance if you could improve the extent to which the workforce had the skills, motivation and focus necessary to execute your strategy by 25 percent or more. The workforce scorecard is intended to provide a road map for that journey.”

– Mark Huselid, Brian Becker and Richard Beatty

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