CHAPTER 2

Using a Strategic HRM Balanced Scorecard as a Strategic Framework

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PL 1. Using the BSC as a personal framework for objective setting and organizational performance 1

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The general Balanced Scorecard framework and SHRM Balanced Scorecard points to the importance of four perspectives – the customer/client, internal process, and innovation and learning (learning and growth), and financial perspectives – arranged in a semi-causal chain. The perspectives are important in implementing an organization’s strategic themes and objectives and for illustrating how HR strategic objectives and processes can be aligned with those of the organization. The BSC framework asks you to develop strategic objectives in each area to improve implementation of an organization’s vision and strategic themes.

When Kaplan and Norton introduced the Balanced Scorecard,[[1]](#endnote-1) they were encouraging managers to recognize that financial indicators are only one lens in reviewing an organization’s or program’s success. They suggested that we should also recognize the customer, internal process, and learning and growth perspectives as other lenses. Each of these perspectives is uniquely important as they have a rich history in their contribution to understanding organizations.

The following subsection provides a brief review of each perspective and its connections to different bodies of theory in management and organizational studies. You are then encouraged to focus on key objectives which might be central to each perspective. These key objectives can be useful as a personal framework to guide your objective setting in organizations.

Why these perspectives? Let’s review these perspectives as they represent different theoretical streams on how to improve performance in organizations.

*Customer perspective.* It has long been demonstrated that ‘customers (and users who may not be customers) can be crucial antecedents to innovation’. Many innovations (up to 80% in the scientific instruments industry) are instigated, tested, or prototyped in a relationship with customers or clients.[[2]](#endnote-2) The customer relationship is not new and one of its key connections is the quality management literature by Deming, Juran, Crosby and Garvin. Customers can play different roles as: buyers, users, as the key focus of activities, as people with voice, and as the ultimate measure of quality, in addition to many other roles.[[3]](#endnote-3) The customer relationship has ushered in many changes in organizational theory and it has transformed managerial thinking in designing products and services.

*A key objective which is central to this perspective is: improving customer or client service.*

*Internal process perspective.* The internal process perspective is concerned with the efficiencies in carrying out key activities and processes which help an organization excel and provide expected value for customers or clients. These can be processes which deliver services, enhance customer value, or create new services. Historically, many of the original measures of efficiency sought to improve the manufacturing and operational processes. In the early history of industrial manufacturing, Henry Ford’s assembly-line for manufacturing car was probably the most visible example of specialization and division of labour to improve manufacturing efficiency. Ford got the idea when he was watching meat packers who performed their work moving large carcasses along a conveyor belt. Within a year of introducing the assembly line at Ford in 1913, the time it took to produce a Ford chassis was reduced from 12 hours-plus to 93 minutes. The Model T’s price was reduced from $950 in 1909 to $360 seven years later, even though he increased wages for workers from $2.50 per hour in a nine hour day to $5.00 an hour for eight hours work. By 1926, Ford was producing half the motor vehicles in the world.

The internal process perspective can also be connected to Frederick Taylor’s ideas on scientifically designing more efficient internal processes. Applications of Taylor’s approach to job design are found in numerous public and private organizations. In hospitals there are standardized routines for patient safety and health care. Fire safety, risk management, and police procedure illustrate Taylor-like standards and practices in which industrial engineers or work experts have analyzed the various processes, developed efficient and safe procedures, and then recruited and trained people so that they could do the jobs in an effective way. As an example, check the long list of guides on food standards that are available on handling food. General procedures in the home encourage food handlers to take steps in: a) cleaning; b) separating; c) cooking; and d) chilling food. This is just one of a long list of guidelines and regulations that have been developed using Tayloristic principles of design.

The internal process perspective in the Balanced Scorecard goes much beyond Tayloristic principles in developing efficient manufacturing and operational processes. What it takes from this history is the concern for efficiencies in adding value.

The internal process perspective in the Balanced Scorecard is concerned with all efficient processes that add value to customers, stakeholders, and shareholders. This concerns efficiencies in three areas: innovation, operations and post service. Being innovative is concerned with identifying the right client/market and creating a ‘needed and useful’ service; operations is concerned with designing the service or product and efficiently delivering it; post service is making sure the service works and satisfies the needs of customers or clients.[[4]](#endnote-4)

*A key objective which is central to this perspective is: improving efficiency and effectiveness in operations.*

*Financial perspective:* Financial performance provides a measure of how efficiently the organization’s strategic themes and objectives are provided. In a business environment, financial goals are what organizations seek to maximize (profitability, growth and shareholder value, while in public sector organizations the key goals focus attracting and retaining funding to implement strategic themes and showing funding has been administered in a prudent way. Historically, the financial perspective might be connected to the early management tradition connected to Henri Fayol who said a manager’s key processes include: planning, organizing, coordinating, and controlling. Observing an organization’s finances is one of the key ways that a manager can control whether the work is organized and coordinated in accordance with a plan.

*A key objective which is central to this perspective is: providing more value for clients and customers.*

*Learning and Growth perspective:* An organization’s ability to innovate, improve, and learn is a key enabler or foundation for the implementation of objectives in other areas. More than anywhere else, this points to the importance of ‘human’ resources as key drivers of what organizations do. In public sector scorecards, the learning and growth perspective is usually at the bottom of the scorecard as it is seen as enabling other perspectives.

Three areas often describe the learning and growth perspective: employee capabilities, information systems capabilities, and motivation, empowerment, and alignment. Employee capabilities are illustrated by the competencies (knowledge, skills, abilities, and other characteristics. The capability of the information system is illustrated in the technology infrastructure and the motivation, empowerment, and alignment summarizes the climate for action. Three core measures include employee satisfaction, employee retention, and employee productivity.[[5]](#endnote-5)

Historically, the learning and growth perspective is possibly most connected to the human relations tradition, a model which is connected to Elton Mayo and the Hawthorne studies which investigated the affect of environmental conditions (i.e., lighting) and their affects on productivity. The results pointed to the importance of employee motivation, findings which stirred on other motivation theories on the 1960s from Frederick Herzberg, Abraham Maslow, David McClelland, and Douglas MacGregor.

*A key objective which is central to this perspective is: improving workplace satisfaction, health, career development.*

# Your personal framework

The Balanced Scorecard is a mechanism for defining objectives and measures of performance in each area and illustrating the relationship of each of these four perspectives. When these perspectives are coordinated, there is a greater possibility that an organization’s strategic objectives will be achieved.



As a personal framework, you are encouraged to define initiatives and activities that might be useful and not helpful in responding to the key strategic objectives of: 1) improving customer or client service; 2) improving efficiency and effectiveness in operations; (iii) adding value to clients and customers, and (iv) improving workplace satisfaction, health, and career development.

1. For each of the four strategic objectives, what could you do that is helpful to others (colleagues, friends, employees and other managers) in your work and achieving your objectives?

Strategic objective 1: Improving customer and client services

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Strategic objective 2: Improving efficiency and effectiveness

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Strategic objective 3: Providing more value to customers or clients

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Strategic objective 4: Improving workplace satisfaction, health, career development

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2. For each of the four strategic themes, what would others (colleagues, friends, employees and other managers) not want you to do which they would find **unhelpful?**

Strategic objective 1: Improving customer and client services

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Strategic objective 2: Improving efficiency and effectiveness

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Strategic objective 3: Providing more value to customers or clients

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Strategic objective 4: Improving workplace satisfaction, health, career development

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3. What objectives, initiatives and measures are relevant for guiding achievement of objectives in each area?

Strategic objective 1: Improving customer and client services

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Strategic objective 2: Improving efficiency and effectiveness

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Strategic objective 3: Providing more value to customers or clients

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Strategic objective 4: Improving workplace satisfaction, health, career development

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3. Lengnick-Hall, C.A. (1996) Customer contributions to quality: A different view of the customer-oriented firm. *Academy of Management Review, 21, 791-824.* [↑](#endnote-ref-3)
4. Kaplan, R.S., & Norton, D.P. (1996) *The Balanced Scorecard: Translating strategy into action.* Boston: Harvard Business School Press. [↑](#endnote-ref-4)
5. Ibid. [↑](#endnote-ref-5)