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BALANCED SCORECARD: STRATEGIC HUMAN RESOURCE MANAGEMENT APPLICATIONS

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LIST OF ABBREVIATONS

ABC	Activity Based Cost
BCG	Boston Consulting Group
BPR	Business Process Re-engineering
BSC	Balanced Scorecard
CEO	Chief Executive Officer
CFO	Chief Financial Officer
EEO	Equal Employment Opportunity
EEO/AA	Equal Employment Opportunity/Affirmative Action
EPS	Earnings per Share
ERP	Enterprise Resource Planning
HR	Human Resources
HPSW	High Performance Work System
HRIS	Human Resources Information System
IIP	Investors in People
MBO	Management by Objectives
MCE	Manufacturing Cycle Effectiveness
MIS	Management Information System
OC	Organizational Capital
QFD	Quality Function Deployment
R&D	Research and Development
ROI	Return on Investment
SAM	System Alignment Map
SBU	Strategic Business Unit
SFO	Strategic Focused Organization
SPMS	Strategic Performance Management System
SWOT	Strength/ Weakness / Opportunity /Threat
TQM	Total Quality Management

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ABSTRACT

Today's most successful companies have realized that human capital represents the only real sustainable competitive advantage. Organizations that use the Balanced Scorecard to align their human capital with their strategy have achieved both bottom line and strategic results. From an ongoing study of the Balanced Scorecard offers a framework to manage and measure human capital and provides an integrated strategic planning process for human resource. This paper presents new strategic human resource program, and this programs include human resource strategy maps, human capital, organizational capital readiness reports and their development programs offer a solution for strategic management model. In the last phase of study human resource technologies, competencies and climate for human resource action are examined and applied to new strategic human resource model.

Key words: strategy, balanced scorecard, strategic human resource management, human resource function, strategy map, performance management, strategic management

ÖZET

Günümüzde başarılı firmalar gerçek güçlendirilebilir rekabet avantajı olarak sunulan insan sermayesinin farkına varmışlardır. Stratejileri ile insan kaynaklarını hizalandırmak amacıyla Balanced Scorecard yaklaşımını kullanan kuruluşlar hem kar hanelerini artırmayı hem de stratejik sonuçları elde etmeyi başarmışlardır. Bu çalışmadaki Balanced Scorecard yaklaşımının açıklanması ile beraber insan sermayesi ölçüsü, yönetimi ve insan kaynakları için entegre stratejik planlama işlemi sağlaması için geniş bir biçimde ele alınmıştır. Bu tez çalışması yeni stratejik insan kaynakları programını sunar ve bu program insan kaynakları stratejik haritasını, insan ve organizasyon sermayesinin hazır oluş raporlarını ve bunların gelişim programlarını çözüm olarak sunmaktadır. Çalışmanın son etabında insan kaynakları teknolojileri, insan kaynakları yetkinlikleri ve insan kaynakları aksiyonu için uygun ortam ele alınmış ve yeni stratejik insan kaynakları modeline uygulanmıştır.

Anahtar Kelimeler: strateji, kurumsal karne, stratejik insan kaynakları yönetimi, insan kaynakları fonksiyonları, strateji haritası, performans yönetimi, stratejik yönetim.

1. INTRODUCTION

In most companies, human resources are still seen as a paper-pushing department that focuses on administering benefits and issuing paychecks. Organizations are increasingly looking at human resources as a unique asset that can provide sustained competitive advantage. The changes in the business environment with increasing globalization, changing demographics of the workforce, increased focus on profitability through growth, technological changes, intellectual capital and the never-ending changes that organizations are undergoing have led to increased importance of managing human resources. The main scope of this study is to examine the human resource strategic model.

Firstly in this study, explain compare historical business environment; industrial age and information age. And then it clarifies traditional financial measurement. Strategy and new management systems are very important subjects in today's competitive environment. Companies should have linking business strategies, performance management and human management systems.

New business environment have different management systems. In this research represent mostly effective management system; Balanced Scorecard. The Balanced Scorecard is the result of a year long research effort led by Robert Kaplan, Marvin Bower Professor of Leadership development at the Harvard Business School and David Norton. The second part is about the subject of Balanced Scorecard, analyze its perspectives and determine human resource tie.

The fourth part includes human resource management, human resource function, human resource deliverable, human resource architecture and human resource measurement system.

Until the part of fifth, in this research use literature study model. Under these conditions many books, articles, and magazines are examines to obtain information about business world and strategic management, balanced scorecard approach, human resource functions.

In our research is to help HR managers think strategically and manage how human capital creates value in organizations. HR is part of the value chain of producing profit for the company. In the fifth part propose strategic management model for human resource function by help with literature study. Briefly the main focus of this part in on exploring what is meant by corporate strategy and links between that and HR strategy.

2. BUSINESS WORLD AND STRATEGIC MANAGEMENT

Lately, business world have seen extremely volatility. Many industry sectors and financial sectors are again enduring painful layoffs. Warnings of slowing earnings and revenue growth abound. The indicators of a slowing economy have been evident for some time. In a period of slowdown and weakness' the age-old questions is once again begged: How is market value created and sustained? I spite of current conditions, firms would do well not to take their eyes off a long term view even in such a period of seeming global economics slowdown and market instability.

The ultimate goal of strategy is create value – for shareholders and other stakeholders- by satisfying the needs and wants of customers. Strategy, to put it in its simplest form, is about hard choices –trade offs- about deliberately choosing to be different. Strategic management involves three principle steps: 1) "Where are we now?" analysis, 2) "Where do we go?" assessment and 3) "How do we get there?" appraisal. These principles make the strategy formulating process. This process include evaluate current performance, environmental analysis, industry analysis, company analysis, SWOT analysis, strategy options and evaluation. (Feurer and Chaharbaghi, 1995)

Business strategy emerges bottom up as well as top down. Since many employees are in touch with customers, suppliers and new technologies, they identify needs and solutions. Customer needs may result in new products that define the company's strategy. Employees at the top and the bottom develop sensitive antennae for technological and market change. They look at what customers ask for, and they look at what the customer may need tomorrow. Hundreds, perhaps thousands of people are in touch with environment, providing much data about external needs. This information accumulates into the strategy. Successful implementation of strategy requires all parts of an organization to be aligned and linked to the strategy, while strategy itself must become a continual process in which everyone is involved. In this case strategy management is very important. Research shows that most companies fail to execute strategy successfully.

2.1. Industrial Age and Information Age

Strategy is a term that can be traced back to the ancient Greeks, who used it to mean a chief magistrate or a military commander-in-chief. Over the next two millennia, refinements of the concept of strategy continued to focus on military interpretations. Carl von Clausewitz's attempted synthesis in the first half of the nineteenth century is a particularly notable example: he wrote that whereas "tactics… [involve] the use of armed forces in the engagement, strategy [is] the use of engagements for the object of the war"[1] The adaptation of strategic terminology to a business context, however, had to await the Second Industrial Revolution, which began in the second half of the nineteenth century but really took of only in the twentieth century. (MacCraw, 1998)

The First Industrial Revolution (which spanned the mid-1700s to the mid-1800s) had failed to introduce much in the way of strategic thinking or behaviour. This failure can be chalked up to the inference that, while this period was marked by intense competition among industrial firms, virtually of those companies lacked the power to influence market outcomes to any significant extent.

The second Industrial Revolution, which began in the last half of the nineteenth century in the United States, saw the emergence of strategy as a way to shape market forces and affect the competitive environment. In the US, the construction of key railroads after made it possible to build mass markets for the first time. Along with improved access to capital and credit, mass markets encouraged large-scale investment to exploit economies of scale in production and economies of scope in distribution. (Ghemavwat, 2001)

At the same time and extending into the period after the World War I, other senior industrialists were faced with what today we would probably identify as major strategic issues: industrialisation had brought economies of scale, greater competition between countries and between companies, along with mass markets for such items as the motor car. In a pragmatic way owner proprietors such as Henry Ford set about experimenting in their companies to produce their goods more cheaply and thus fulfil growing market demand. Ford developed strategists that we still recognise today in the period 1908-1915.

Henry Ford didn't believe in major model variations and market segmentation, however unlike his great rival from the 1920s, General Motors, headed by Alfred P Sloan. Nor did Ford believe in the importance of middle and senior management. (Lynch, 2000)

In 1963, a business policy conference was held at Harvard that helped diffuse the SWOT concept in both academia and management practice. Attendance at the conference was heavy, but ensuring popularity of SWOT-which was still used many firms in the 1900s, including Wal-Mart did not bring closure to the problem of actually defining a firm's distinctive competence. To solve this problem, strategist had to decide which aspects of the firm were "enduring and unchanging over relatively long periods of time" and which were "necessarily more responsive to changes in the marketplace and the pressures of other environmental forces". (Andrews, 1998)

The debate over a firm's "willingness to gamble" on its distinctive competence in its pursuit of an opportunity continued throughout the 1960s, fuelled by a booming stock market and corporate strategies that were heavily geared toward growth and diversification. (Levit, 1960)

The 1960s and 1970s witnessed the rise of a number of strategy consulting practices. In particular, the Boston Consulting Group (BCG), founded in 1963, had a major impact on the field by applying quantitative research the problems of business and corporate strategy. BCG's founder, Bruce Henderson, believed that a consultant's job was to find "meaningful quantitative relationships" between a company and its chosen markets. (Tilles, 1996)

In the late 1970s, portfolio analysis came under attack as well. One problem was that the strategic recommendations for an Strategic Business Unit (SBU) were often inordinately sensitive to the specific portfolio-analytic techniques to a group of 15 SBUs owned by the same Fortune 500 corporations, it found that only one out of the 15 SBUs fell in the same area of each of the four matrices and only five of the SBUs were classified similarly in the three of the four matrices.

In 1979, Fred Gluck, the head of McKinsey's strategic management practice, ventured the opinion that "the heavy dependence on 'packaged' techniques has frequently resulted in nothing more than a tightening up, or fine tuning, of current initiatives within the traditionally configured businesses "vulnerable to unexpected thrusts from companies not previously considered competitors." (Gluck, Kaufman and Walleck, 1978)

2.2. Traditional Financial Measurement

Traditional business performance measurements have been financial- measuring such ratios as rate of return, cash flow, profit margins, and so on. These financial data have the advantage of being precise and objective. However significant arguments against such measures are that: They tend to be very insular or inward looking (although financial data can be and are, compared with other organisations, the "like for like" argument can make comparison unreliable); They fail to include the less tangible factors such as product or service quality, customer satisfaction and employee morale; and they are lagging indicators. (Coad, 1999)

The traditional approach has been to allocate indirect overhead type expenses based on some board brushed factor (e.g. direct labour hours). This rarely affects the cause –and-effect relationship between the indirect overhead expense and the product, service or customer that is consuming the cost. The problem with the traditional approach is that it can be very misleading when trying to determine which products or customers, etc., are profitable. (Parker,2000)

2.3. Strategy and Management Systems

The amount of literature available on strategy development is vast and is growing at an accelerating rate. There is a growing cognisance that in highly dynamic environments, traditional approaches to strategy development often do not lead to the intended results, and that organisations must move towards a more dynamic concept as the underlying conditions change before formulated strategies can be fully implemented. However, the way in which a dynamic approach to strategy development can be achieved is not clear. (Feurer and Chaharbaghi, 1994)

The reason for the availability of different definitions can be explained through the Greek origin of the term strategy *strategia –the art of the war*. There are a number of papers and books: both in Chinese and English or even some other languages, published on Sun Tzu's The Art of War applying the war strategies in business and management environments.

Many of them talk about Sun Tzu's philosophies or strategies and some cases successful stories using the strategies. Sun Tzu's The Art of War's comprehensive model for strategies that has the following process: situation appraisal, formulation of goals, formulation of strategies, evaluation of strategies, implementation of strategies (human factor), implementation of strategies (operational factor), and strategic controls.

Many of the concepts that form the basis of today understands of strategy development were developed during the first half of the twentieth century.

Strategic analysis include identification of vision, mission and objectives else environment and resources. Vision can be defined as' a mental image of a possible and desirable future state of the organization'. There are five reasons to develop a strategic vision; most organisations will have ambitions that go well beyond the immediate future and purpose needs to explore this vision, the organisation's mission and objectives may be stimulated in a positive way by the strategic options that are available from a new vision, there may be major strategic opportunities from exploring new development areas that go beyond the existing market boundaries and organisation resources. Resource projections and simple market for the next few years will miss the opportunities opened up by whole new range of possibilities. Extrapolating the current picture is unlikely sufficient, vision provides a desirable challenge for both senior and junior managers.

Strategists among discuss over the definition of a mission statement. There has been a high degree of interest by companies but relatively limited definition and research of a more academic nature. (Oliver, 1999)

The debate around the traditional to strategy formulation, which focuses on outcomes, where an organization's success is measured in terms of its performance in the market palace and return on investment, indicates that economic success is the benchmark used. (Hodgkinson, 2002)

A vision becomes more tangible when it is expressed in the firm of a mission statement. Such a statement can verbalize the beliefs and the directions toward which a visionary manager wants to lead the organization. A mission statement usually attempts to answer several of the following questions:

1- What is our reason for being? What is our basic purpose?
2- What is unique or distinctive about our organization?
3- What is likely to be different about our business three to five years in the future?
4- Who are, or who should be, our principal customers, clients, or key market segments?
5- What are our principle goals and services, presents and future?
6- What are, or what should be, our principal economic concerns?
7- What are the basic beliefs, values, aspirations, and philosophical priorities of the firm?

Explicitly addressing such questions by writing a formal mission statement for the organization can have three major benefits. (Dess and Alex, 1996)

Mission statements establish boundaries to guide strategy formulation. By providing a sense of strategic direction, mission statements focus attention toward certain goals and away from others. Overly restrictive mission statements run the risk of inducing short sightedness. However, without some degree of focus, an organization may not be effective. Such an organization may wander from one opportunity to another, and its managers can spend inordinate amounts of time analysing what it could do without ever actually doing much of anything.

Giving emphasis to financial performance should not be taken as an indication that nonfinancial performance is not important, for three reasons. First, because profit is so fundamental to business, its inclusion in a mission statement seldom helps distinguish what is unique about a particular firm. For a business to state that its mission includes being profitable is like a basketball team's saying its mission includes winning games? Second, many organizations are not for profit businesses; in fact, today's economy is filled with non-profit organizations. Third, even for profit businesses have important missions beyond profitability. We know many managers who consider profits to be the way one "keep score" in business but not the most important thing the business does. For example, many entrepreneurs consider building a business that reflects well on the founder to be more important than "just' making money.

3. A MANAGEMENT SYSTEMS: BALANCED SCORECARD

3.1. Balanced Scorecard to Drive Strategy Formulation, Navigation, Communication and Execution.

Traditional financial accounting measures, like ROI and EPS can give misleading signals. As a result, managers want a balanced presentation of both financial and new operational measures. (The Antidote Issue 1, 1996)

The Balanced Scorecard is a powerful management tool for strategy execution. The Balanced Scorecard was first introduced in early 1990s through the work of Robert Kaplan and David Norton of the Harvard Business School. Since then the concept has become well known and its various forms widely adopted across the world.

The ability to execute strategy is a key issue facing most companies, as there are numerous barriers to successful implementation. Among these are: vision barrier (where majority of the employees do not understand the organization's strategy), management barrier (little time spent by executives on discussing strategy), resources barrier (budgets are not linked to strategy) and people barrier (few managers and employees have incentives linked to strategy). (SAMM Software Brochure, 2001)

However, just having a strategy is not enough. Even an effectively developed strategy that reflects the hard choices an organization must make is completely worthless if it just sits on a shelf in an executive office. A study in Fortune Magazine found that less than 10 percent of strategies effectively developed were effectively implemented. In another study, Fortune found that in more than seventy percent of the cases when CEOs fail, it's not the strategy, but execution that went awry. (Miyake, 2002)

The Balanced Scorecard is concerned with an organization's strategy, how to envision what's needed and how to achieve it. Although most organizations have a strategic plan, the success rate of strategic change is usually well below expectation. The reasons for this are inherent in many existing management systems, which fail to unite the long-term strategic objectives with the short-term operational plans. The Balanced Scorecard methodology bridges these two planning processes and uses a set of cross-functional measures to give a "balanced" view of performance against plan. The Balanced Scorecard analytical application is a management tool that converts enterprise vision and strategies into measurable goals, enables communication of strategic objectives, and provides measurement of performance in key areas to determine progress towards achieving the strategy. (Crystal Decisions Company Brochure, 2002)

There are many reasons that make it difficult to implement strategy today. The pace of change continues to accelerate, technology changes frequently, and the workforce is more diverse and mobile than ever before. The shift from tangible assets (Equipment, plant and property) to intangible assets (brands, intellectual property, people) is hard to understate in the economy today. Much of the market valuation of the market today is based on intangible assets.

The balanced scorecard can be thought of as the "strategic chart of accounts" for an organization. It captures both the financial and non-financial elements of a company's strategy, and discussed the cause and effect relationship that drive business result. It allows, for the first time, an organization to look ahead – using leading indicators – instead of only looking back using lagging indicators. The balanced scorecard puts strategy – the key driver of results today- at the center of the management process.

The balanced scorecard was developed to address these problems. The approach was based on the simple premise that the creation of value consistent with the mission is the overarching purpose of organizations and strategy, instead of describing piece of strategy. The measurements are derived from a description of the strategy that we call a strategy map. This combination of measurement and mapping provides tools that have been used in numerous organizations to successfully execute strategy. (Norton, 2002)

An organizational communication device or system may be characterized by the qualities of its (1) processes and messages, (2) support of organizational culture, and (3) creation and exchange of knowledge.

3.2. Strategy Happens Through the Balanced Scorecard

Strategy equals change. Strategy implies going from here to there. You've never been to there before. And there implies new customers, new products, new attitudes, new culture in the part of the organization. Each one of these organizations began, for example, by creating awareness of the need for change in their organizations. Sometimes it was obvious. If you're losing a million dollars a day it is obvious. You need to change. In other cases, there were organizations that were leading their industry, but were anticipating the impact of e-commerce, or other global changes that were taking place. So they used this as an initiative to get the organization moving. They did was they constituted a new leadership team.

Kaplan and Norton compare the balanced scorecard to the dials and indicators in an airplane cockpit. For the complex task of flying an airplane, pilots need detailed information about fuel, air speed, altitude, bearing, and other indicators that summarize the current and predicted environment. (Workforce Performance Newsletter, 2001)

The Balanced Scorecard then, has to be able to define the linkages that executives are trying to create among the parts of the organization. Every successful program found a way to link the organization through the Balanced Scorecard. Once you have the corporate scorecard, or the group scorecard, this then is handed off to the lines of business.

3.3. Balanced Scorecard and Perspectives

The Balanced Scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long term capabilities and customer relationships were not critical for success. A balanced measurement system helps clarify cause-effect relationships and includes a mix of outcome measures (lag indicators) and performance drivers (lead indicators). Revenue growth, return on investment and profit are relatively easy to measure, but they're lag indicators. They show where the organization has been but often don't indicate what's really driving the results. That's where lead indicators come in. These measures track the things that drive future performance.

The key to the balanced scorecard is determining how the lead indicators affect the lag indicators. You can measure organizational progress accurately and then manage organizational performance. The information from the scorecard also allows leaders to adjust strategies, thus making it a useful management tool. (Davis and Colteryahn, 2002)

The Balanced Scorecard starts with the mission and vision of a company. Then it defines the financial objectives with respect to achieving the vision. Based on the financial objectives it defines what customer measures are needed to produce the desired financial performance. These customer perspectives are the basis for what internal process must be excellence order to satisfy the needs of the customer. And finally it defines what has to be done to develop the internal resources of the company through innovation and learning in order to excel at these processes.

The Balanced Scorecard complements financial measures of past performance with measures of the drivers of the future performance. The objectives and measures of the scorecard are derived from an organization's vision and strategy. The objectives and measures view organizational performance from four perspectives.

- FINANCIAL PERPECTIVE
- CUSTOMER PERSPECTIVE
- INTERNAL-BUSINESS-PROCESS PERSPECTIVE
- LEARNING&GROWTH PERSPECTIVE

The different types of performance indicators can be broken down into what balanced scorecard aficionados call 'perspectives'. Perspectives reflect the different views that can be taken of an organization. The Financial perspective monitors the traditional monetary measures that are familiar to most people. These include measures such as profitability, revenue growth and shareholder value. To succeed financially, how should we appear to our owners?

The Customer Perspective looks at an organization through the eyes of its customers. It measures indicators such as service levels, satisfaction ratings and the volume of repeat business. To achieve our vision, how should we appear to our customers? The Internal Perspective reports on the efficiency of internal processes and procedures. It encompasses metrics like productivity, cycle time and cost. To satisfy our customers, at what business processes must we excel? Finally, the Organization and Learning Perspective deals employee issues. Indicators here might contain items such as intellectual assets, market innovation and skills development. To achieve our vision, how will we sustain our ability to learn and improve? (Ziegenfuss, 2000)

Each of those four perspectives has their own goals and measures; however they all need to relate to each other. Meaning, the goals of goals for the internal resources should support the goals of the internal processes, and the goals of the internal process should support the goals for customer needs and so on.

Financial Goals

- Business Growth
- Profitability
- Cost Control
- Accountability
- Efficiency and Economy
- Return on Investment
- Contracts Management

Customer Goals

- Customer Satisfaction
- Quality of Products & Services
- Price
- Value for Money
- Reliability of Products & Services
- Services
- Business Image

Internal Processes Goals

Productivity

Business Continuity

Skilled Staff, Business

Delivery times

Common Languages

Information Sharing

Resources Management

Control over Business

Innovation and Learning Goals

Market Intelligence

Business Flexibility

Managing R&D, New Technology

Measuring Effectiveness

Learning Ability & Process Maturity

Infrastructure Planning and Design (Interpromusa, 2003)

Each perspective goals include strategic measures and targets. A good Balanced Scorecard should have an appropriate mix of outcomes (lagging indicators) and performance driver (leading indicators) of the business unit's strategy. These are forming strategic measures. Each measures determined targets.

3.3.1. Financial perspective

The financial objectives serve as the focus for the objectives and measures in all the other scorecard perspectives. Every measure selected should be part of a link of cause and effect relationship that culminate in improving financial performance. For most organizations, the financial themes of increasing revenues, improving cost and productivity, enhancing asset utilization, and reducing risk can provide the necessary linkages across all four-scorecard perspectives.

When we start developing the financial perspective for their Balanced Scorecard, business unit executives should determine appropriate financial metrics for our strategy. Financial objectives and measures must play a dual role: they define the financial performance expected from the strategy, and they serve as the ultimate targets for the objectives and measures of all the other scorecard perspectives. (Kaplan and Norton, 1992)

Business strategy theory suggest several different strategies that business unit can follow, ranging from aggressive market share growth down to consolidation, exit and liquidation. Companies just have three stages; Growth, Sustain and Harvest.

The overall financial objective for growth-stage businesses will be percentage growth rates in revenues, and sales growth rates in targeted markets, customer groups, and regions.

3.3.2. Customer perspective

In the Customer perspective of the Balanced Scorecard, companies identify the customer and market segments in which they have chosen to compete. The customer perspective enables companies to align their core customer outcome measures- satisfaction, loyalty, retention, acquisition and profitability-to targeted customers and market segments. It also enables them to identify and measures explicitly, the value propositions they will deliver to targeted customers and market segments. If business units are to achieve long run superior financial performance, they must create and deliver products and services that are valued by customer.

Businesses must identify the market segments in their existing and potential customer populations and then select the segments in which they choose to compete. Identifying the value propositions that will be delivered to targeted segments becomes the key to developing objectives and measures for the customer perspective. The customer perspective of the scorecard translates an organization's mission and strategy into specific objectives about targeted customers and market segments that can be communicated throughout the organization. (Kaplan and Norton, 1996b)

A strategy formulation process, using in depth market research, should reveal the different market or customer segments, and their preferences along dimensions like price, quality, functionality, image, reputation, relationship, and service. Those customer and market segments that it chooses to target can then define the company's strategy. The Balanced Scorecard, as a description of a company's strategy, should identify the customer objectives in each targeted segment.

Companies generally select two sets of measures for their customer perspective. The first set of measures such as customer satisfaction, market share, and customer retention, appear in so many balanced scorecards, many researchers refer to them as the core measurement group. The second set of measures represents the performance drivers-differentiators- of the customer outcomes. The performance driver measures capture the value propositions that the company will attempt to deliver to its targeted customer and market segments.
The core measurement group of customer outcomes is generic across all kinds of organizations. The core measurement group includes measures of: Market Share, Customer Retention, Customer Acquisition, Customer Satisfaction, and Customer Profitability.

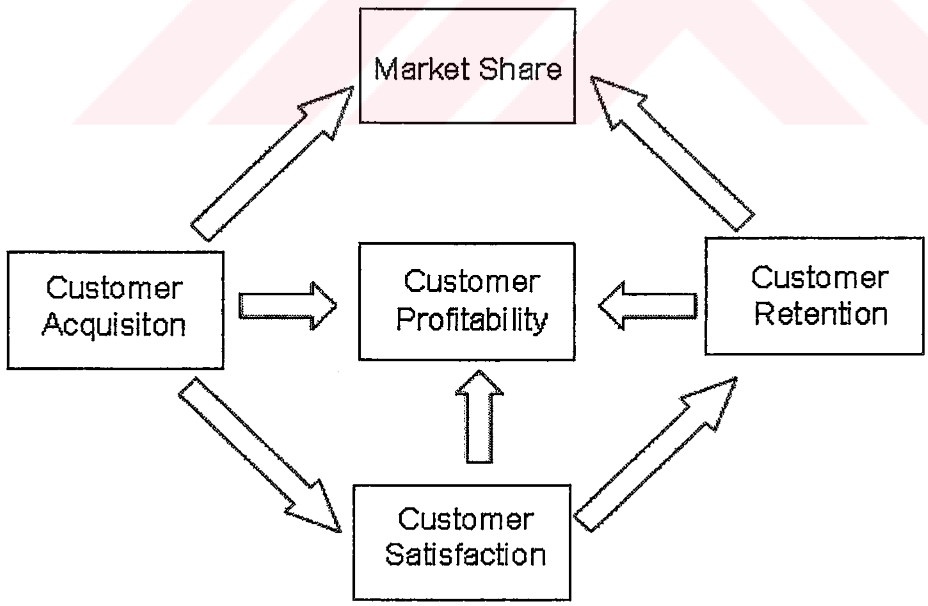

Figure 3.1 The core measurement group's measures relation

Source:[Kaplan, Robert S., Norton David P.,1996, Translating Strategy in Action The Balanced Scorecard]

Market share, reflects the proportion of business in a given market that a business unit sells.

Customer acquisition measures, in absolute or relative terms, the rate at which a business unit attracts or wins new customers or business.

Customer retention tracks in absolute or relative terms, the rate at which a business unit retains or maintains ongoing relationships with its customers.

Customer satisfaction assesses the satisfaction level of customer along specific performance criteria within the value proposition.

Customer profitability measures the net profit of a customer, or a segment, after allowing for the unique expenses required to support that customer. (Kaplan and Norton, 1996a)

Also other representative measures that companies can use to develop time, quality, and price metrics for the customer perspective of their balanced scorecard. Being able to respond rapidly and reliably to a customer's request is often the critical skill for obtaining and retaining valuable customers' business. Other customers may be more concerned with the reliability of lead times than with just obtaining the shortest lead times. Lead-time is important not only for existing products and services. Several customers value suppliers that can offer a continual stream of new products and services. This objective could be measured as the elapsed time from when a new customer demand has been identified to the time when the new product or service has been delivered to the customer. Quality was critical competitive dimensions during the 1980s and remains important to this day. It has become a hygiene factor; customers take for granted that their suppliers will execute according to product and services specifications. Nevertheless, for certain industries, regions, or market segments excellent quality may still offer opportunities for companies to distinguish themselves from their competitors. In this case, customer perceived quality measures would be highly appropriate to include in the balanced scorecard's customer perspective. Quality can also refer to performance along the time dimension. The on time delivery measure, previously discussed, is actually a measure of the quality of the company's performance to its promised delivery date. A business unit is following a low-cost or a differentiated strategy; customers will always be concerned with the price they pay for the product or services. In market segments where price is a major influence on the purchasing decision, units can track their net selling price with that of competitors. A business unit is following a low cost or a differentiated strategy, customers will always be concerned with the price they pay for the product or service. Even price-sensitive customers, however, may favor suppliers that offer not low prices, but low costs to acquire and use the product or service. At first glance one may think we are playing with semantic by distinguishing between low prices and low cost, but real and important differences exist between them. A company has supplying customers that stock and re-sells their products or services, can drive customer satisfaction, loyalty, and retention by measuring its customers' profitability and striving to become a highly profitable supplier. The supplier must also balance this measure by calculating its own profitability of supplying each of its customers. Decreasing its own profitability to increase its customers' may lead to satisfied and loyal customers but not happy shareholders and bankers. (Kaplan and Norton, 1993)

Different strategies require different value propositions to attract and retain targeted customer.

3.3.3. Internal business process perspective

Managers identify the processes that are most critical for achieving customer and shareholder objectives for the internal process perspective. The process of deriving objectives and measures for the internal-business-process perspective represents one of the sharpest distinctions between the Balanced Scorecard and traditional performance measurement systems. Traditional performance measurement systems focus on controlling and improving existing responsibility centers and departments. Merely slapping performance measures on existing or even reengineered processes can drive local improvements, but are unlikely to produce ambitious objectives for customers and shareholders. One company can outperform competitors across the board on all business process, in quality, time, productivity, and cost, such improvements will facilitate survival, but will not lead to distinctive and sustainable competitive advantages. In the Balanced

Scorecard, the objectives and measures for the internal business process perspective are derived from explicit strategies to meet shareholder and targeted customer expectations. This sequential, top down process will usually reveal entirely new business processes at which an organization must excel. Each business has a unique set of processes for creating value for customers and producing financial results. A generic value chain model provides a template that companies can customize in preparing their internal business process perspective:

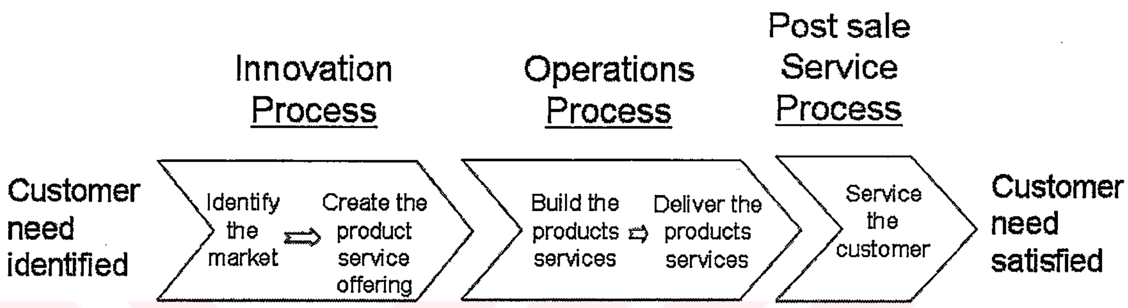

Figure 3.2 The internal –business- process perspective- the generic value- chain model
Source:[Kaplan, Robert S., Norton David P.,1996, Translating Strategy in Action The Balanced Scorecard]

The innovation process consists of two components. In the first, managers undertake market research to identify the size of the market, the nature of customers' preferences, and price points for the targeted product or services. Information on markets and customers provides the input for the actual product/service design and development processes, the second step in the innovation process. During the step, the organization's research and development group; performs basic research to develop radically new products and services for delivering value to customers, performs applied research to exploit existing technology for the next generation of products and services, and makes focused development efforts to bring new product and services to market. The operations process represents the short wave of value creation in organizations. It starts with receipt of a customer order and finishes with delivery of the product or service to the customer. This process stresses efficient, consistent, and timely delivery of existing products and services to existing customers. Post sale service includes warranty and repair activities, treatment of defects and returns, and the processing of payments. Another aspect of post sale services is the invoicing and collection process. Recognizing that excellent community relations may be a strategic objective for continuing to enjoy a franchise to operate, companies set objectives, under post sale service, for excellent environmental performance. Manufacturing companies generally have two ways of offering short and reliable lead times to customers. One is to have efficient, reliable, defect-free, short-cycle order fulfillment and production processes that can respond rapidly to customer orders. The other is to produce and hold large stocks of inventory all products so that any customer request can be met by shipments from existing finished goods inventory. Many manufacturing companies are attempting to shift from the second way of satisfying customer orders to the first way reducing cycle or throughput times of internal processes becomes a critical internal processes objective. Corresponding to an order fulfillment cycle would start the cycle with receipt of a customer order and would stop when the customer has received the order. A metric used by many organizations attempting to move to just in time production flow process is manufacturing cycle effectiveness (MCE) defined as:

$$\text{MCE} = \frac{\text{Processing Time}}{\text{Throughput Time}} < 1$$

Almost all organizations today have quality initiatives and quality programs in place. Measurement is a central part of any such program, so organizations are already familiar with a variety of process quality measurements. For example, process part per million defect rates, yields, waste, scrap, rework, returns, and percentage of processes under statistical process control.(Kaplan and Norton, 1996a)

3.3.4. Learning and growth perspective

Learning and growth perspective's objectives provide in the infrastructure to enable ambitious objectives in the other three perspectives to be achieved. Objectives in the learning and growth perspective are the drivers for achieving excellent outcomes in the first three scorecard perspectives. Organizations must also invest in their infrastructure-people, systems, and procedures- if they are to achieve ambitious long-term financial growth objectives. A wide variety of service and manufacturing organizations has revealed three principal categories for the learning and growth perspective: Human Capital Capabilities, Information Capital Capabilities, and Organization Capital Capabilities. (Kaplan and Norton, 1997)

Once companies have chosen measures for the core employee measurement group – satisfaction, retention, and productivity- they should then identify the situation-specific, unique drivers in the learning and growth perspective. These drivers: reskilling the work force, information systems capabilities, and motivation, empowerment, and alignment.

Even skilled employees, provided with superb access to information, will not contribute to organizational success if they are not motivated to act in the best interests of an organization or if they are not given freedom to make decisions and take actions. Researchers develop some measures for motivation, empowerment and alignment. These measures; measures of suggestion made and implemented, measurement of improvement, measures of individual and organizational alignment, measures of team performance. (Kaplan and Norton, 1996a)

If the companies create human resources balanced scorecard, also they create learning and growth perspective. Because human capital readiness report is a part of human resource balanced scorecard.

4. USE NEW HUMAN RESOURCES FUNCTIONS AND CHANGING COMPANY

Today, it is critical to remember that people buy perceptions and expectations, not products and services. As a manager in the Intangible Age, you need to understand that you now have three types of resources you can manage: (1) *financial resources*, (2) *hard intangibles* – such as intellectual property which can be owned, and (3) *soft intangibles* – such as knowledge, relationships, emotions, satisfaction, service, trust, decisions which cannot be owned. Out of all of these resources it is the management of soft intangibles that creates sustainable competitive advantage, generates financial performance, and places pressure on your competitors. (Standfield, 2003)

While historically HR functions may have had a less than stellar reputation in many organizations, Researchers have seen some significant improvements in recent years. The irony is that as intangible assets become more important, people are starting to come around to the notion that "human capital", that is, the firm's human resources, can be the primary source of competitive advantage. It is one of the important ways of differentiating an organization from its competitors. But the perception of the HR function in the broader organization hasn't necessarily caught up to new vision yet. There are many different reasons for that, but one of them is that they've often been treated as cost centers. Line and HR managers need to shift their focus from thinking of HR as a cost to be minimized and embrace the idea that investments in human capital can be a significant source of value creation for shareholders.

Human resource strategy can be a powerful means of driving organizational goals. Effective human resource strategy is;

- **Unique** – There is no single best way to manage human capital. What's best for one firm probably isn't best for another (even in the same industry), since the optimal mix of business performance drivers (and, consequently, human capital drivers) is specific to each firm. This unique business context requires taking into account the business environment in which you operate, the business design you choose to compete with, your capital assets and your human capital strategy.

- **Measurable** – The discrete and interactive effects of individual human capital investments can and should be measured to ensure they are driving business value.
- **Sustainable** – Implementing the optimal mix of human capital practices can create a competitive advantage that is harder to copy than other sources of competitive advantage. Imitating technology is easier than imitating a human capital profile. (MERCER, 2003)

At most companies, Human Resource is still seen as a paper-pushing department that focuses on administering benefits and issuing paychecks. But that narrow view of HR can be costly, according to the trio of business-school professors. "New economic realities are putting pressure on HR to widen its focus from the administrative role it has traditionally played into a broader, strategic role. As the primary source of production in our economy has shifted from physical to intellectual capital, senior HR managers have come under fire to demonstrate exactly how they create value for their organizations. More important, they have been challenged to serve increasingly as strategic partners in running the business." 'Building on the Balanced Scorecard' approach pioneer by Robert Kaplan and David Norton. For example, many companies spend millions of dollars on workforce training without much more than a thought toward measuring that initiative's effectiveness. But did that really improve the productivity of the work force? Are customers satisfied that those skills were attained? An effective HR scorecard, he says, can tell you the answer. (Elswick, 2003)

The literature suggests that if alignment between performance measures and business strategy is to be meaningful and effective, then there must be "consistency of both decision making and action''. This consistency, and hence alignment, can only be achieved in rapidly changing and complex environments by developing a more comprehensive range of performance measures. These measures must include dimensions such as financial, non-financial, tangible, intangible, balanced, mechanistic and organic. (Bailie and McAdam, 2002)

HR is a part of the equation, and it can be a lead player in an organization by using human capital measurement to align HR practices with the strategy of the business, say HR professionals, academics, researchers and consultants.

Most CEOs and senior line managers are skeptical of the role of human resources in their companies' success. While many executives say they believe that "people are our most valuable asset" they don't understand how HR functions make that vision a reality. The root of the problem is simple: it's hard to measure the impact of HR functions on company performance and success.

Once strategy is clear, the process then moves to identifying cause-and-effect relationships driving business success, the experts say. And these aren't always as obvious or simple as they might seem, either. (Frangos and Collison, 2002)

5. STRATEGIC MANAGEMENT MODEL FOR HUMAN RESOURCE FUNCTION

Many years researchers have examined and discussed specific aspects of strategic management model and human resources functions. Integrating strategy and human resource management should help to guide and contribute to more effective use of human resources. If managers understand the links between strategic management model and compensation, for instance, they can better design programs that will motivate and reward employees as firms alter their strategies over time. (Naiper, 1990)

By a strategic management model and human resource functions, we are referring to a managerial process requiring human resource policies and practices to be linked with the strategic objectives of the organization. Identify appropriate human resource plans, policies and practices needed to support organizational objectives.

For organizational practitioners who are looking for ways to gain a competitive advantage, the implication of HR strategic choices for company performance is certainly the key factor.

Although most human resource management models provide no clear focus for any test of the human resource management – performance link, the models tend to assume that an alignment between business strategy and human resource strategy will improve organizational performance and competitiveness.

Our approaches for human resource function, companies improve new strategic management model. While our strategic management model for human resources functions develop, we use human resource balanced scorecard model. Human resource balanced scorecard model includes all human resources functions. Firstly in Human resource balanced scorecard implementation is the alignment of human resource strategy with the larger strategy of the organization. The only way to "meet the internal customers' expectations" is to find out what those expectations are, and assess how well the human resource area is currently meeting them. Key implementing the business strategy shows Figure 5.1.

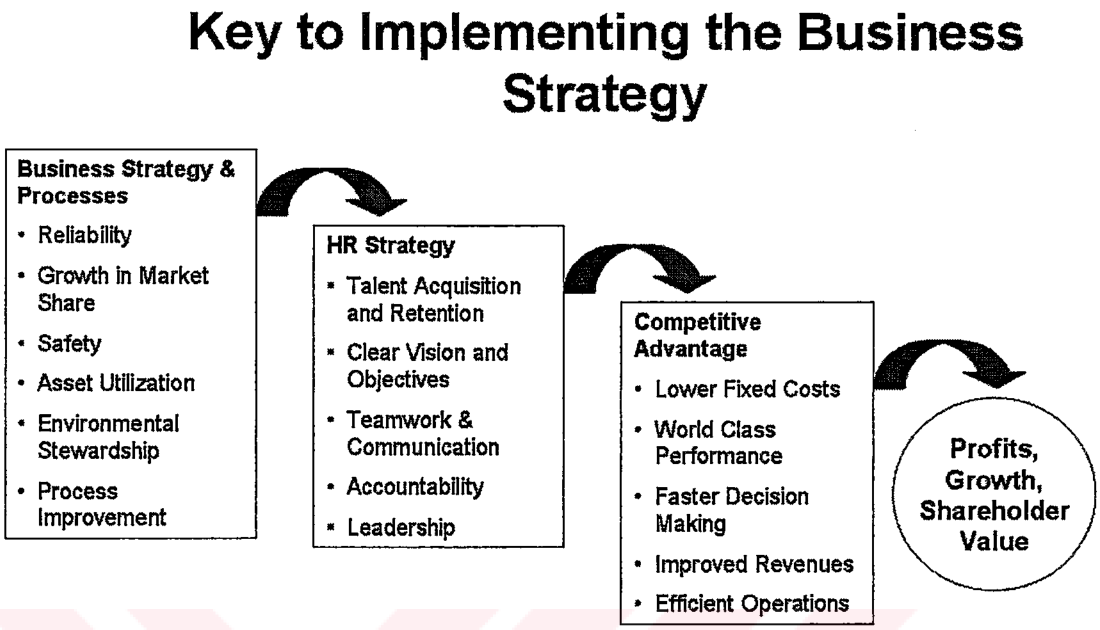

Figure 5.1 Key to implementing the business strategy

Source:[Becker, Brian E., Mark A. Huselid, Dave Ulrich,,2001, The HR Scorecard, HBS Press]

Our Approach is formed two phase, the planning and the doing phase. In the planning phase, executive teams formulate and communicate the strategy. Strategies consist of strategy map and balanced scorecard. And then human resources professionals prepare strategic human capital planning program. They develop strategic human capital development program in doing phase. According with strategic readiness report to this program realize strategic management readiness process. This phase objectives is measure, monitor and manage the development of human capital strategic readiness process.

Other divisions of human resource scorecard are organizational capital readiness and information technology readiness and development program. These divisions prepare same way of the human capital readiness and human capital development programs.

Human capital as the availability of skills, knowledge and values to perform the activities required of the strategy. And organizational capital ability to mobilize and sustain the process of change required executing the strategy. The availability of information systems and knowledge applications required to support the strategy.

The Balanced Scorecard aligns support functions with the business strategy. The human resource scorecard provides a framework for evaluating and illustrating the strategic impact of human resource functions and enables human resource to demonstrate its value through more than short term financial outcomes. Adopting the balanced scorecard as a strategic management system ensures that human resource views all its activities in terms of their contribution to the organization's goals. The human resource scorecard enables human resource organizations to articulate and measure their strategic contribution to the enterprise based on the four perspective model. This has proven to be an important benefit to human resource executives and managers who are striving to maximize their organizations contribution to the goals of the larger enterprise.

Balanced scorecards of both the enterprise and the HR organization can be linked to achieve perfect organizational alignment. The impact of human capital on enterprise strategy is reflected in the Learning and Growth section of the enterprise scorecard. The Human Capital Readiness Report describes this and the Human Capital Development Program defines the programs that HR will provide to support the strategy. Human resources must view the enterprise as its customer, and the elements of the Human Capital Development Program as its customer requirements. This, then, becomes the customer perspective of the HR Balanced Scorecard. Having clearly defined the Customer strategy, the human resources organization can then define the internal human resource processes required to support the strategy, along with the requisite skills, climate, and information systems. By treating the Human Capital Readiness Report as the Human Resources Customer objective, all of the activities of the human resource organization will be in alignment with the strategic priorities of the enterprise.

5.1. Human Resource Strategy Map's Financial Perspective

Companies determine measures and targets for human resource strategy map's financial perspective's goals like companies strategy map. These perspectives usually include human resource efficiency and human resource effectively.

"Human Resource Efficiency" measures should be used to ensure that the human resources organization is competitive with alternate sources of service. Benchmarking against measures like human resource administrative expenses (for example per employee or as a percentage of sales), or human resource cost per transaction (e.g. per recruit) provides useful insights. HR managers divide their key efficiency metrics into two categories: core and strategic. Core efficiency measures represent significant HR expenditures that make no direct contribution to the firm's strategy implementation. Strategic efficiency measures assess the efficiency of HR activities and processes designed to produce human resource deliverables. Other examples of measures are benefit costs as a percentage of payrolls, workers' compensation cost per employee, % of correct entries on HR information system.

"HR Effectiveness" is determined through the Human Capital Development Report. However, macroeconomic measures, like "revenue per employee" or "p/e ratio vs." competitors" are frequently used to evaluate the long-term effectiveness of the organization. Because they are such serious lag indicators, they are of little value as tools to manage by. Elevating the strategic readiness of the organizations human capital provides the best indicator of HR effectiveness. (Norton, 2001)

5.2. Human Capital Readiness Report and HR Strategy Map's Customer (Internal) Perspective

Human Capital Readiness Report becomes the link between corporate strategy map and HR Strategy map as reported with HR balanced scorecard. It is a periodic "report card" of the current status of the organizations human capital relative to strategic requirements; and should provide a clear "Gap Analysis" of the HR balanced scorecard implementation.

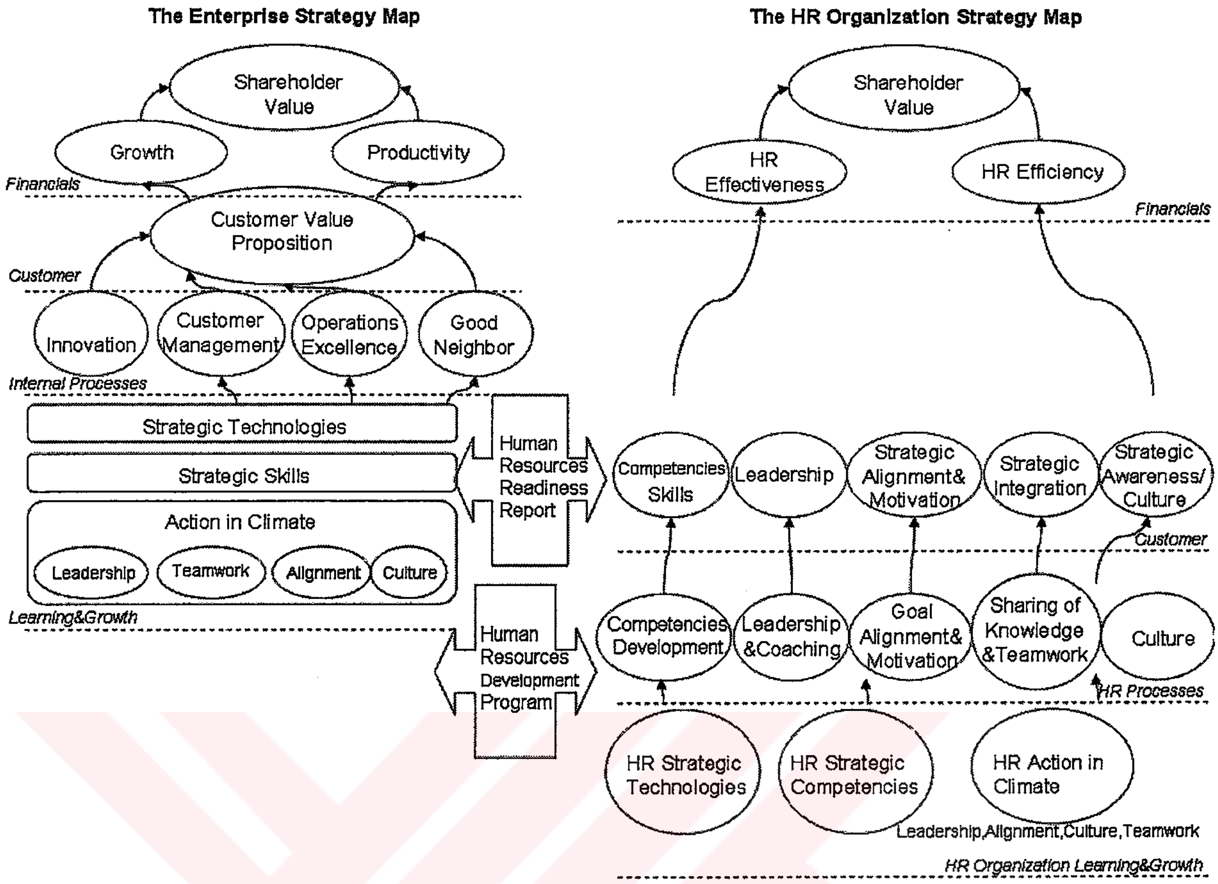

Figure 5.2 Develop a Plan to Align Human Resource to the Enterprise

Source [Frangos,Cassandra and Randall Russell,2001, Measuring and Managing the Value of Human Capital, Balanced Scorecard Collaborative Presentation]

The focus of the Human Capital Readiness Report is on the following five areas:

Short-Term Assets

- Strategic Skills/Competencies
- Leadership Attributes

Longer-Term Supports

- Culture and Strategic Awareness
- Alignment of Goals and Incentives
- Strategic Integration and Learning

Skills and Competencies and Leadership are best viewed as short-term assets that directly influence the strategy, and hence have the most direct impact on value creation. Culture and Awareness, Alignment of Goals and Incentives, and Strategic Integration are all elements of infrastructure that support the long-term development and use of human capital.

Another classification is human capital readiness and organizational capital readiness. Human capital readiness includes strategic skills and competencies and organizational capital readiness is 'leadership', 'culture and strategic awareness', 'alignment of goals and incentives' and 'strategic integration and learning'. (Frangos and Russell, 2001)

5.2.1. Human capital readiness report

In the case of human capital, strategies readiness is measured by whether employees have the right kid and level of skills to perform the critical internal process on the strategy map. The first step is estimating human capital readiness is to identify the strategic job families-the positions in which employees with the right skills, talent, and knowledge have the biggest impact on enhancing the organization's critical internal processes. The next step is to pinpoint the set of specific competencies needed to perform each of those strategic jobs. The difference between requirements needed to carry out those jobs effectively and the company's current capabilities represents a "competency gap" that measures the organization's human capital readiness.

All jobs are important to the organization; otherwise people wouldn't be hired paid to perform them. Organizations may require truck driver, computer operators, production supervisors, materials handlers, and call center operators, and should make it clear that contributors from all these employees can improve organizational performance. But we have found that some jobs have a much greater impact on strategy than others. Managers must identify and focus on critical few that have the greatest impact on successful strategy implementation.

Once a company identifies its strategic job families, it must define the requirements for these jobs in considerable detail, a task often referred to as "job profiling" or "competency profiling". A competency profile describes the knowledge, skills, and values required by successful occupants in the job family. Often, human resource managers will interview individuals who best understand the job requirements to develop on competency profile they can use to recruit, hire train, and develop people for that position.

One of the principal components of the Human Capital Readiness Report deals with competencies determined to be critical to the organization's successful implementation of its strategy. The process of completing strategy maps identifies specific jobs that are viewed as strategic. Strategic Skill Profiling is an assessment process designed to tell you which skills are important to the strategy and where you are deficient in those skills. It will inform you of the size of the "Strategic Talent Gap" that must be bridged to be ready to implement the strategy.

An ideal performance profile that prioritizes the behaviors, skills, and characteristics support the strategy. This "high performance ideal" is not some generic ideal cooked up by a consultant or the latest management fad. Members of the organization who know and understand the requirements of the strategy define the ideal profile internally.

An actual performance profile of an employee or group of employees shows both strengths and areas of needed improvement required by the strategy. A "Gap Analysis" results when the actual profile is matched to the ideal profile for the employee or employee group.

Closing the gaps between Actual and Ideal is the function of the Human Capital Development Program. You track your success by periodically read ministering the Strategic Skills Profile to see if your efforts are closing the gaps and increasing your readiness. Other measure of strategic readiness is key employee retention for human capital objective's the strategic competencies.

5.2.2. Organizational capital readiness report

Organizational capital is perhaps the least understood of the intangible assets, and the task of measuring it is correspondingly difficult but in looking at the strategic priorities that companies in our database of Balanced Scorecard implementations used for their organization capital objectives, we found a consistent picture. Successful companies had a culture in which people were deeply aware of and internalized the mission, vision, and core values needed to execute the company's strategy. These companies strove for excellent leadership at all levels, leadership that could mobilize the organizations toward its strategy. They strove for a clear alignment between the organization's strategic objectives and, individual, team, and departmental goals and incentives. Finally, these companies promoted teamwork, especially the sharing of strategic knowledge throughout the organization. Determining organizational capital readiness, we concluded, would involve first identifying the changes in organization capital required by the new strategy- what we call the "organization change agenda" – and then separately identifying and measuring the state of readiness of the company's cultural, leadership, alignment, and teamwork objectives.

Success in performing the critical internal processes identified in an organization's strategy map invariably requires an organization to change in fundamental ways. Assessing OC readiness is essentially about assessing how well the company can mobilize and sustain the organization change agenda associated with its strategy. For instance, if the strategy involves focusing on the customer, the company needs to determine whether its existing culture is customer-centric, whether its leaders have the requisite skills to foster such a culture, whether employees a ware of the goal and are motivated to deliver exceptional customer service, and, finally hoe well employees share with others their knowledge about the company's customers. Let's explore how companies can make these kinds of assessments for each of the four OC dimensions. (Kaplan and Norton, 2004)

5.2.2.1.Leadership attributes

The leadership puts 'vision' at the top of that agenda and restates the ideas of values and purpose as central features of the cultural dimensions of organizational life. Leadership is a process of helping others to do things in a direction which serves the aims of organization then leadership is central to the everyday reality of human resources management and human resources development.

A new strategy implies doing something differently, but often points to different leadership requirements as well. The process of assessing your available leadership talent and gauging your "Leadership Gap" can be accomplished with Leadership Attributes Profile. The focus of the Leadership Attributes Profile is on the identification of Leadership qualities required by the new strategy, and determining the readiness of your management to lead the organization towards its strategic objectives.

An ideal leadership profile that prioritizes the leadership skills and characteristics required implementing the strategy. This "high performance ideal" is not a generic amalgam of best practice management models or someone's pet approach. Members of your organization who know and understand the requirements of the strategy define the ideal profile internally.

Persons who know the requirements of the strategy can only answer this kind of question: Which leadership attribute is more important to the successful implementation of our 2002 Diversification Strategy? (1 much more important, 2 more important, 3 Equal, 4 more important, 5 much more important) This question answers example is "Conformist" – "Follows rules and regulations", "people developer" – "Is flexible" etc. (Decision Point Inc., 2002)

After all leaders have been assessed on their Leadership Attributes, the Actual attribute profile describing the group can be determined, by combining and averaging the data from all individuals. This "average actual" profile is then compared with the Ideal Leadership Attribute Profile required by the strategy.

Other measure is employee survey of leadership effectiveness. These two measures must explain valid target value in the human capital readiness report.

5.2.2.2.Culture and strategic awareness

Culture is perhaps the most complex and difficult dimension to understand and describe because it encompasses a wider range of behavioral territory than the others. That's probably why “shaping the culture” is the most often-cited objective in the Learning and Growth section of our Balanced Scorecard database.

Assessment of cultural readiness relies heavily on employee surveys. But in preparing surveys, companies need o distinguish clearly between the values that all employees share- the company’s base culture- and perceptions that employees have of their existing system- the climate. The concept of base culture has its roots in anthropology, which defines an organization’s culture as the symbols, myths, and rituals embedded in the group consciousness (or subconscious). To describe a company base culture, therefore, you have to uncover the organization’s systems of shared meaning, assumptions, and values.

Surveying perceptions of existing organizational policies and practices is a fairly straightforward task, but getting at the base culture requires a little more digging. Anthropologies usually rely on storytelling to identify shared beliefs and images, but that approach is inadequate for quantifying the alignment of culture to strategy. Organizational behavior scholars have developed measurements instruments, such as Charles O’Reilly and colleagues’ Organizational Culture Profile, in which employees rank 54 value statements according to their perceived importance and relevance in the organization. Once ranked, an organization’s culture can be described with a reasonable degree of reliability and validity. Then the organization can assess to what extent the existing culture is consistent with its strategy and what kinds of changes may be needed. (Kaplan and Norton, 2004)

We search some tough questions about values...

- Are your employees aware of the shared vision, strategy, and cultural values that are keys to the organization's strategy?
- Have they internalized those values, or are they just nicely framed, hanging on the wall?
- Do you know what areas and levels of the organization are "on board" and which need more attention?

And then we create cultural alignment index with these questions. This index will identify where efforts need to be redoubled in order to be at the highest level of readiness.

5.2.2.3.Strategic alignment and motivation

An organization is aligns when all employees have a commonality of purpose, a shared vision, and an understanding of how their personal roles support the overall strategy. An aligned organization encourages behaviors such as innovation and risk taking because individuals' actions are directed toward achieving high level objectives. Encouraging and empowering individual initiative in an unaligned organization leads to chaos, as the innovative risk takers pull the organization in contradictory directions.

Achieving alignment is a two-step process. First, managers communicate the high-level strategic objectives in ways that all employees can understand. This involves using a wide range of communication mechanisms: brochures, newsletters, town meetings, orientation and training programs, executive talks, company intranets, and bulletin boards. The goal of this step is to create intrinsic motivation, to inspire employees to internalize the organization's values and objectives so that they want to help the organization succeed. The next step uses extrinsic motivation. Te organization has employees set explicit personal and team objectives aligned to the strategy and establish incentives that reward employees when they meet personal, departmental, business unit, and corporate targets.

Measuring alignment readiness is relatively straight-forward. Many survey instruments are already available for assessing how much employees know about and how well they understand high-level strategic objectives and the company's existing incentive schemes are consistent with the high-level strategy. (Kaplan and Norton, 2004)

For example, a large property and casualty insurance company adopted a new strategy intended to reduce its underwriting losses by creating a tighter link between the underwriters, who decide whether to accept a new piece of business, and the claims agents, who deal with the consequences from poor underwriting decisions. To reflect the new strategy, the company changed to a team-based compensation system in which everyone's incentive pay was based on a common set of measures (their Balanced Scorecard). Underwriters and claims agents, who worked in service departments shared by the various business units, were now rewarded using the Balanced Scorecard measures related to the business units they supported. The company used a survey instrument to capture the employees' perceptions of the improved teamwork created by aligning the incentive systems. (Kaplan and Norton, 2004)

Goal alignment exists from top to bottom. The organization's high-level strategic objective and measures have to be translated into actions that each individual can take to contribute to the organization's goals. It is difficult to decompose organizations' high-level strategic measures into local measures, especially non-financial ones.

Other measures of strategic readiness are incentive alignment. Incentive compensation must be connected to achievement of scorecard objectives. Although financial compensation is a powerful tool, some companies start to tie their compensation policy for senior managers to scorecard measures.

Example for strategic alignment in company survey's headlines:

1. Executive team is aligned around a clearly articulated and communicated vision, mission, and strategy.
2. Team/individual objectives and goals are aligned to the strategy through a formal process and are accountable for strategic results.
3. Corporate strategy and HR strategy is linked through a formal strategic planning process
4. Strategic plans are translated into a strategy map and Balanced Scorecard as part of the planning process.
5. HR objectives, measures, targets and initiatives are linked to Corporate/SBU strategy through a formal alignment process. (Frangos and Russell, 2001)

5.2.2.4.Strategic integration and learning

The challenge in implementing such systems is motivating people to actually document their ideas and knowledge to make them available to others. Most organizations in our Balance Scorecard database to attempted to develop such motivation by selecting "teamwork" and " knowledge sharing" as strategic priorities in their Learning and Growth perspective Typical measures for these priorities included the number of best practice ideas the employees identified and used, the percentage of employees who transferred knowledge management system, how often the system is used, the percentage of information in the knowledge management system that was updated, and how mush was obsolete. (Kaplan and Norton, 2004)

Create teamwork and culture to encourage the sharing of knowledge and experience needed by the strategy. The employees can share across boundaries for best practice, key people, teams, and rewards.

Management and communication processes enable learning and best practice sharing. The organization has a positive work environment that encourages teamwork. The culture of the organization encourages and rewards sharing of knowledge. Strategic information and technology is available to enable employees to make strategic decisions. Processes and systems are in place to facilitate knowledge sharing and feedback.

The knowledge of its employees is one the largest assets of an information age company so it is essential to look at ways to best utilize that knowledge. It is necessary to constantly increase knowledge and to capture that knowledge as structural capital thereby putting.

Transferring knowledge from beyond the firm's boundaries is an important strategy for organizations to add depth or breadth to their knowledge-based capabilities. Knowledge transferred is not necessarily assimilated or applied. The outcome of the knowledge transfer is conditioned by (1) the tacit ness or causal ambiguity of the knowledge; and (2) the capacity of the firm to absorb the knowledge, or absorptive capacity. Recent research has extended the concept of absorptive capacity beyond technical similarities to include non-technical similarities, such as organizational structures, and compensation schemes. Conceptual frameworks from organizational learning and social network theory would be helpful when analyzing inter firm knowledge transfer. Without prior prompting, this suggestion appears to have been taken up by other authors in this section. The effect of similarity between units in an organizational chain on the transfer of knowledge is examined empirically. Researchers found that transfer learning was both constrained and facilitated by the level and similarity of capabilities in component units and their chains.

High-capability chains transferred knowledge to low-capability components, but low-capability chains required high-capability components to 'regress' to capabilities the chain was more experienced with.

A second, related theme of this section is the importance of social, cultural, or community norms that support knowledge sharing and contribution. Cross-functional teams, members not only need to engage knowledge from diverse communities in order to surmount difficult problems, they also have to integrate this knowledge by developing congruent understandings of the structure and goals of the collective effort, and by developing norms and practices for communication and information sharing. Researchers combine organizational learning with knowledge transfer as they develop the learning ladder model to analyze knowledge sharing within and between firms, and among firms collaborating in web-like networks. The way the Linux community has been able to operate successfully as a self-organizing web-like organization challenges conventional notions about coordination and governance, opportunism and free riding, and intellectual property rights protection. (Kaplan and Norton, 2004)

A third theme in this section is the recognition that knowledge transfer is inherently two-way, so that some knowledge is given away even as new knowledge is acquired.

Attribue	Strategic Objective	Strategic Measure	Target	Actual	Result
Culture	Foster awareness and internalized of the mission,vision, and core values needed to execute the strategy	Customer focused (customer survey;percentage who understand the organization mission)	80%	68%	✗
		Other core values (employee change readiness survey)	80%	52%	✗
Leadership	Develop leaders at all levels who can mobilize the organization toward its strategy	Leadership gap (percentage of key attributes in competency model rated above threshold)	90%	92%	✓
Alignment	Align goals and incentives with the strategy at all levels of the organization.	Strategic Awareness (percentage of staff who can identify organizations strategy)	80%	75%	✗
		Strategic Alignment priorities (percentage of staff whose objectives and incentives link to BSC)	100%	60%	✗
Teamwork	Ensure that knowledge and staff assets that have strategic potential are shared	Sharing best practices (number of knowledge management system hits per employee)	5.0	6.1	✓

Figure 5.3 Organizational capital readiness report

Source [Kaplan,Robert S and, David P Norton, 2004, "Measuring the Strategic of Intangible Assets",Harvard Business Review]

To get an overview of organizational readiness, companies can put the information they obtain from their various surveys and assessments together in a report like the one shown in "Organization Capital Readiness Report." In this exhibit, the leadership measure, drawn from the leadership competency model, displays the company's estimate, based on employee surveys, of degree to which the company possess the key attributes for leadership. At 92%, the company is above target on its leadership objective and can be considered strategically ready in terms of these dimensions. The company's OC with respect to team work and knowledge sharing is also in good shape. But the firm is performing inadequately in alignment and in developing the right culture, and these problems are lowering its overall level of organization capital readiness. (Kaplan and Norton, 2004)

5.3. Prepare Human Capital Development Program and Human Resources Processes

In HR Scorecard program develop a plan to align HR to the enterprise. In this plan between enterprise strategy map and HR organization strategy map connected. Connection elements are Human Capital Readiness Report and Human Capital Development Program. Human Capital Development program take from Human Capital Readiness Report. Include human capital objectives' develop programs. And then companies use human resource functions for these develop programs.

The Human Capital Readiness Report describes the objectives, measures, and targets, which must be achieved to support the overall enterprise strategy. The programs required to support these objectives and their targets generally fall within the responsibility of the HR organization. Each functional group within (like recruiting) should review these objectives to determine which individual programs will be used to support the plan. HR should work as an integrated team in developing the plan, making tradeoffs about which programs will be most cost effective in supporting the strategy (e.g. should you use training, recruiting, or knowledge sharing to develop a competency?). The result of this activity will be a Human Capital Development Program. This program also includes measure for high performance practices.

5.3.1. Human resource development programs for strategic competencies

Strategic competencies, understand the competencies needed, the competencies available and the plan to close the gap. For close this gap, companies use HR programs that are recruiting and selection, job and work analysis, training and development.

5.3.1.1.Recruiting and selection

The organization's strategy can affect the recruiting and selection process. In general, organizations wit different strategies should recruit different types of individuals for employment. (Olian and Raynes, 1984)

Managers must not only be sure that the selection criteria are job related but also should consider whether the criteria are consistent with the strategies and culture of organization. The relationship between strategy and recruiting and between selection and training are still some what speculative. These relationships assume that staffing decisions are consistent with one another and consistent with the strategy of the firm. Thus, these relationships should be viewed only as a general guide for managers. (Kaplan and Norton, 2004)

Decisions regarding recruitment, selection and retention are crucial for effective organizational performance. The following management guidelines should be helpful when making these decisions.

1. Managers should consider recruiting minorities, females, handicapped, and older workers as the workforce demographics change.

2. Managers can often improve employee satisfaction, commitment, and retention rates by promoting from within the company when feasible.

3. Career development should usually be part of any training program for new hires.

4. Pre-employment forms should be free of questions that could be perceived as discriminating.

5. Affirmative action principles, if observed in the recruiting and selection process, can help to develop a more diverse workforce.

6. Measurement reliability and validity should always be considered in the recruiting and selection process.

7. The specific recruiting and selections methods should be consistent with the strategic thrust of the firm. (Kaplan and Norton, 2004)

For example, companies use "job filled within" high performance practice in this human resource function. And they create fill rate (% open hot skills), percentage of intern conversion to hires, employee competency growth, performance of newly hired applicants, success rate of external hires, percentage in a formal HR plan including recruitment, percentage of hired based on a validated selection test measure for these function.

5.3.1.2.Job and work analysis

A Job and Work analysis involves collecting data about the jobs and works performed in an organization. However, this definition is probably too simplistic when all of the different types of information that must be collected are considered.

HR specialist uses some rules for the job and work analysis. (see Figure 5.4).

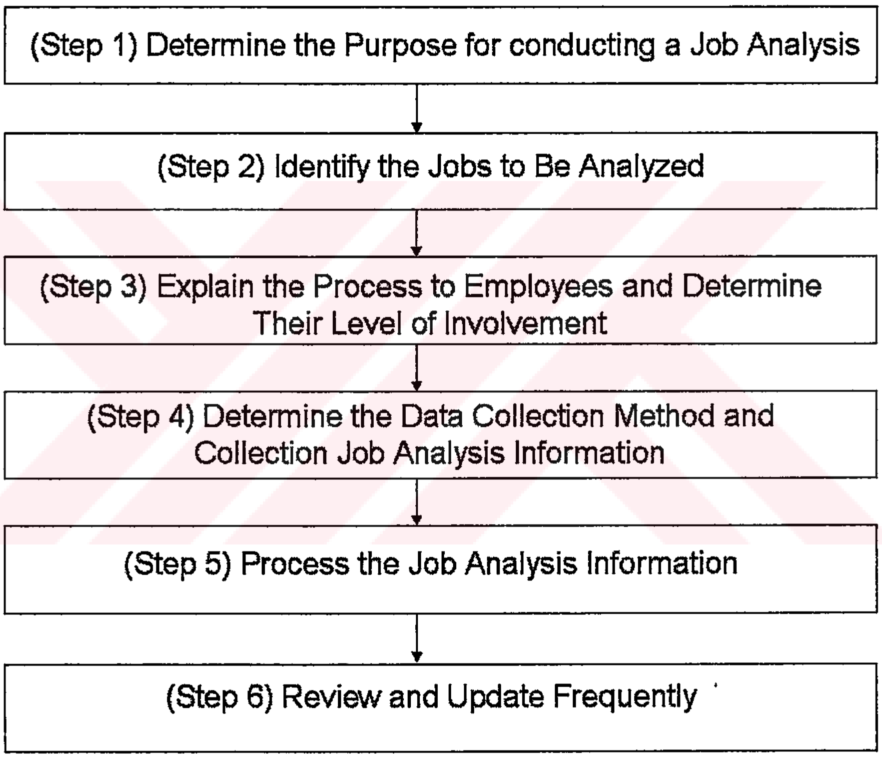

Figure 5.4 Job and work analyses steps

Source [William, P.Anthony, Pamela L. Perrewé, K. Michele Kacmar Human Resource Management Strategic Approach,3rd Edition]

Companies adopted a professionally developed and validated competency model as the basis for job and work analysis by extent of number of qualified employee. These number bigger than number of work or jobs. Because if companies filled the unemployed jobs for need. And Analysis high performance practice's includes some measures for example "employee job involvement survey scores"," extent to which human resources does a thorough job of pre-acquisition soft-asset due diligence",, "diversity of race and gender by job category"," percentage of employees with experience outside their current job responsibility or function" and "survey result on becoming "the" employer of choice in selected, critical positions" etc.

5.3.1.3.Training and development

Training refers to providing instruction to develop skills that can be used immediately on the job. It has a narrow focus and should provide skills that will benefit the organization rather quickly. Development, on the other hand, has a broader scope. It involves developing knowledge that may be used today or sometime in the future. It may not be focused on either the present or the future job but more on meeting the organization's general long term needs. The payoff is less direct and can be measured only in the long term. (Bartz, Schwandt and Hillman, 1989)

Training procedures fall into two broad categories: on-the-job training and off-the-job training. Some of the On-the-job training techniques are staff development meetings, problem-solving conference, mentoring, and special assignments. Outside short courses and seminars, college or university degree and certificate programs, advanced management programs, outside meetings and conferences are off-the-job training.

The instructional techniques for training and development is lecture-discussion, lecture, multimedia presentations, job coaching, self-paced, computer-assisted instruction, gaming and role playing (simulation), case analysis. (Anthony, Perrewé and Kacmar, 1999)

HR professional should measure for training and development practices. Some measures are number and type of "special projects" to develop high-potential employees, planned development opportunities accomplished, number of cross trained employees, number of applications for advancement, training hours for new employee and experienced employee" etc.

5.3.2. Human resource development programs for leadership

In Human Capital Development Program include leadership development, succession planning, governance process, strategy management about HR functions.

5.3.2.1.Leadership development

A leadership development initiative cannot be successful unless it clearly targets a specific business goal. When all is said and done, if the initiative does not positively impact the business, there is really no reason to do it. The starting point should be a business analysis as all leadership development efforts should be grounded in business needs.

The design of effective leadership programs that add value and contribute to organization success is a difficult and challenging field. There has been little research on establishing how much learning from leadership development programs has been transferred back into the workplace. In an effort to improve the effectiveness of leadership development programs organizational case studies, project work, presentations on current topics, questionnaires that measure personality such as the Myers-Briggs Type Indicator, situation leadership skills, and computer simulations have become a standard part of many management and leadership development programs. More recently outdoor adventure programs, 360 degree feedback, health appraisals and interactive computer learning programs have been added to many programs. (Strategic Directions, 2004)

The leadership development function's high performance practices are leaders' visionary, foster leadership behavior etc. And these practices' measures are percentage of participation in leadership courses, extent to which human resource is helping to develop necessary leadership competencies, extent to which top management shows commitment and leadership around knowledge-sharing issues throughout the company etc.

5.3.2.2.Strategy management, succession planning and governance process

Managing strategy is, in essence, managing change. That simple observation adds an important dimension to the topic of strategy, one that is frequently overlooked. Strategy has a "hard" side and a "soft" side. The hard side involves describing strategy (with maps and measures) and executing it (with processes and procedures). The soft side, while less understood, is no less important. It involves leadership, culture, and teamwork- all prerequisites for organizational change. To execute strategy is to execute change at all levels of an organization. If we are to succeed, we need to have better understanding of the soft side.

Faced with rising numbers of employees due for retirement and dwindling numbers of younger workers stepping up to replace them, forward-thinking companies are implementing succession plans and governance process for leadership.

Succession planning is more than just replacement planning. Successful succession management integrates talent management with organizational strategic planning and anticipates changes in management. Such a process can be beneficial right across the organization –not just for high potential employees. Employers can help improve staff retention and corporate performance by identifying the abilities and qualities required to move up the leadership ladder, and by communicating these to the workforce at large. (Strategic Directions, 2004)

Succession planning and governance process still requires reviewing business strategy with its changing goals and priorities as a means of pinpointing the key skills and behaviors, i.e. competencies, required of employees. It should not, however, focus on specific jobs. Instead, the focus should be on the skills and strategies required to achieve the desired business results. (Guinn, 2000)

All of these programs apply for develop leadership attribute and close leadership gap. These programs high performance practices' are clearly mission, accountable for strategy, strategy linked budgets. Practices extent to which employees are clear about the company's goals and objectives, extent to which employees are clear about their own goals, extent to which the average employee can describe the company's strategic intent, extent to which the company has turned its strategy into specific goals/objectives that employees can act on in the short and long run, extent of understanding of the company's competitive strategy and operational goals.

5.3.3. Human resource development programs for strategic awareness

An organization that internalizes the shared strategy, vision, and cultural values required executing. It has strategic awareness/culture and its HR programs are communication, change management, leadership development.

5.3.3.1.Communication

The more communication the better, the more informal the better and the better you train the people in operating a feedback system, to create discussions naturally, then the better will be business performance. (Pearson. and Thomas, 1997)

Communication culture is generated through shared experiences and learning. Adductive dialogue with the data proved that it was justified to define the levels of the meanings at one-level as valuations. Subsystems of communication culture are communication system and communication climate. Communication culture operates as the unifier of functions of the organization and sub-cultural groups as well as transmitter of valuations, among other things. Separating communication culture from organizational culture was based on the referent of the open-ended answers, communication. (Tukiainen, 2001)

This human resource function's practice is formal info sharing program. Company uses some measure for improve this program. For example, number of approvals needed, percentage of employees surveyed regularly, consistency and clarity of message from top management and from employee, effectiveness of information sharing among departments etc.

5.3.3.2.Change management

The Strategic employee communication model provides the analytical tool to assess and improve employee communications, thus forming the foundation for using strategic employee communication to facilitate change. In a change communication program, the model and the best practice definitions serve three primary purposes:

a. to illustrate effective employee communications in the context of the high-performing organization (one way to get senior management to listen);
b. to provide an analytical tool to diagnose a company's communication strengths and weaknesses; and
c. to frame the change program and the resulting recommendations to improve employee communications so that communication will be positioned to help drive the change. (Barrett, 2002)

The success of any change communication program will depend on a company having a clearly stated, believed in, understood, and meaningful vision statement, which management should be involved in developing and communicating. (Barrett, 2002)

High performance practices are mentoring program for strategic awareness/culture category.

Change communication rating, extent to which information is communicated effectively to employees, extent to which the company shares large amounts of relevant business information widely and freely with employees, culture assessment is example of measures for change management.

5.3.4. Human resource development programs for strategic alignment and motivation (Performance management, compensation-reward and positive work environment)

Companies apply HR functions as performance management, compensation; reward and positive work environment for achieve strategic HR objective's strategic alignment/motivation.

Performance appraisals are useful tools not only for evaluating the work of employees but also for developing and motivating employees. Performance appraisals can be thought of as a means to verify that individuals are meeting performance standards that have been set. Performance appraisals also are a way to help individuals manage their performance.

The strategy of the firm, the culture within the firm, and purpose of the evaluation must take into consideration. Collecting information from a number of different sources can increase the reliability of the performance appraisal and is attracting ever increasing attention. The review process known as 360-degree feedback, in which an individual receives performance feedback from subordinates, peers, supervisors, and even internal and external customers, is the hottest new approach to performance appraisals. Those who have used this multi-rater feedback process tend to be very positive about the value added. (Jones, 1997)

Some of the types of performance appraisal methods are

- Behavioral performance appraisal methods
- Personnel comparison systems
- Result-oriented performance appraisal methods

Pay level is important because it influences both the organization's ability to attract and retain competent employees and its competitive position in the product market. The most commonly employed compensable factors are:

a. Skill required by the job
b. Responsibility for people and/or equipment
c. Effort required, and
d. Working condition (HR News, 1991)

The concept of pay for performance is being implemented at all levels in the organization in a variety of ways. The methods can be divided into three major types: individual, group, and a combination of the two. (Milkovich and Newman, 1990)

High levels of trust and commitment depend on employers providing a supportive and well-resourced work environment. Employers demonstrate that their employees are valued through the quality of the work environment they create.

Companies use high performance practices; alignment of human resources/business, balanced scorecard approach, formal grievance program, performance management instruments for example owning stock, eligible for incentive. Measures for practices;

average change in performance-appraisal rating over time, percentage of personal goals linked to balanced scorecard, amount of gain-sharing payments, percentage of workforce who received performance feedback form multiple sources, percentage of workforce whose merit increase or incentive pay is tied to performance, target percentile for total compensation, percentage of the workforce eligible for incentive pay, percentage of difference in incentive pay between a low-performing and high performing employee.

5.3.5. Human resources development programs for strategic integration

Strategic integration is very important for human capital objectives because teams and key people are remove boundaries and manage knowledge. In this objective's development programs are knowledge management, total quality management, continuous improvement model, and staff rotation.

5.3.5.1.Knowledge management

Implementing knowledge management programs within an organization can be very costly; especially during the start up phase. Therefore, looking at the business case for knowledge management is essential to ensure that the organization has in place a set of strategies suitable for the implementation of the knowledge management effort.

The required knowledge should be compared to actual knowledge (employee knowledge). The comparison is likely to lead to the identification of gaps, two of which are the strategic gap and the knowledge gap.

The role of forward knowledge mapping is to identify any strategic gap that might exist. The difference between what an organization can and must do highlights the strategic deficiencies and here the human resource department can ensure that future recruitment is aligned with the strategic plan of the organization. Figure 5.5 is Illustrates the role of knowledge mapping in the identification of strategic and knowledge gaps. (Soliman and Keri, 2000)

Knowledge management practices' measure are percentage of using knowledge sharing channels, extent of cross-functional teamwork, extent to which employees have ready access to the information and knowledge that they need

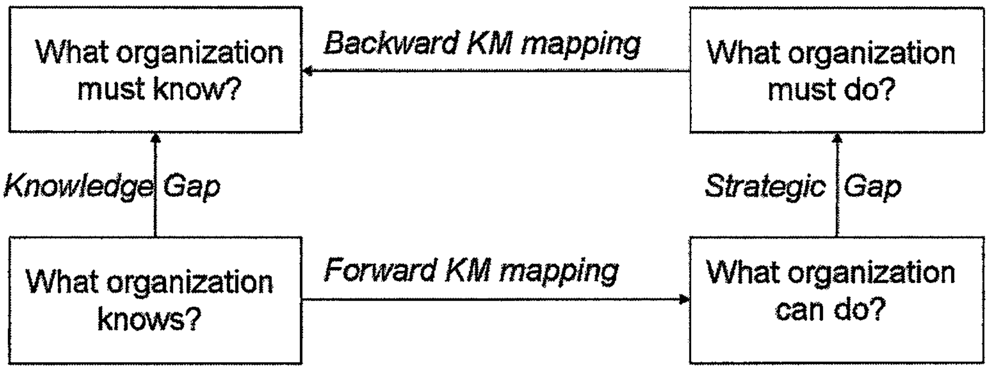

Figure 5.5 The role of knowledge mapping

Source: Soliman, F. and Keri Spooner,2000,"Strategies for implementing knowledge management: role of human resource management, Journal of Knowledge Management, Vol.4 No:4 pp. 337-345

5.3.5.2.Continuous improvement model

Even where organizations are using self-assessment techniques and employing other positive approaches to quality management, they are failing to sustain continuous improvement in the longer term. In today's complex and rapidly changing business environment there is a bewildering number of models and approaches advocated for achieving business excellence and continuous improvement. For example: the business excellence model, the Malcolm Baldrige National Quality Award, the Deming model, total quality management (TQM), business process re-engineering (BPR), Investors in People (IIP), and ISO 9000.

A fifth quality era competitive continuous improvement has been identified. Here, the primary concern is with the organization being flexible, responsive and able to adapt quickly to changes needed in strategy in the light of feedback from customers and from benchmarking against competitors. For an organization to achieve flexibility, responsiveness and the ability to adapt quickly to changes within its environment, the implementation of a sound strategy for continuous improvement is essential. (Kaye and Dyason, 1995)

This practice measure with effectiveness of information sharing among departments, extent of organizational learning, number of cross trained employees, number of employee suggestion, quality of employee feedback systems, number of suggestions generated and /or implemented etc.

5.3.5.3.Organization and staff rotation

Job rotation is a phrase used to refer to the planned movement of people between jobs over a period of time and for one or more of a number of different purposes. Basically there are two forms of job rotation. One is within-function rotation and the other is cross-functional rotation. Within-function rotation means rotation between jobs with the same or similar levels of responsibility and within the same operational or functional area. Cross-functional rotation means movement between jobs in different parts of the organization over a period of time. The jobs identified for cross-functional rotation are likely to be arranged in a sequence representing increasing levels of responsibility. Job swaps, as the name suggests, may involve no more than two individuals in different departments or functions, exchanging jobs for a limited period.

This human resource function's high performance practices are key staff retention, cross-functional teams, and these practice's measures are percentage of retention of high performing key employees, retention rates of critical human capital, success rate of staff rotation, rate of request for transfer per supervisor etc.

5.4. Human Resources Organization Learning and Growth

Last perspective in the human resources organization strategy map is human resource organization learning and growth perspective. Its include 'Human Resources Competencies and Leadership', 'Human Resources Climate' and 'Human Resources Systems' divisions.

5.4.1. Human resources competencies and leadership

Competence refers to an individual's knowledge skills, abilities, or personality characteristics that directly influence his or her job performance. The concept of individual competence has along traditional in the managerial field. Most of this work has focused on leaders and general managers. (Boyatzis, 1982) Specifically, the strategy map should outline how the six core HR competencies are integrated and measured. These HR competencies are:

1. *Knowledge of the business;* HR professionals and professionals need to

- Understand corporate business (structure, vision, values, goals, strategies, financial and performance characteristics.)
- Understand the unit's business, including special knowledge of competitors, products technology, and sources of competitive advantage.
- Understand internal and external customers and the environmental (external and internal) of corporation and individual business.
- Understand;
  - ✓ Key business discipline
  - ✓ Nature, scope and human resources implications of business globalization
  - ✓ Information technology as its affects competitiveness and business process.

2. *Delivery of human resource services;* HR professionals need viable measurement metrics so they can make informed decisions about which HR systems to adopt, what the trade-offs are between various HR options and to identify which HR practices are generating the greatest return and should therefore receive the greatest amount of attention.

3, *Management of culture;* whatever gets measured gets valued and ultimately is integrated into the culture of the firm. HR professionals take the lead in this area because of their competency in management and their ability to articulate the benefits of the firm's culture from the customer's perspective.

4. *Management of change;* HR professionals are well versed in the demands and rigors of rapid organizational change. Therefore, they are advantageously positioned to understand the most likely internal impacts of the change process and develop ways to facilitate those

changes effectively. By acting as change agents, HR professionals generate an internal capacity to move quickly in response to evolving market conditions – which can be a sustainable competitive advantage for any firm.

5. *Personal credibility;* Good HR professionals "walk the walk and talk the talk". They exemplify and live the firm's values and effectively act as good role models. That gives them credibility and acceptance from other line managers.

6. *Strategic HR performance management;* this is the ability to orchestrate the firm's implementation of strategy by using balanced performance measurement systems.

HR professionals not only need to know what to measure but also how to measure it.

7. *Process Skills*: All human resources professionals should be component in key corporate processes and understand management process critical to particular business unit.

8. *Human Resources Technologies*: All human resources should have a generalist perspective a human resources systems and practices as they relate to achievement of business competitive advantage.

Generalists are capable of designing, integrating, and implementing human resources systems to build organizational capability and create business competitive advantage

Specialists are capable of designing delivering leading edge practices to meet competitive business needs.

All human resources professionals are capable measuring effectiveness of human systems and practices. (Becker, Huselid, and Ulrich,2001)

Human resources leadership is very important for success human resources strategy .The impact of technology, global competition, outsourcing, and a shrinking pool of qualified talent on the organization demand a new kind human resources leadership- strategic leadership. Companies invest in leadership growth. For example leaders potential employees have get leadership competencies courses and educations. Human resources leaders;

- Derive their agenda from the company's business objectives
- Focus on a few strategic priorities

- Create a shared understanding with CEO on human resources strategic value-creating (rather than just tactical) ability.
- Stay in touch with the workforce; understand drivers of employee commitments, and performance.
- Move human resources away from "customer service" ("What do I have to do meet expectations today?") and toward "customer focus" ("How can I take the human resources function in a new direction over a period of time?")
- Build their business knowledge and financial and consulting skills.

And strategic management applied company's structure rewards to foster leadership behavior.

5.4.2. Human resource climate for action

Climate for Human resources management actions explain human resources goals alignment, human resources teamwork and human resources culture.

Goals derive from the mission, and represent the specific outcomes that strategy seeks to achieve. Without goals, strategy is meaningless: the dangers of taking a route to nowhere in particular should be obvious. In their detail, the goals of human resources management will vary fro one organization to another, dependent on specific internal factors and on external pressures and challenges. In essence, however, they are to do with 'utilizing labor to its full capacity or potential'. Guest proposes certain overall policy goals for strategies human resources management. He emphasizes that these are relevant only for organization seeking to obtain a leading edge in their field, needing high quality products or services produced by skilled, flexible workforce that is fully committed to the business goals of management He emphasizes, too, that to achieve these human resources management goals there must be commitment to human resources management among organizational leaders, and a related willingness to make a high level of investment (of time, money and expertise) in human resources over a long rather than short time span. To be successful, strategic human resources management also requires either no union presence or a management-union relationship where management is the dominating party, and that it will be greatly facilitated by Greenfield site situation. (Guest, 1989)

The goals he proposes are to do with achieving:

- Strategic integration of human resources management issues and plans at every level of the organization;
- A high level of commitment of the workforce to the goals and culture of the organization;
- High quality recruitment, management and development of employees;
- Flexibility of function and of structure of enhances the ability to innovative.

Guest quotes certain companies that are successful by reference to their financial status, their innovative and turnaround capacity, and their ability to remain no union, and observes that they are also companies who have adopted human resources policies in pursuit of the above aims. However, he admits that there is as yet no large scale evidence either in the United Kingdom or in the United States of America of any casual links between strategic human resources management and business performance. Clear human resources management goals must be set, but their nature must depend on the specifics of the situation. If human resources management strategy is contribute to the 'bottom line', especially in the longer term, hen there must be an internally consistent set of human resources management policies, with human resources management strategy itself tightly aligned to corporate strategy. (Guest, 1989)

In a small organization, a *human resources generalist* may handle all aspects of human resources work, requiring a broad range of knowledge. The responsibilities of human resources generalists can vary widely, depending on their employer's needs. In a large corporation, the top human resources executive usually develops and coordinates personnel programs and policies. These policies are usually implemented by a director or manager of human resources and, in some cases, a director of industrial relations.

The *director of human resources* may oversee several departments, each headed by an experienced manager, who most likely specializes in one personnel activity such as employment, compensation, benefits, training and development, or employee relations.

Employment and placement managers oversee the hiring and separation of employees and supervise various workers, including equal employment opportunity specialists and recruitment specialists. *Employment, recruitment,* and *placement specialists* recruit and place workers.

Recruiters maintain contacts within the community and may travel extensively, often to college campuses, to search for promising job applicants. Recruiters screen, interview, and sometimes test applicants. They also may check references and extend job offers. They also must keep informed about equal employment opportunity (EEO) and affirmative action guidelines and laws.

EEO officers, representatives, or *affirmative action coordinators* handle this area in large organizations. They investigate and resolve EEO grievances, examine corporate practices for possible violations, and compile and submit EEO statistical reports.

Employer relations representatives, who usually work in government agencies, maintain working relationships with local employers and promote the use of public employment programs and services. Similarly, *employment interviewers*-whose many job titles include *personnel consultants*, *personnel development specialists*, and *human resources coordinators*-help, match employers with qualified job seekers.

Compensation, benefits, and job analysis specialists conduct programs for employers and may specialize in specific areas such as position classifications or pensions. *Job analysts*, sometimes called *position classifiers*, collect and examine detailed information about job duties to prepare job descriptions. These descriptions explain the duties, training, and skills each job requires. Whenever a large organization introduces a new job or reviews existing jobs, it calls upon the expert knowledge of the job analyst.

Occupational analysts conduct research, usually in large firms. They are concerned with occupational classification systems and study the effects of industry and occupational trends upon worker relationships.

Establishing and maintaining a firm's pay system is the principal job of the *compensation manager*. Assisted by staff specialists, compensation managers devise ways to ensure fair and equitable pay rates. They may conduct surveys to see how their rates compare with others and to see that the firm's pay scale complies with changing laws and regulations.

Employee benefits managers and specialists handle the company's employee benefits program, notably its health insurance and pension plans. Expertise in designing and administering benefits programs continues to gain importance as employer-provided benefits account for a growing proportion of overall compensation costs, and as benefit plans increase in number and complexity.

Employee assistance plan managers, also called *employee welfare managers*, are responsible for a wide array of programs covering occupational safety and health standards and practices; health promotion and physical fitness, medical examinations, and minor health treatment, such as first aid; plant security; publications; food service and recreation activities; car pooling and transportation programs, such as transit subsidies; employee suggestion systems; childcare and elder care; and counseling services.

Training and development managers and specialists conduct and supervise training and development programs for employees. Increasingly, management recognizes that training offers a way of developing skills, enhancing productivity and quality of work, and building loyalty to the firm.

Training specialists plan, organize, and direct a wide range of training activities. Trainers conduct orientation sessions and arrange on-the-job training for new employees. They help rank-and-file workers maintain and improve their job skills, and possibly prepare for jobs requiring greater skill. They help supervisors improve their interpersonal skills in order to deal effectively with employees. Planning and program development is an important part of the training specialist's job. They also periodically evaluate training effectiveness.

The *director of industrial relations* forms labor policy, oversees industrial labor relations, negotiates collective bargaining agreements, and coordinates grievance procedures to handle complaints resulting from disputes with unionized employees.

Labor relations managers and their staffs implement industrial labor relations programs. When a collective bargaining agreement is up for negotiation, labor relations specialists prepare information for management to use during negotiation, which requires familiarity with economic and wage data as well as extensive knowledge of labor law and collective bargaining trends. Labor relations specialists who work for unions perform many of the same functions on behalf of the union and its members.

Other emerging specialists include *international human resources managers*, who handle human resources issues related to a company's foreign operations, and *human resources information system specialists*, who develop and apply computer programs to process personnel information, match job seekers with job openings, and handle other personnel matters. (U.S. Department of Labor,2004)

All of the human professionals constitute human resources team. For example: The director of industrial relations also advises and collaborates with the director of human resources, other managers, and members of their staff, because all aspects of personnel policy-such as wages, benefits, pensions, and work practices-may be involved in drawing up a new or revised contract.

Teams always need good leaders and then human resources teams have a human resources leader. Human Resources leaders communicate the clear expectation that teamwork and collaboration are expected. The organization members talk about and identify the value of a human resources teamwork culture.

Human Resources Culture is culture that promotes a learning organization. The following dimensions are assessed for this purpose:

Openness: The extent to which the human resources employees are open to suggestions of each other, learn from each other, express views, ideas and opinions freely, positively and productively.

Collaboration: The extent to which human resources employees collaborate with each other, are willing to sacrifice individual and personal goals for human resources group, human resources organizational or human resources goal and priorities; the extent of synergy existing between and within human resources department or sections, levels, categories of human resources employees, etc.

Trust and Trustworthiness: The extent to which human resources employees trust each other and the systems in the human resources organization; the extent o which they are reliable, keep up their verbal commitments and promises and do not lie.

Authenticity: The extent to which human resources employees say things they mean and there is congruence between their intentions and their statements and actions.

Proaction: The extent to which human resources employees take initiative and proaction is a culture of the human resources organization in solving problems and in every other aspect

Autonomy: The extent to which there is an appropriate level of autonomy and at least some amount of freedom available for each role holder in the human resources organization to exercise some discretion and judgment.

Confrontation: The extent to which there is a culture of facing problems and issues squarely and discussing them rather than ignoring them or putting them under the carpet.

Experimentation: Human resources employees are encouraged to take risks and experiment with new ideas and new ways of doing things

Learning Culture: The extent to which the human resources organizations uses mistakes and deviants as learning opportunities, and the extent to which the top management styles, internal communications, meetings, circulars and other events promote learning.

Listening: The extent to which human resources employees listen to other departments and have empathy for others

Separately, human resources employees have positive and helpful attitude to others, introspective attitude, respect for others, self confidence and faith in one's own competencies, sense of responsibility, sense of fairness, self discipline, honesty, super ordination and have stress tolerance. (Rao, 1999) The culture is assessed using the human resources culture questionnaire.

5.4.3. Human resource information systems

The basis for good human resource decision is good human resource information. Human resource information should be provided to both human resource and line managers to facilitate decision making. This concept is known as a decision-support system. A decision support system places information for decision making literally at the fingertips of decision makers. Using personal computers or terminals human resource and line managers can call up information as needed for recruiting, promoting, paying, or developing decision.

Systems may be found on a departmental level a plant level, or even an organization level. In short, a system is any activity that involves inputs, transformations, outputs, and feedbacks, and one system may be a subsystem- or a part- of another system. The HRIS is usually a part of the organization's larger management information system (MIS), which would include accounting, production, and marketing function, to name just a few. The special function of HRIS is to gather, collect, and help analyze the data necessary for the human resource department to do its jobs properly.

The inputs of a HRIS resemble that of a manually based system. Employee information, company policies and procedures, and other personnel-related information must be entered into the system in order to be used. This information is usually entered from documents. (such as an application form on an insurance report) into a computer terminal or personal computer connected to a mainframe computer. Information can be typed in, digitally read- or scanned-from documents, loaded into the system from other computers, or retrieved from other machines connected to the computer (for example, a time clock linked to the computer).

Human resources information systems give an accurate view of human capital management from all information sources, both within organization and externally. Having this information- real information based on accurate data- at fingertips would enable to analyze current trends in organization's human capital and in the marketplace. (Zmund, 1983)

Managers can then make proactive decisions surrounding their human capital needs. Core human resources technologies are ERP, portals, information security/privacy, reporting, data warehousing, data mining.

Human resources information systems applications are;

- Applicant tracking
- Basic employee information
- Benefits administration
- Bonus and incentive management
- Career development /planning
- Compensation budgeting
- EEO/AA compliance
- Employment history
- Healthy and safety
- Health insurance utilization
- Human resource planning and forecasting
- Job description analysis
- Job evaluation
- Job posting
- Labor relations planning
- Payroll
- Pension and retirement
- Performance management
- Short-long term disability
- Skills inventory
- Succession planning
- Time and attendance
- Turnover analysis

And products must include e-mail support or is web-enabled. On the other hand managers are carefully for initial licensing costs, ongoing maintenance fees, implementation, and training costs. Some of Human resources scorecard software company's are Crystal Decisions, Hyperion, SAP, SAS, QPR, PeopleSoft, Dialog Software, CorVu, Oracle etc.

6. CASE STUDY: THE BANK APPLICATION

The Bank Company creates some financial objectives in strategy map's financial perspective. Core objective is dramatically increase earnings per share. These objectives's measure is net income and its target's increase 100 Million dollar in 5 years. Bank core objective's suggests two different financial strategies. On of this productivity and other is growth strategy. Product strategy implies reduced cost per customer. Growth strategy includes increase revenue per customer and add retain high value customers strategic objectives. These objectives measure and its targets are $75 cost per customer, $300 revenue per customer and 600.000 number of high value customer.

Perspective	Strategic Objective	Strategic Measures	Target
Financial Perspective	F1 Increase Earnings Per Share	• Net income (vs. plan)	+$100
	F2 Add and retain high value customers	• number of high value customer	600.00
	F3 Increase revenue per customer	• Revenue per customer	$300
	F4 Reduce cost per customer	• Cost per customer	$75

Table 6.1 Balanced Scorecard's Financial Perspective for The Bank

If bank are to achieve long run superior financial performance, they must create and deliver products and service that are valued by customer. The customer value proposition is formed product/service attributes, relationships and image. Product/services include customer intimacy strategy with price, quality and integrated offering functions. Customer satisfaction survey measure used for this objectives and its target is 90%.

Relationship part indicates financial advisor and one stop section. These parts' measures are share of wallet and its target are is 50%.

Other part of customer value proposition is image and this part equals to become a trusted brand (become a trusted financial advisor). Trusted brand measure is customer retention and its target is 90%.

Perspective	Strategic Objective	Strategic Measures	Targe
Customer Perspective	C1 Provide superior services	• Customer satisfaction (survey)	90%
	C2 Become a trusted financial advisor	• Share of wallet	50%
		• Target customer retention	90%

Table 6.2 Balanced Scorecard's Customer Perspective for The

For the internal business process perspective managers identify the process that is most critical for achieving customer and financial objectives. This perspective encompasses four principle processes: operations management, customer management, innovation, responsible citizen. These are value creating process. Minimize problems and provide rapid response objective includes operations management for product/service attributes. Minimize problem's measures are service error rate and its target is 0.1% and request fulfillment time and its target is less than 24 hours.

Customer management objectives include there part: cross-sell the product line, shift appropriate channel, understand customer segment. And these objective's measures are cross-sell ratio and its target is 2.5, channel mix change and its target is 40%, share of segment and its target is 30%. This value creation process linked with section of customer value proposition: relationship and product service attribute.

Other part of internal process perspective is innovation and its objective is developing new products. Revenue of new product is measure and 50% is its target. It is linked with image part of customer perspective.

Response citizen part determines build diversity reflecting community objective. Its measure is diversity mix versus community and its target is 1.0.

<table>
<tr><th>Perspective</th><th></th><th>Strategic Objectives</th><th>Strategic Measures</th><th>Targets</th></tr>
<tr><td rowspan="7">Internal Perspective</td><td rowspan="3">Customer Management</td><td>I1 Understand customer segments</td><td>• Share of segment</td><td>30%</td></tr>
<tr><td>I2 Shift to appropriate channel</td><td>• Channel mix change</td><td>40%</td></tr>
<tr><td>I3 Cross-sell the product line</td><td>• Cross-sell ratio</td><td>2.5</td></tr>
<tr><td>Product Innovation</td><td>I4 Develop new products</td><td>• Revenue from new products (%)</td><td>50%</td></tr>
<tr><td rowspan="2">Operations Management</td><td>I5 Minimize problems</td><td>• Service error rate</td><td>0.%</td></tr>
<tr><td>I6 Provide rapid response</td><td>• Request fulfillment time</td><td>< 24hrs</td></tr>
<tr><td>Responsible Citizen</td><td>I7 Build diversity reflecting community</td><td>• Diversity mix versus community</td><td>1.0</td></tr>
</table>

Table 6.3 Balanced Scorecard's Internal Perspective for The Bank

The learning and growth perspective objectives established in the financial, customer, and internal business process perspective identify where the organization must excel to achieve breakthrough performance. Objectives in the learning and growth perspective are the drivers for excellent outcomes in the first three scorecard perspectives. These perspectives classify linked with internal business process perspective. Because this perspective cause and effect for internal perspectives. The learning and growth perspective constituted three sections: Human Capital, Organization Capital, and Information Capital.

The Bank was migrating from its historic strategy of promoting individual products to one offering complete financial solutions and one stop shopping to targeted customers. The map for this new strategy identified seven critical internal processes one of which was "cross sell the product line" other of which "Shift to Appropriate Channel". Human resource and line executives then identified the financial planner as the job most important to the effective performance of this process. A planning workshop further identified four skills fundamental to the financial planner's job: solutions selling, relationship management, product line knowledge, and professional certification. For each internal process on its strategy map, the Bank replicated this approach, identifying the strategic job families and critical competencies each required. The results are summarized in the Figure 6.1 "Human Capital Readiness at the Bank"

The bottom row shows how ready consumer Bank's human capital is for its new strategy. Taken together these internal assessments indicate the extent to which the bank actually has the capacity it needs. Firstly bank determines strategic job families with value creation process for human capital readiness. Insure readiness of strategic jobs is a strategic objective for the learning and growth perspective. In the operations management they create quality manager for minimize problem and call center representatives for provide rapid response. Bank defines certified financial planner for cross-sell the product line, Telemarketer for shift to appropriate channel, and consumer marketing for understand customer segment. Joint venture manager identified for develop new product and community recruiters identified for diverse workforce.

Second step is company defines the competency profile for portfolio of strategic job families. Measuring readiness requires the definition of a "competency profile" for each strategic job family and test to determine who meets the recruitments. Quality manager competency contains six sigma knowledge, project management skills and result oriented values. This job family number of required is 30. Call-center representatives have knowledge of the customer, CRM system mastery skill and result oriented vales. Number of required is 20. Certified financial planner competency includes knowledge of customer and products, consulting skills, relationship management and result oriented value. This strategic job's number of required is 100. Telemarketer has knowledge of the product, selling skills, negotiation skills and result oriented. And this number of required is 20. Consumer marketing have industry knowledge, marketing professional, analytic thinking, creative thinker, risk taker and innovative. Number of required is 10. Joint venture manager knows industry, have contracting, negotiation and relationship management skills, and result oriented. Number of required is 10. Community recruiters have community knowledge and selling skills, interview, relationship management skills and team player value. Number of required is 10.

And then the bank comparison actual and required numbers of required. They ready with comparison by percentage of difference between two numbers. It is show with traffic lamb color and percentage for easily notice.

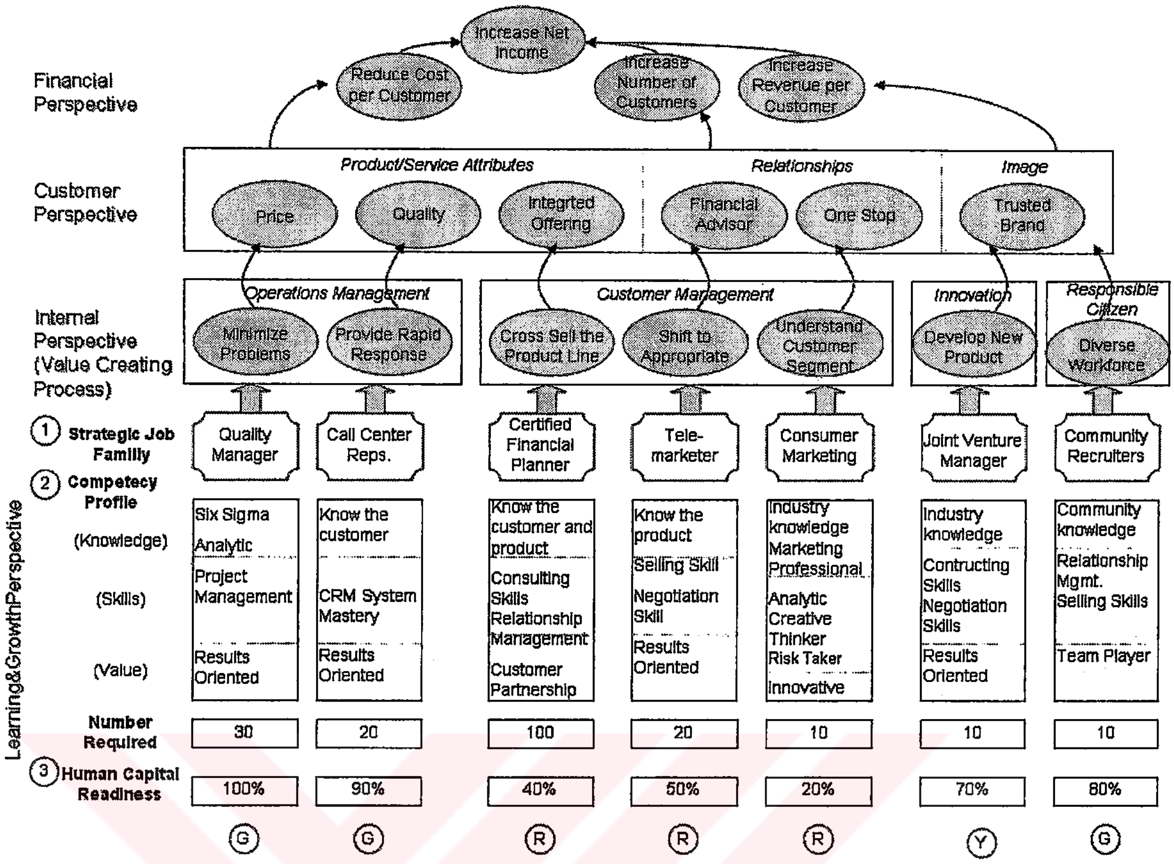

Figure 6.1 Human capital readiness report Source [Kaplan, Robert S. and David Norton, 2004, "Measuring the Strategic Readiness of Intangible Assets", Harvard Business Review Vol.82 No.2 pp 52-64]

Strategic competencies with human capital readiness measure's target is 100% and company uses red (R), yellow (Y), green (G) traffic lamb. A development program will need to be created to close a strategic skill gap.

Managers create human resource development program. In this program includes some human resource functions recruitment and selection, training and development and work analysis. And these programs' determine high performance practices and its targets. For example consumer marketing strategic job's readiness is 20% and company can use training and development human resource functions. These functions' high performance practice is qualified for>1 job and 25 hours training experienced employee. Specialist measures hours of training with strategic focus and fill rate (% open "hot skill") for increase consumer marketing strategic job's readiness.

and customer satisfaction 90% measure. Finally they link add&retain high value customer with revenue mix measure, 70% target and then link "Dramatically Increase Earnings per Share" with net income growth measure adding 100 Million Dollar.

For close the gap in the learning and growth perspective's organizational capital, the bank determines some initiatives. Usually these initiatives are human resource functions. In this example they use internal education for customer focused culture (change management), leadership development program for leadership (leadership development), employee community for strategic awareness (communication), and weekly team meetings for best sharing practice (organization). And they create this initiative's measure. These measures are customer culture assessment, percentage of participation in leadership courses, number of approvals needed and percentage using knowledge sharing channels.

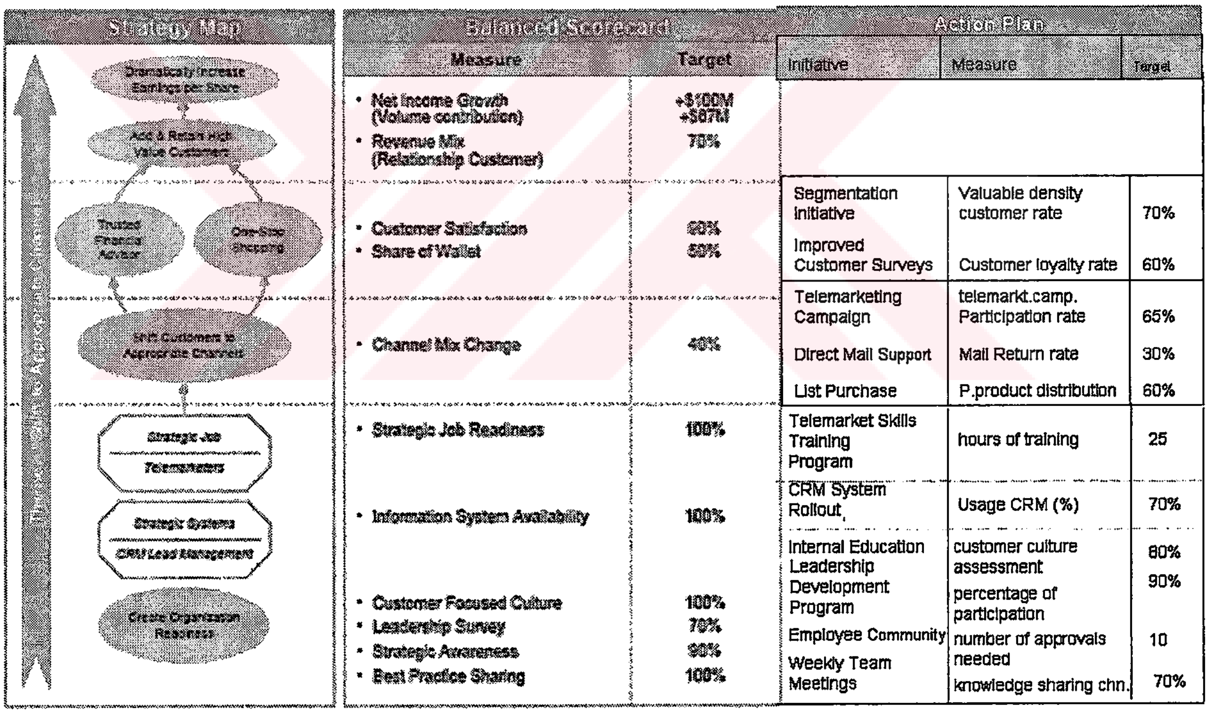

Figure 6.2 Strategic Action Plan for Each Strategic Theme 1

Source [BSC Collaborative Net Conference, 2004, "Planning the Campaign Maps Net Conference "]

Other the learning and growth perspective's part is organization capital. This part includes culture, leadership, strategic alignment, and strategic integration sections. For this example, the bank creates organization capital with measure of strategic readiness and targets for the ability to mobilize and sustain the process of change required to execute the strategy. They create a customer focused culture and core values objective, build cadre of leaders objective, align the organization objective, best practice sharing objective created organization readiness based line. These objectives' measure are customer survey with 100% target, 360° survey (leadership model) with 70% target, strategic awareness survey with 90% target, personal goals aligned to BSC (%) with 100% target, knowledge management system utilization with 100% target.

Perspective	Strategic Objective	Strategic Measures	Targets
Human Capital	L1 Insure readiness of strategic jobs	• Strategic job readiness	100%
Information Capital	L2 Insure availability of strategic info	• Information portfolio readiness	100%
Organization Capital	L3 Create a customer-focused culture	• Customer survey	100%
	L4 Build cadre of leaders	• 360° Survey (leadership model)	70%
	L5 Align the organization	• Strategic awareness survey	90%
		• Personal goals aligned to BSC (%)	100%
	L6 Best practice sharing	• KMS utilization	100%

Table 6.4 Balanced Scorecard's Learning&Growth Perspective for The Bank

And then the bank select the strategic theme "shift the appropriate channel", create strategic action plan with strategy map. In this section they start the bottom line; the learning and growth perspective. The bank create organization capital readiness with customer focused culture with 100% target , leadership survey with 70% target , strategic awareness with 90% target and best practice sharing with 100% target. They identify information capital readiness with CRM lead management objective, information system availability, with %100 target. Human resources specialist determines strategic job family: telemarketer, its measure strategic job readiness with 100% target. This job family initiative is telemarketer skills training program (training and development) and its measure is hours of training. After the learning and growth perspective, they decide internal process objective: shift customer the appropriate channels, its measure channel mix change with 40% measure. In customer perspective the bank handle relationship part and its include trusted financial advisor and one stop shopping with share of wallet 50%

Another example is “cross-sell the product line” strategic theme. In this theme the bank create organization readiness with goals linked to balanced scorecard measure 100% target and its initiatives are MBO update and incentive compensation(compensation&rewards) with percentage of receiving incentive compensation measures. Strategic job family is financial planner for these themes. Its measure is strategic job readiness, and its initiative is develop relationship management and certified financial planner (training and development) with hours of training and fill rate measures. These themes other perspectives are cross sell the product line in internal process perspective and then increase customer confidence in our financial advice in customer perspective and finally increase revenue per customer in financial perspective.

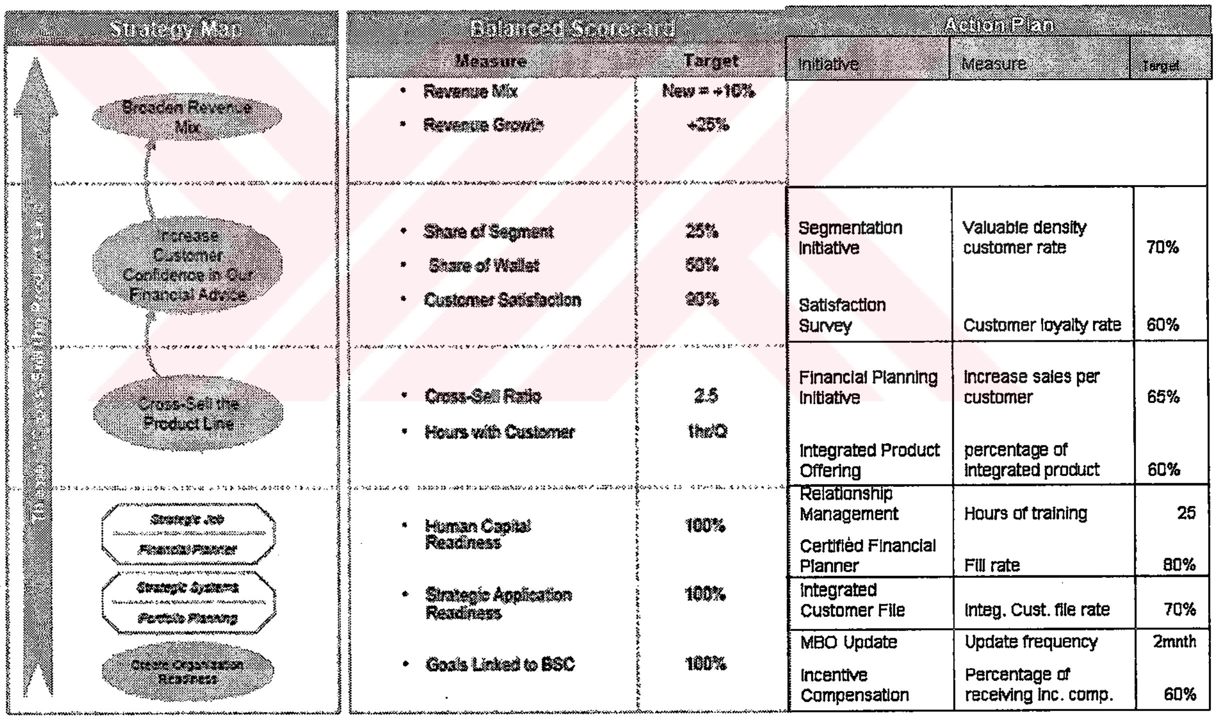

Figure 6.3 Strategic Action Plan for Each Strategic Theme 2

Source [BSC Collaborative Net Conference, 2004, “Planning the Campaign Maps Net Conference ”]

7. CONCLUSION

In this thesis analyzed industrial age and new business world, explained business strategy, and management system in new economy. Strategy is very important approach for company management. But just having a strategy is not enough. Even an effectively developed strategy that reflects the hard choices an organization must make is completely worthless if it just sits on a shelf in an executive office. There are many reasons that make it difficult to implement strategy today is because business and business strategy are fundamentally different today than they were even ten years ago. The shift from tangible to intangible assets is hard to understate in economy today. The source of value has shifted from tangible to intangible assets. Creating value from intangible assets are different intangible assets don't have a direct impact on financial results. It is usually a second-order or third-order impact. Intangible assets require several interdependent ingredients for value creation.

Many companies create their strategy, but they don't execute your strategy. This research clarifies a strategic management system: Balanced Scorecard for execute strategy. And most management systems and measurement systems were designed to meet the needs of a stable, incrementally changing world. This is the problem that the balanced scorecard was designed to address. It captures both the financial and non-financial elements of a company's strategy. The Balanced Scorecard converts strategy into an integrated system of objectives, measures, targets, and initiatives defined across four business perspectives.

Human capital is managed like an expense instead of an asset. Now most human resources organizations are in transition to the knowledge economy. Executives in all functions need to invent management approaches appropriate for the new economy. HR executives need to play a more dominant role in driving results with human assets. Leading human resource organizations are beginning to position themselves as key contributors to strategy execution.

In this study, the Balanced Scorecard provides a useful launch pad for those who want to transform the human resource function into a source of value creation. It is a powerful framework for identifying linkages between human resources and business processes and, ultimately, can be used to establish linkages to financial outcomes. This study examines this linkage and the learning and growth perspective for balanced scorecard strategy map. This perspective includes human capital, organization capital and information capital. Managing human capital and organization capital effectively will help organizations execute their strategic plan. The starting point is to build a strategy map to articulate organizational strategy and then define how human capital is linked to strategy. This strategy-based view of human capital provides a prescriptive framework to guide the development of measures of the contribution of human capital. Out of this framework arises the "Human Capital and Organization Capital Readiness Report", which provides snapshot of an organization's human capital relative to its strategic requirements. It documents the strategic requirements, then shows, through its measures and targets. And then companies design human resource development programs that how human capital is being developed. This program is linked to strategy. Human resources development program include human resources functions (initiative), measures and its targets. Strategic initiatives drive the changes required to create value. Human resources professionals can help justify the value of human capital investments. The report provides the foundation for a periodic review of strategic challenges and contributions in effect, a progress report. As such, it becomes the bridge between enterprise strategy and human resource strategy map, giving human resource entree to strategy table and empowering it as a true strategic partner. Human resources can now work toward improving human and organization capital readiness, and more broadly, toward enhancing the organization's ability to execute its strategy. Thus company creates customer and human resources process perspective for human resource strategy map.

Especially for human resource scorecard, company needs well qualified human resource organization. Human resource scorecard's division is human resource organization learning and growth perspective. And this perspective indicates need to high quality human resource's technologies, high skilled human resource specialist, and climate for human resource specialist action.

Our literature survey supports the notion that strategy implementation, not just strategic choices, has a powerful influence on firm performance. Moreover, one of the most effective drivers of success strategy implementation is strategic alignment for the human resource system. This research and their implications for effective human capital management systems are described in detail.

Human capital is now firmly acknowledged as a strategic source of value creation in today's knowledge-based economy. Human resources executives are expected to lead its development, but most human resources organizations lack a strategic planning process for human capital, much less a consistent way to describe and measure it. HR leaders can successfully implement an HR scorecard to prove the value of their functions and align their activities with business strategies.

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