



> Balanced Scorecard Collaborative, Inc.

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Aligning Human Capital to Organization Strategy Net Conference

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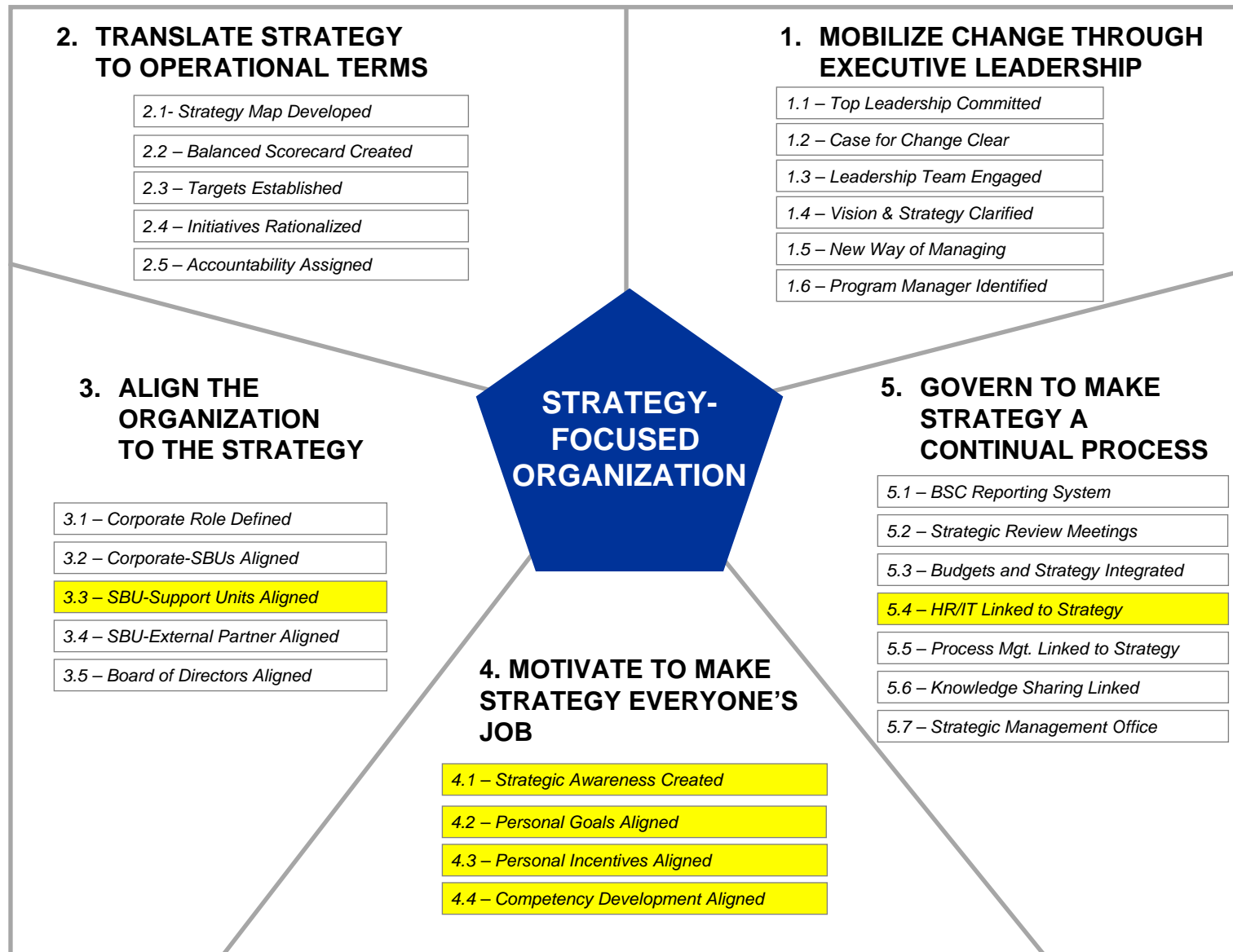


Discussion Topics

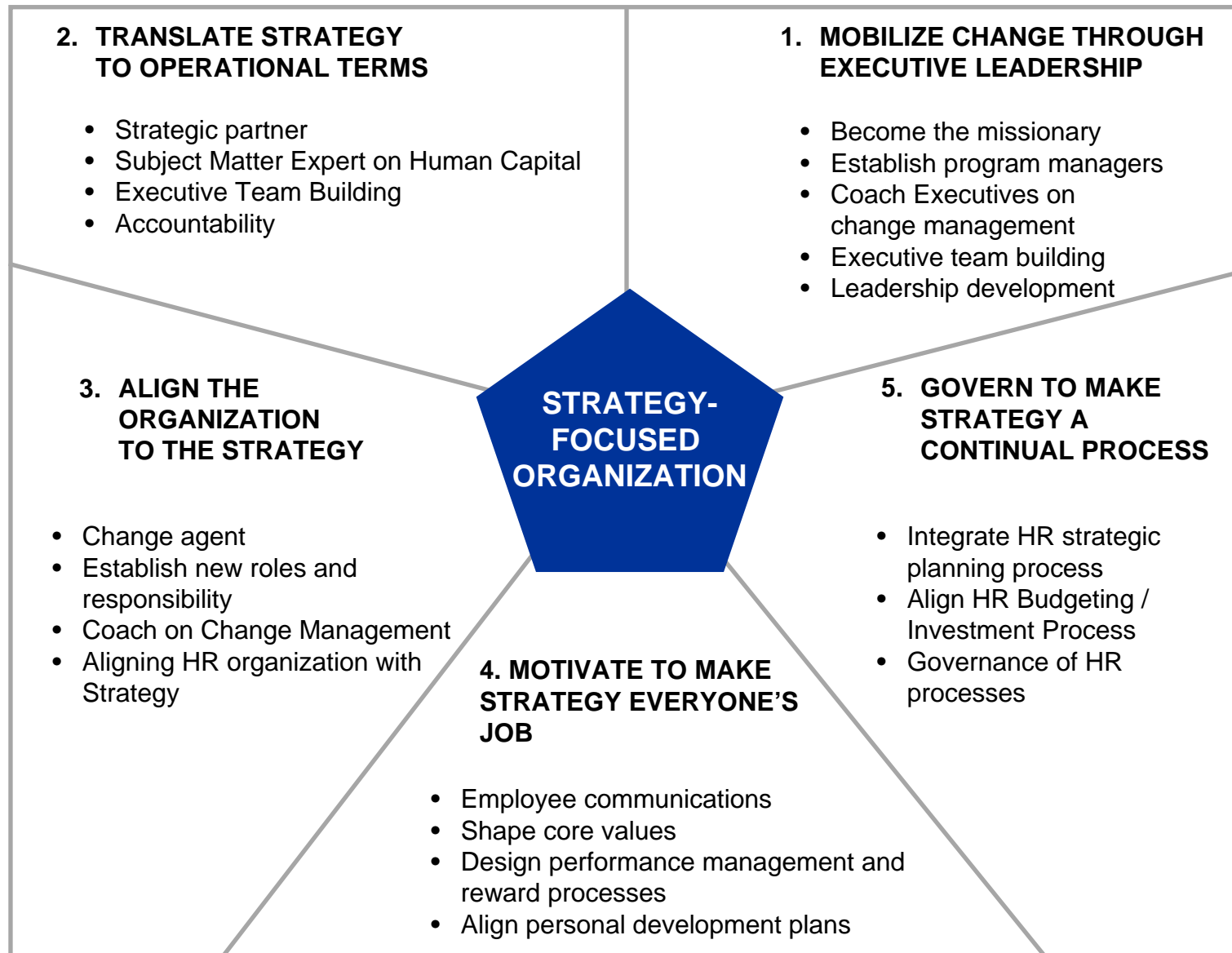
- > Strategy Focused Organization Best Practices and the Role of the HR Executive
- > Creating Workforce Readiness
 - > Strategic Job Family Approach
 - > Personal Balanced Scorecard Approach
- > Resources to Continue Your Learning
 - > Invitation to Human Capital Community
 - > Attend the Human Capital Conference



Best Practices of a Strategy Focused Organization: HR Is Responsible for Executing Several Best Practices



HR's Role is Critical in Creating a Strategy Focused Organization



Today's CEOs and HR Executives Need Solutions to their Top Issues

Top CEO Issues

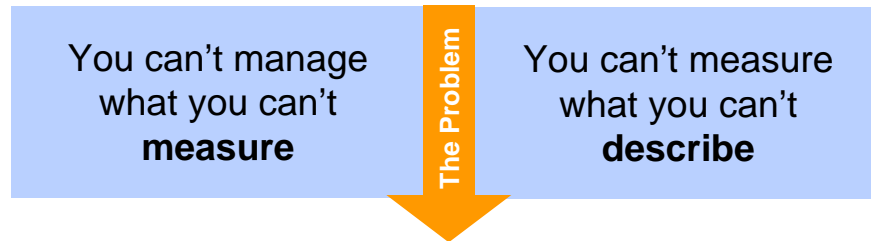
- > Competitive advantage
- > Revenue Growth
- > Return on investments
- > Customer loyalty and retention
- > Readiness of the workforce to execute the strategy
- > Increase in flexibility and speed
- > Industry consolidation
- > Employee engagement and productivity
- > Others

Top HR Issues

- > Employment brand
- > Proving return on investments in human capital
- > Becoming a strategic partner
- > Ensure readiness of the workforce to execute the strategy
- > Applying new technology
- > Motivating and rewarding the right behaviors
- > Others



A Strategic Shift in Underway in the HR Profession



Human resources organizations must make the following transformation to help enable breakthrough results.



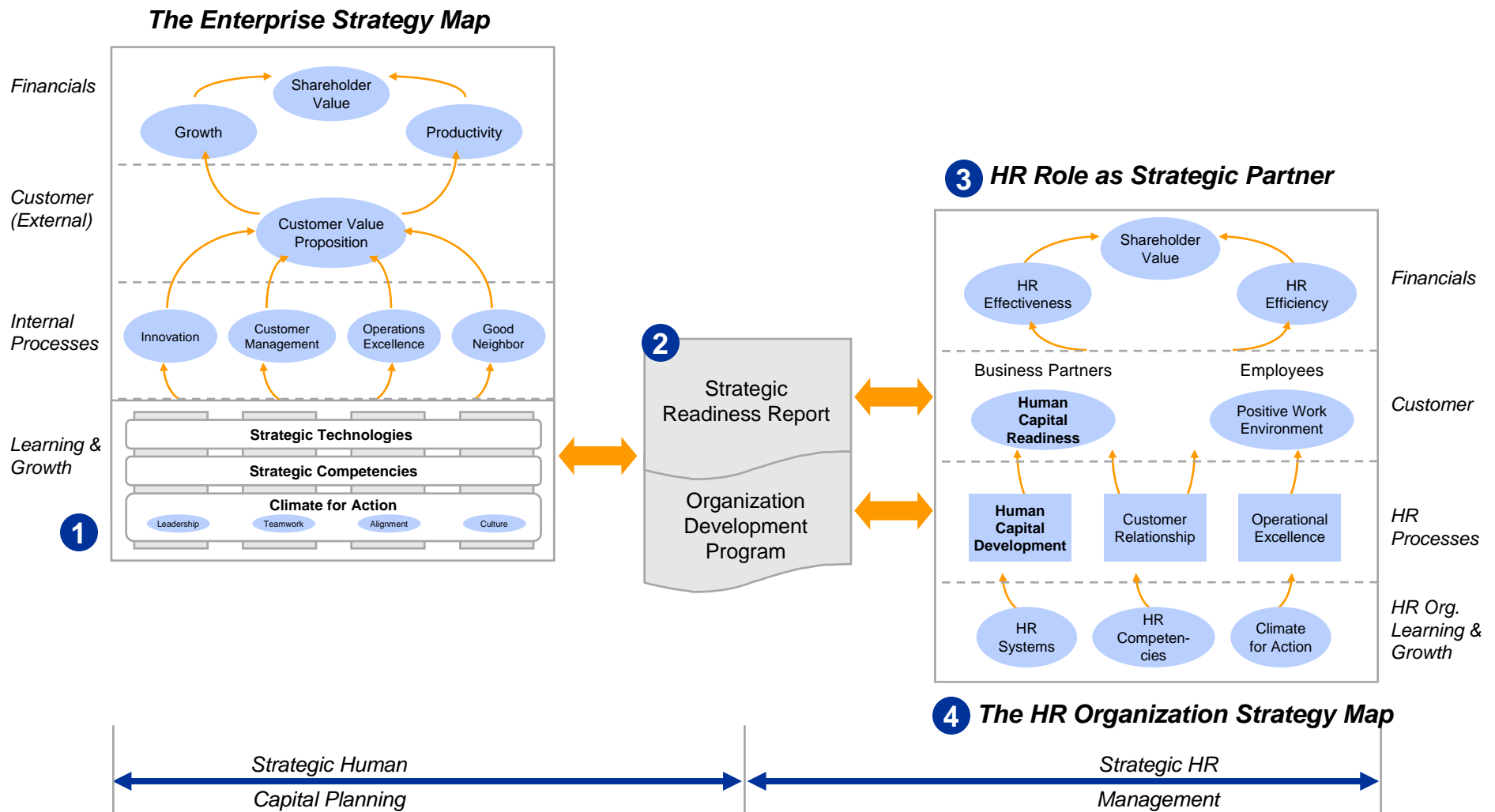
Evolving Model for the HR Organization



*The Society for Human Resource Management “Future of the HR Profession” Report



Solution for Making HR Strategic: Approach to Aligning Human Capital to Organization Strategy

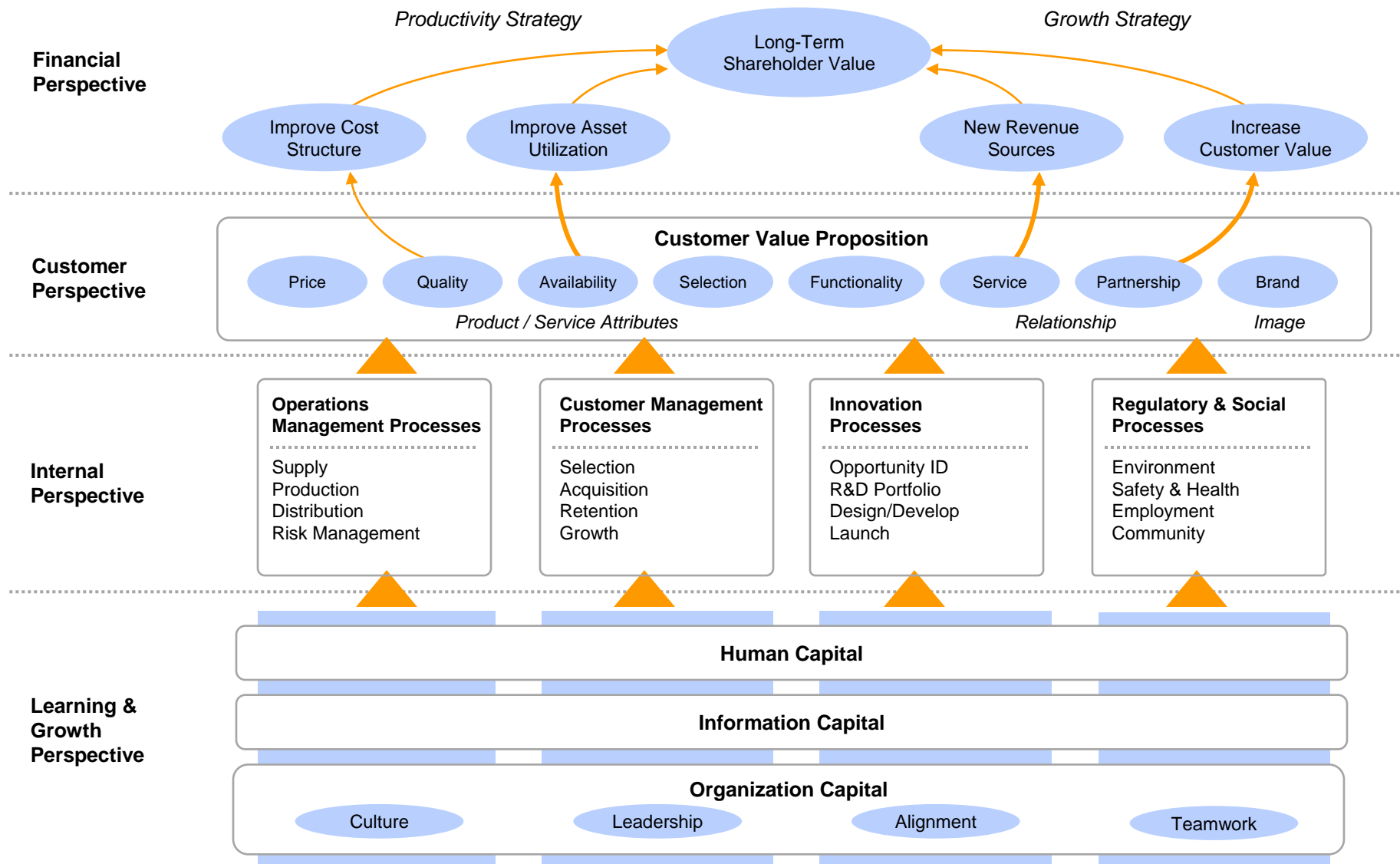


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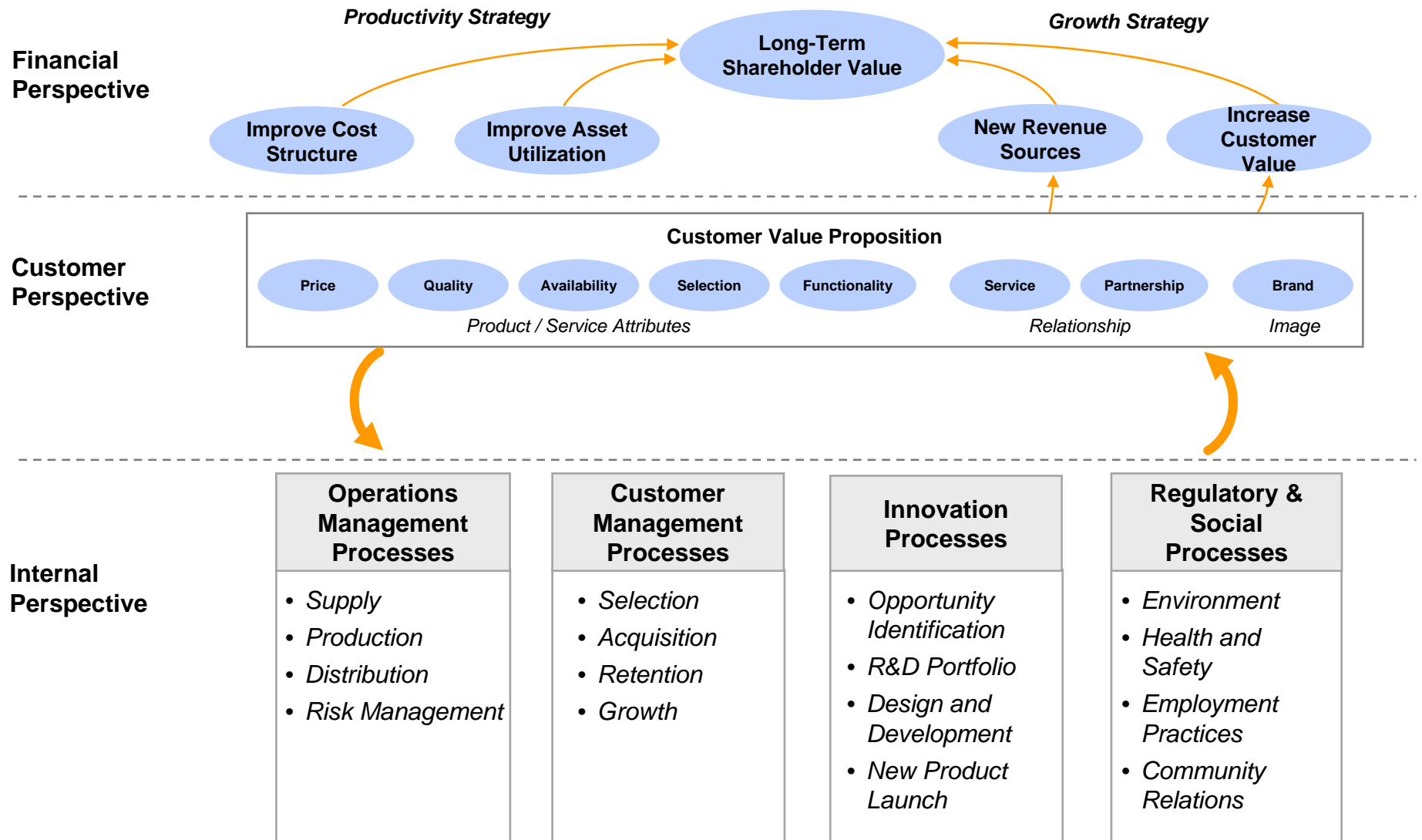
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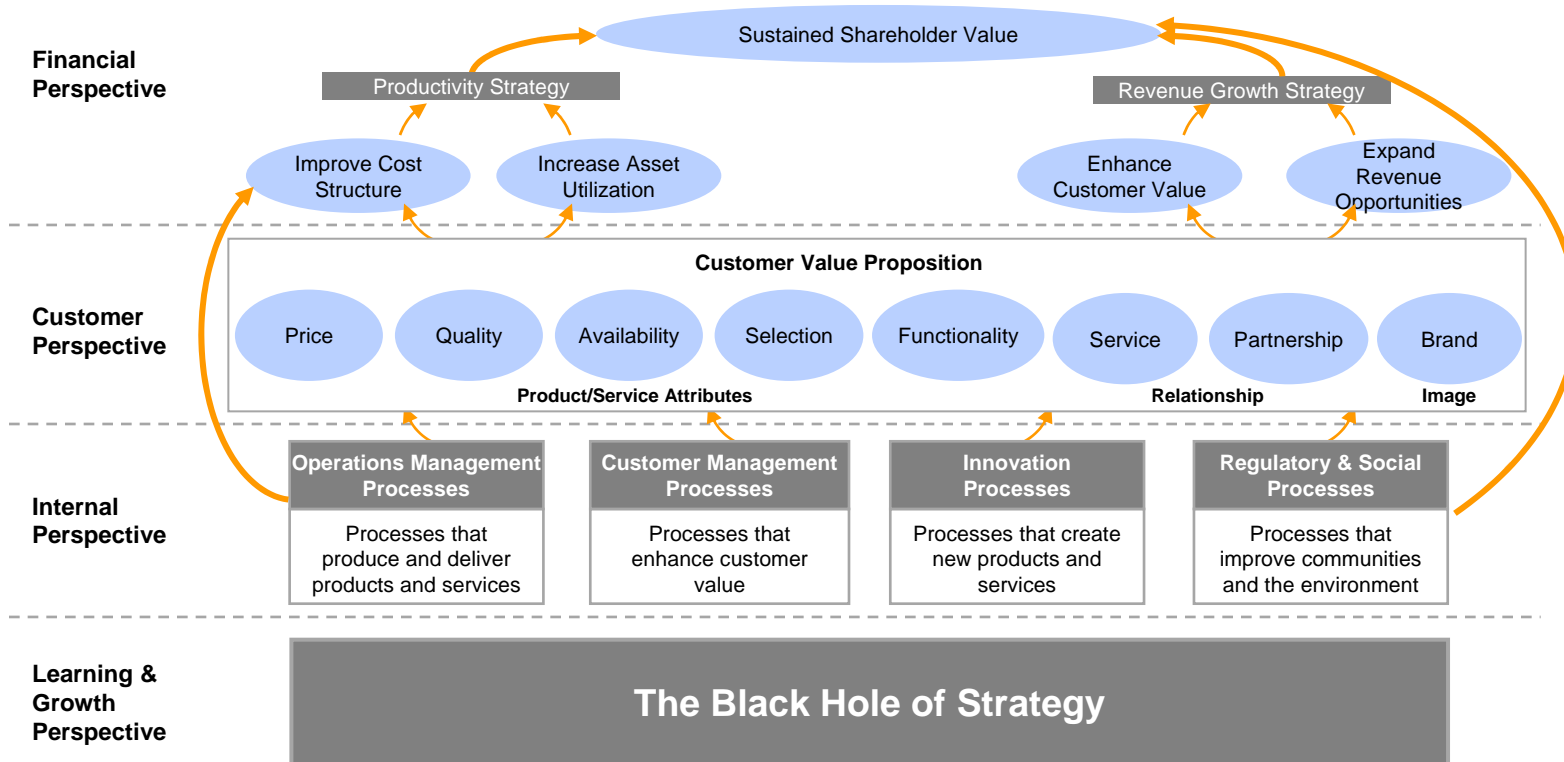
The strategy map creates a model of an organization's strategy.



Strategy Map Design: Are key business processes aligned with each customer value proposition and financial objective?



Defining the Learning and Growth layer of the strategy provides the “last frontier” of our performance measurement challenge.

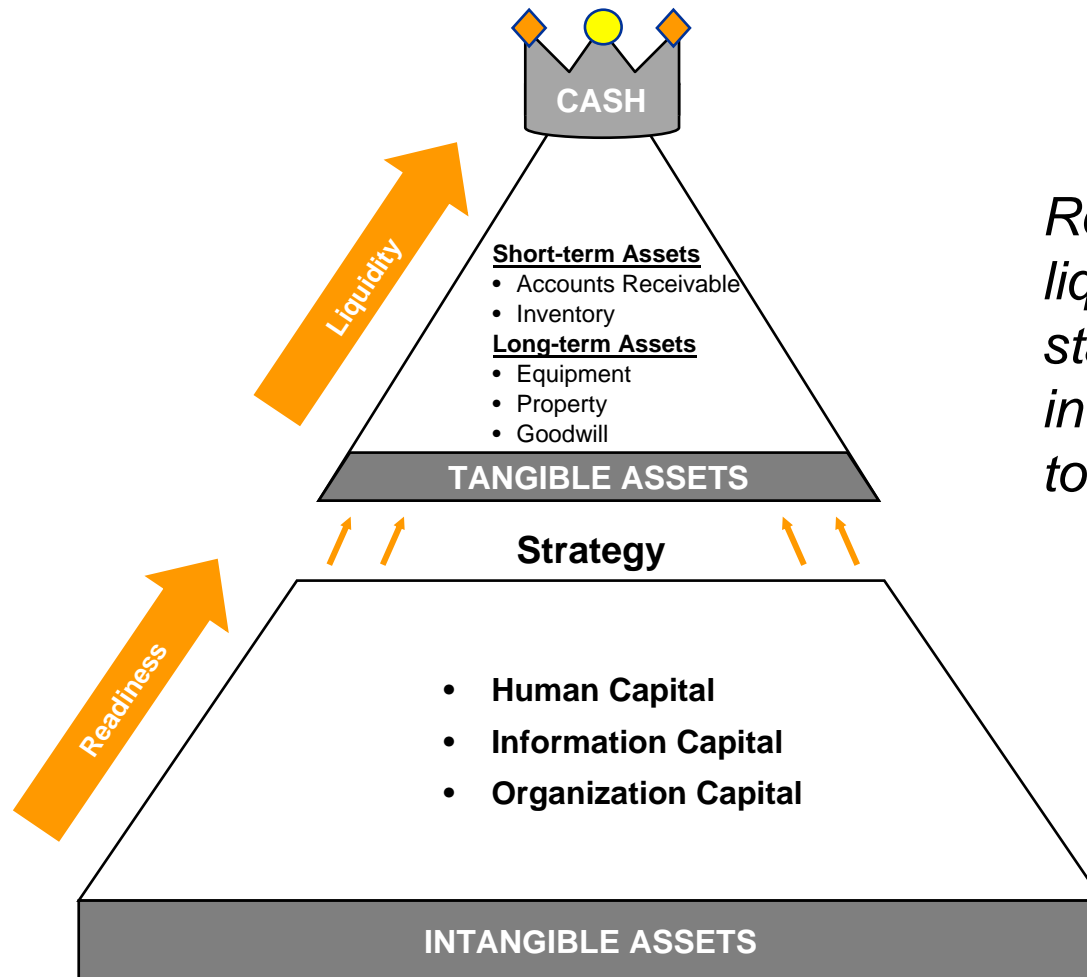


We Can Do Better



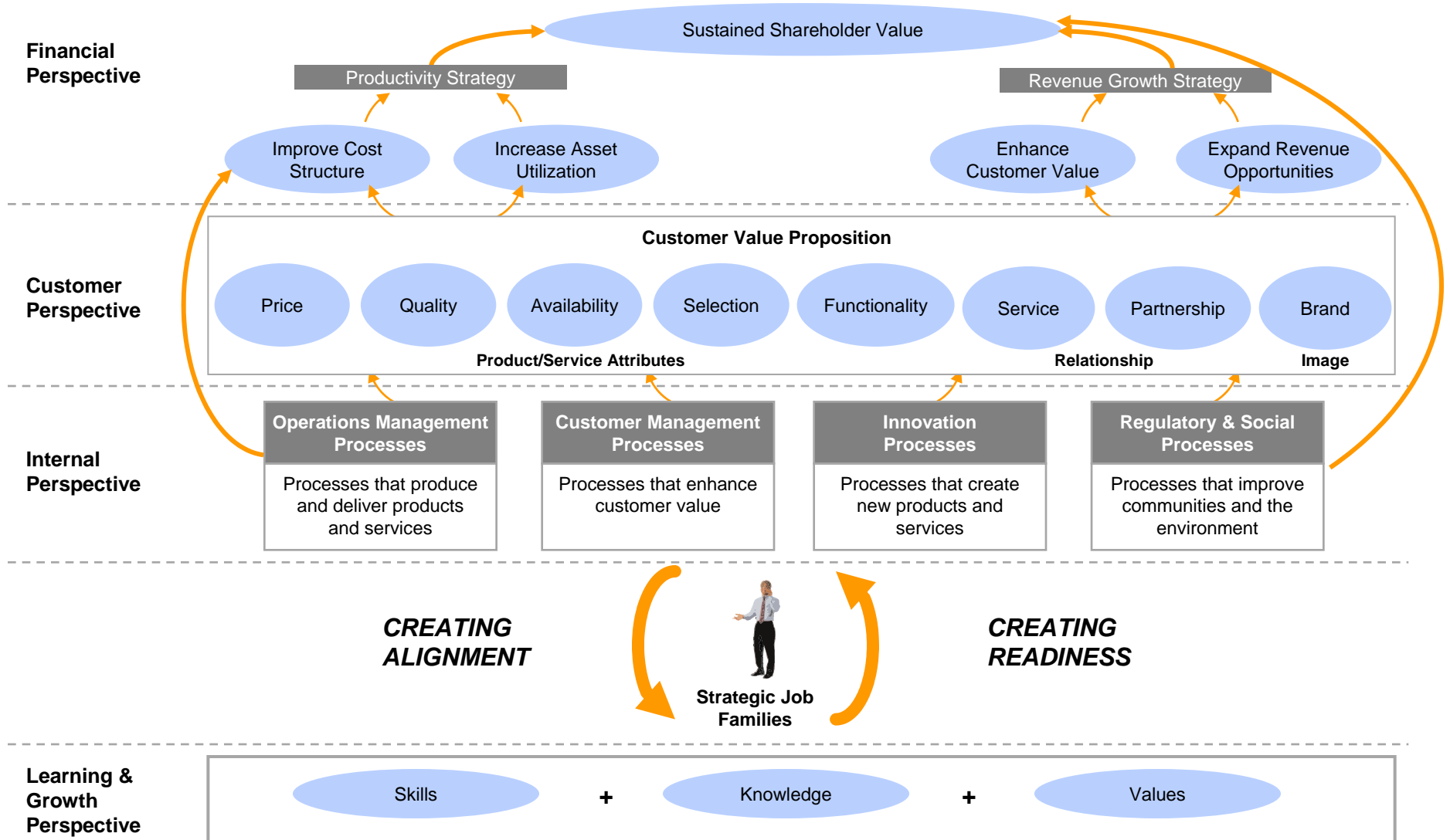
The challenges in measuring intangible assets.

Readiness: The value of an intangible asset is based on its degree of readiness to support the strategy.

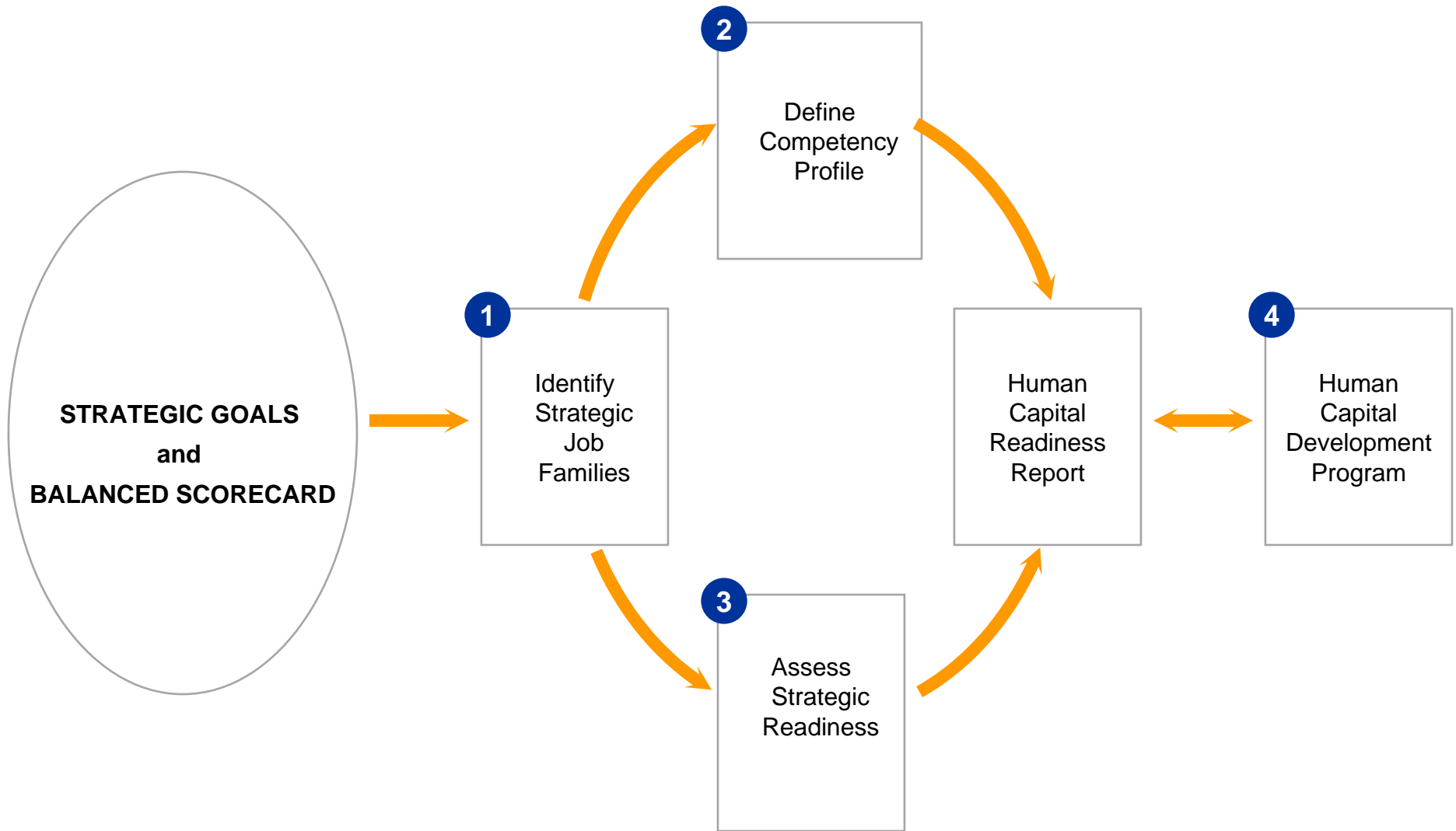


Readiness is analogous to liquidity --- the higher the state of readiness, the faster intangible assets contribute to generating cash.

Framework for describing Human Capital Readiness

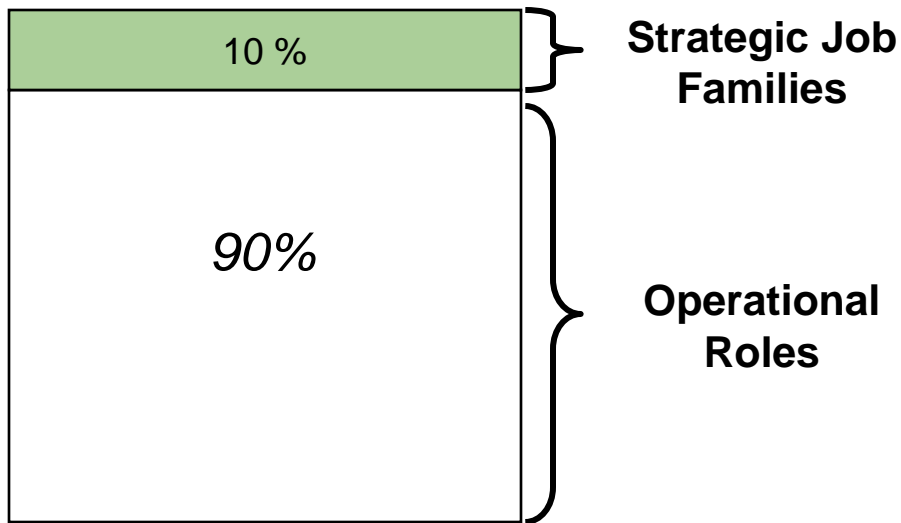


The Human Capital Readiness Model

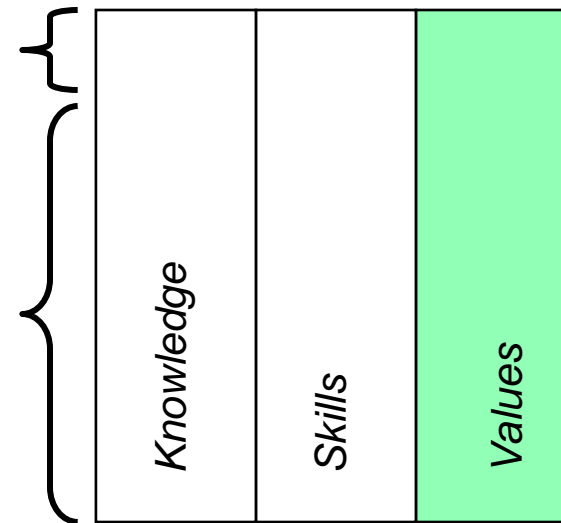


Strategic Job Families Have the Most Impact on the Strategy and Are Positions that Differentiate the Organization and Create a Sustainable Competitive Advantage

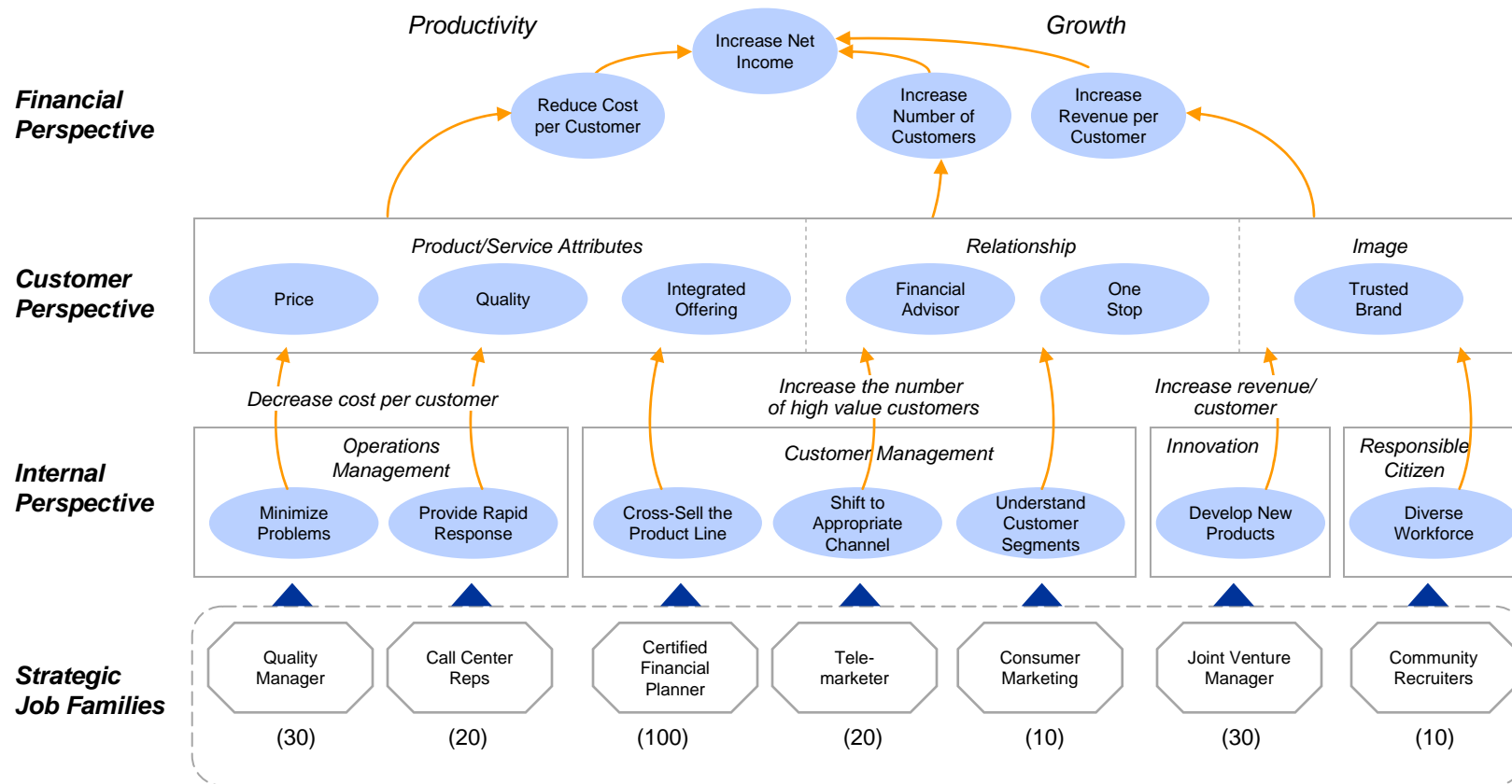
(a) The Strategic Job Family Model



(b) The Strategic Competency Model

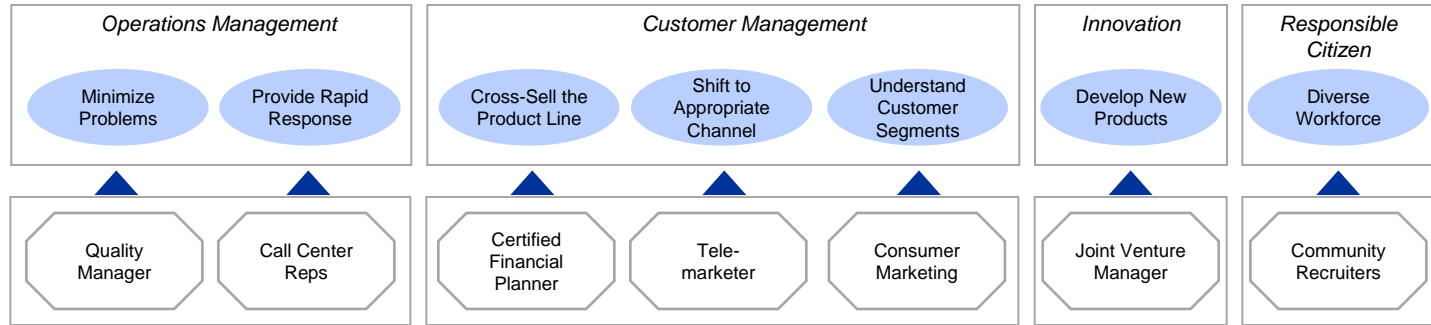


Alignment is created by identifying the “Strategic Job Families” needed to support each strategic process.



Measuring readiness requires the definition of a “competency profile” for each strategic job family and a test to determine who meets the requirements.

Strategic Processes



Strategic Job Families

Competency Profile

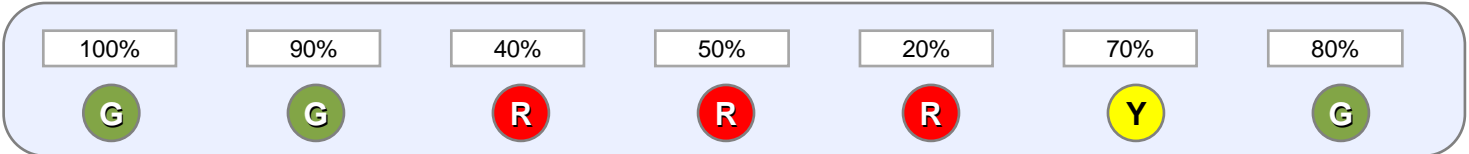
(knowledge)
(skills)
(values)

<ul style="list-style-type: none"> • Six Sigma • Black Belt • Analytic 	<ul style="list-style-type: none"> • Know the Customer 	<ul style="list-style-type: none"> • Know the Customer • Know the Product 	<ul style="list-style-type: none"> • Know the Product 	<ul style="list-style-type: none"> • Industry Knowledge • Marketing Professional 	<ul style="list-style-type: none"> • Industry Knowledge 	<ul style="list-style-type: none"> • Community Knowledge
<ul style="list-style-type: none"> • Project Mgmt. 	<ul style="list-style-type: none"> • CRM Mastery 	<ul style="list-style-type: none"> • Consulting Skills • Relationship Mgmt. 	<ul style="list-style-type: none"> • Selling Skills • Negotiation Skills 	<ul style="list-style-type: none"> • Analytic • Creative Thinker • Risk taker 	<ul style="list-style-type: none"> • Contracting Skills • Negotiation Skills • Relationship Mgmt. 	<ul style="list-style-type: none"> • Selling Skills • Relationship Mgmt.
<ul style="list-style-type: none"> • Results Oriented 	<ul style="list-style-type: none"> • Results Oriented 	<ul style="list-style-type: none"> • Customer Partnership 	<ul style="list-style-type: none"> • Results Oriented 	<ul style="list-style-type: none"> • Innovative 	<ul style="list-style-type: none"> • Results Oriented 	<ul style="list-style-type: none"> • Team Player

Number Required

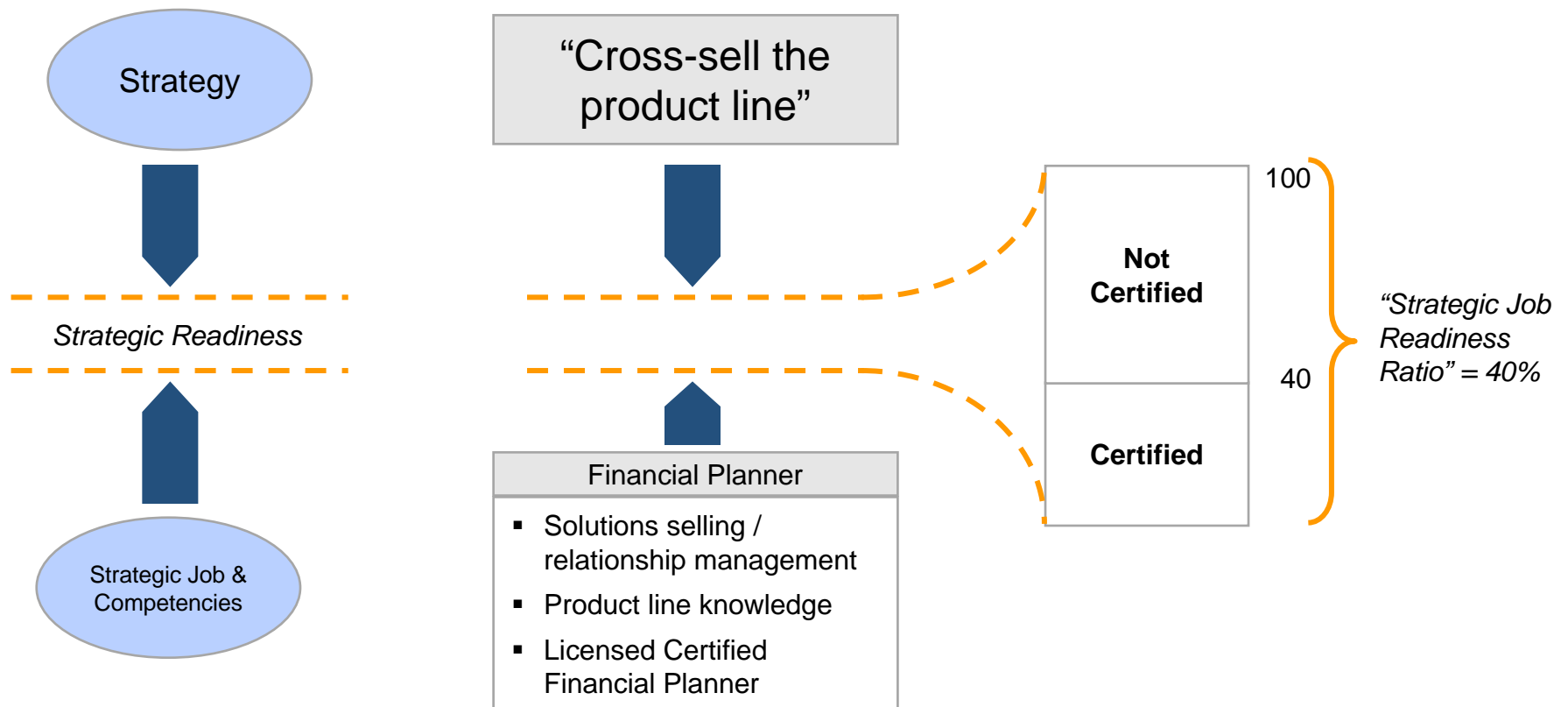
30	20	100	20	10	10	10
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Human Capital Readiness



A Development Plan will Need to Be Created to Close a Strategic Skill Gap

Strategic Readiness – the degree to which an intangible asset meets the requirements of the strategy



Identifying Strategic Job Families Has Driven Focus in Leading Edge Organizations

*Strategic Job Families:
Focus Human Capital on the “Critical Few”*

“80% of our strategy is impacted by 5 job families.”

John Bronson
VP, HR
Retail Organization

“We focused our Human Capital Strategy on one job family - the Residence Unit Manager. This was 400 out of 14,000 employees.”

Andrea Peck
VP, HR
Healthcare organization

“We have three job families on which the strategy turns - Project Managers, Operations Directors, and Business Developers. They represent 215 out of 6,000 employees.”

Kimberlee Williams
VP, HR - Organizational Dev.
Manufacturing Organization

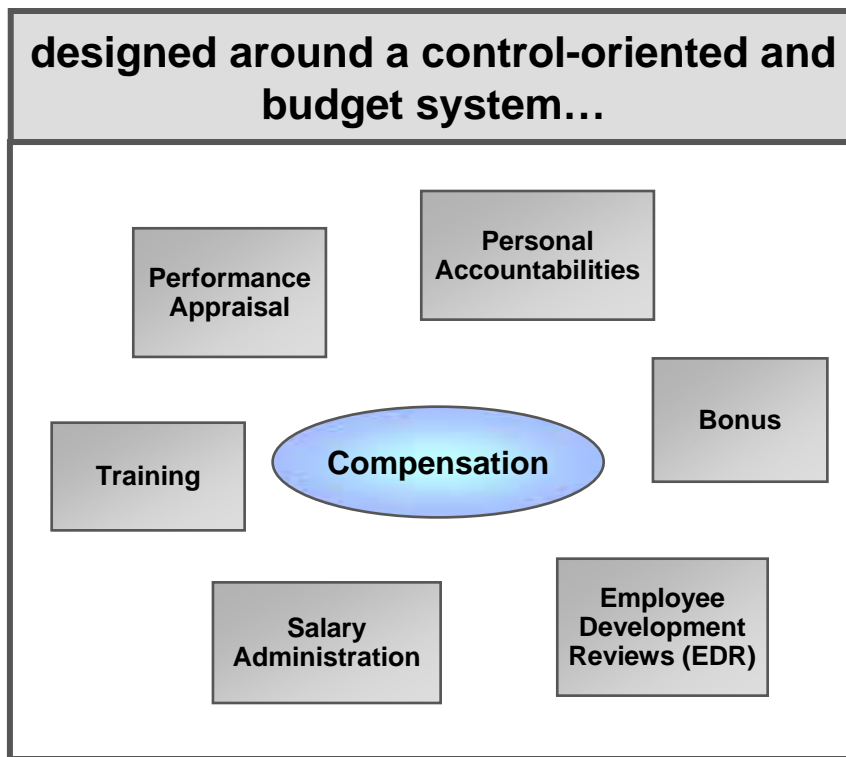
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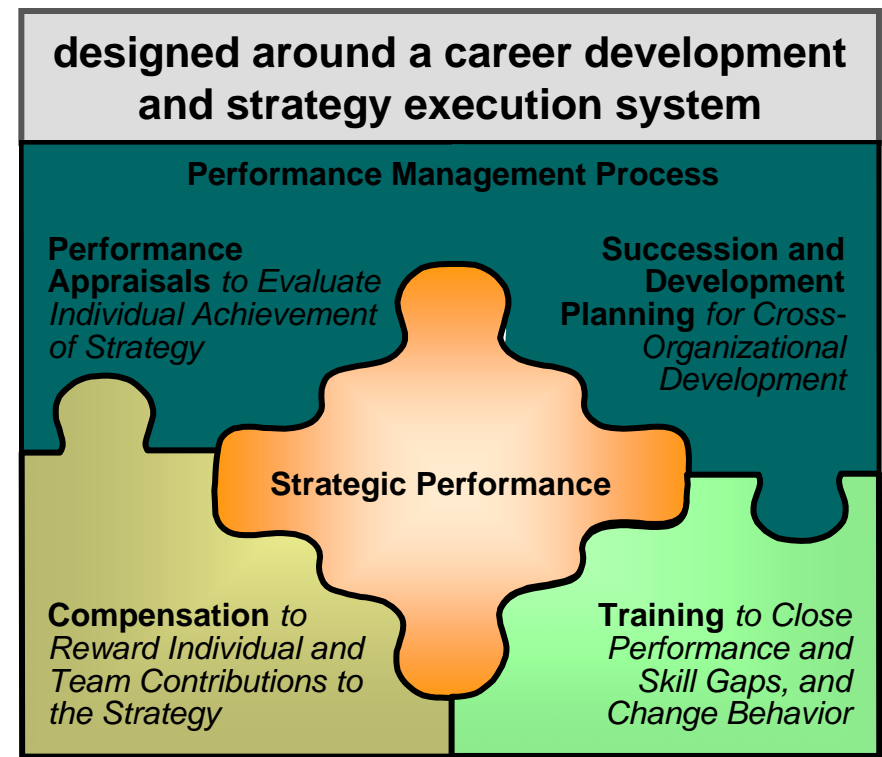


Aligning All HR Programs with the Strategy is Critical to Strategy Execution

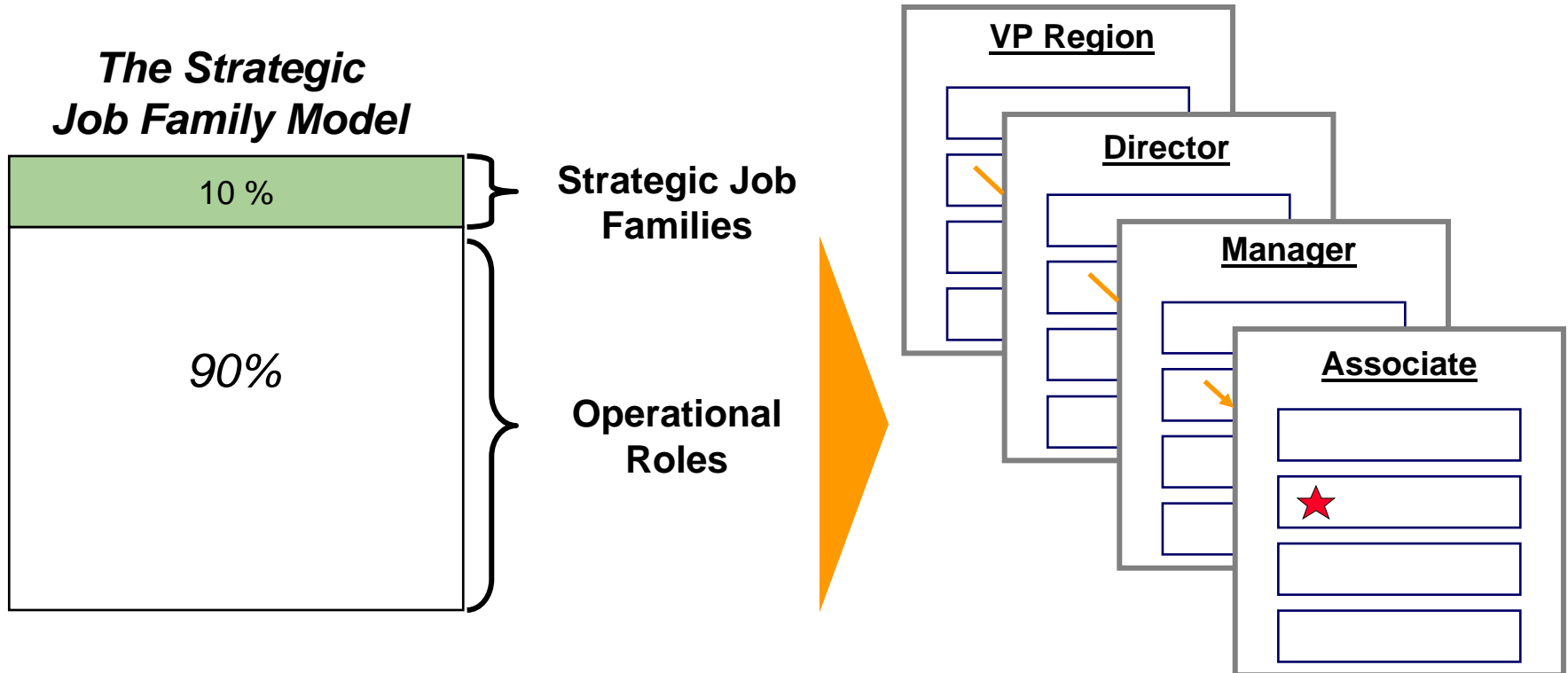
From a compensation focused process



To a performance focused process

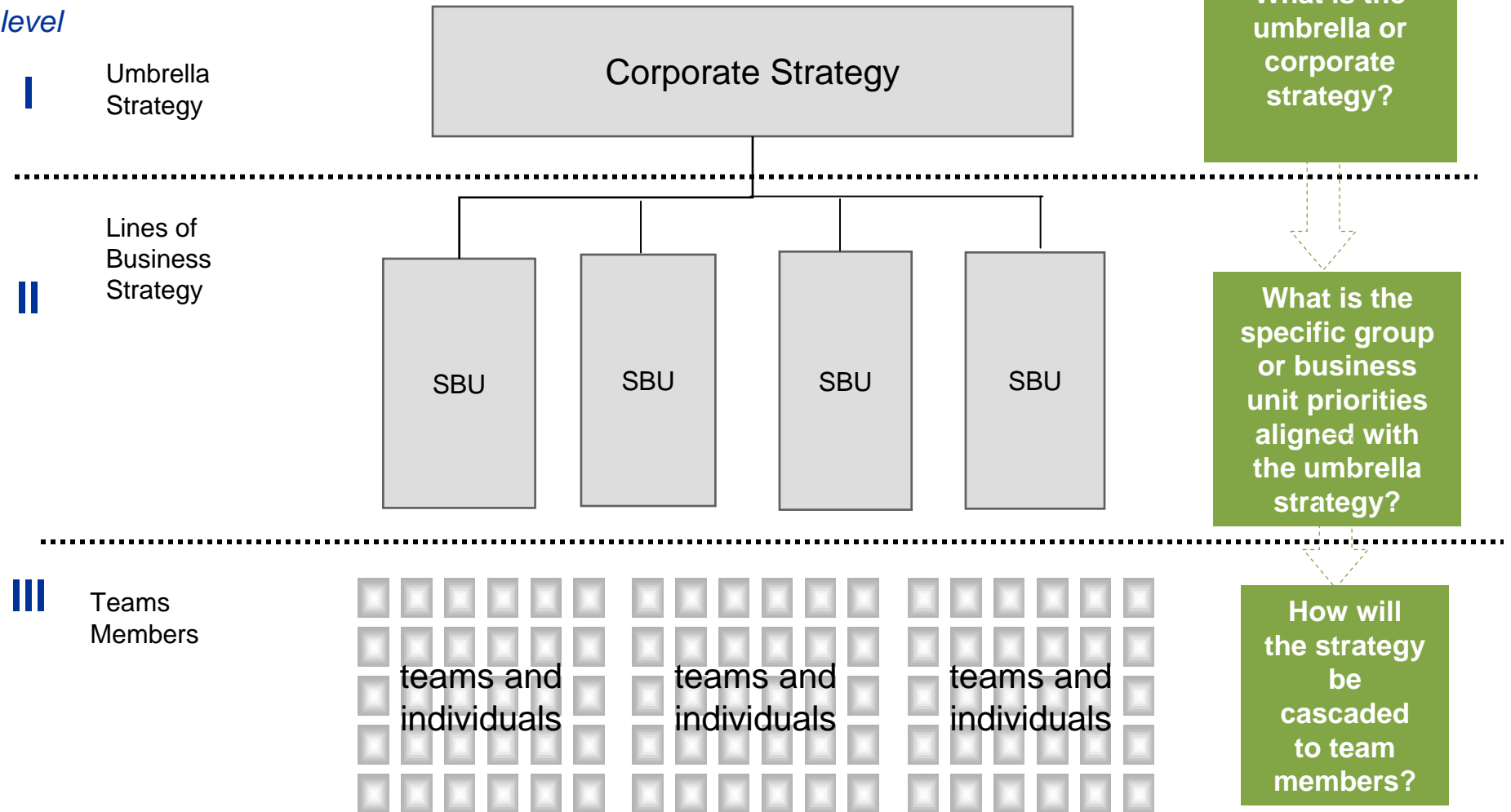


Creating Workforce Readiness will Require that the Balanced Scorecard is Cascaded to all Individuals



Define the Cascading Levels that Will Be Meaningful for the Individuals

level



Criteria for Developing Individual Scorecards

Criteria 1: Line of Sight – Individual scorecards must support business/functional scorecards

Criteria 2: Linkage – Link individual objectives to performance model

Criteria 3: Balance – Every perspective must have one objective and measure

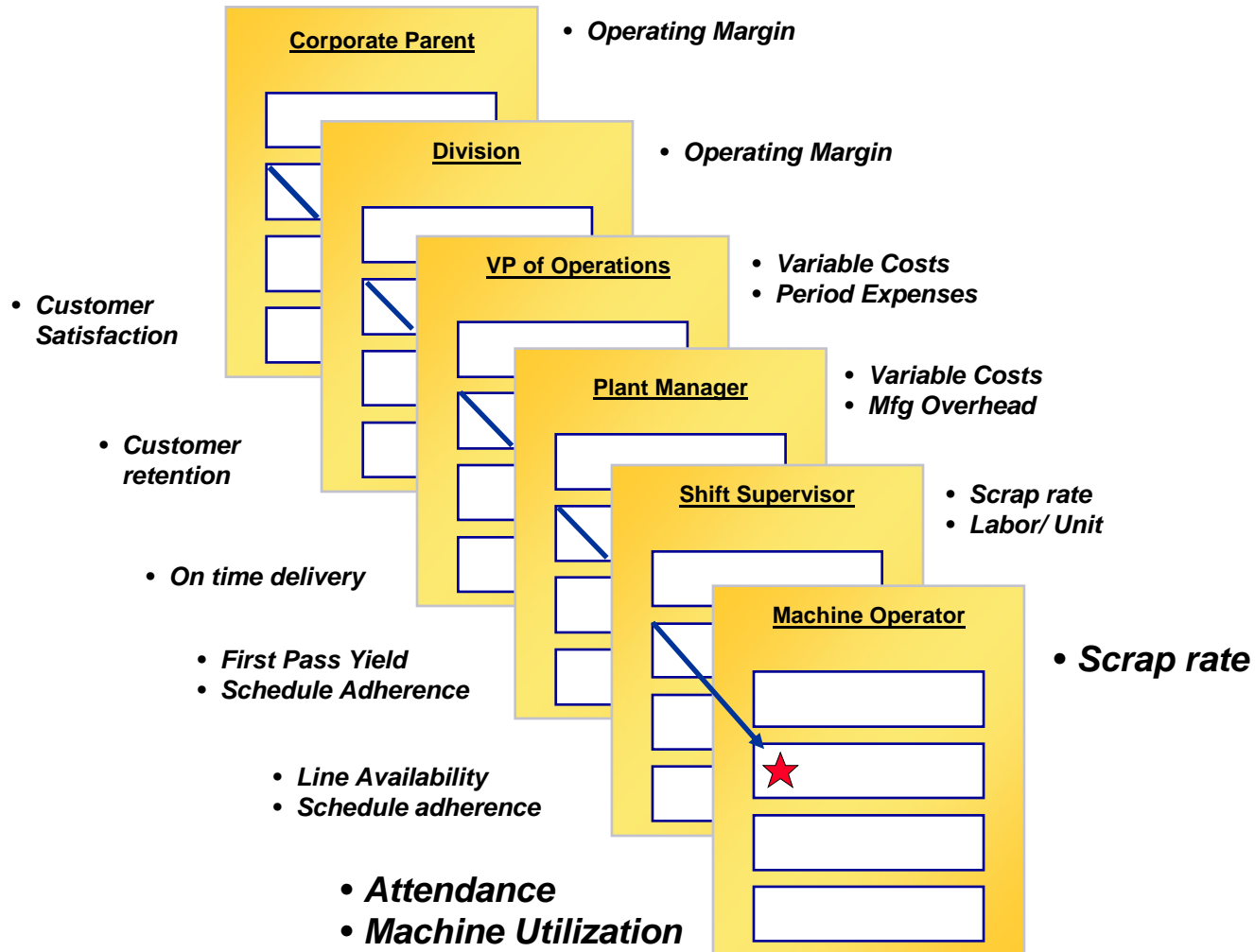
Criteria 4: Focus – Do not exceed eight individual objectives



Maintain Line of Sight Alignment: Individual Strategic Objectives and Measures Should Support Higher Levels in the Organization

Customer Example

Financial Example



Individual Scorecards Can Become the Cornerstone of Individual Competency Development

		Strategic Objectives	Strategic Measures																	
Strategic Themes "Superior Returns"	Financial	F1. Leader in Return on Capital	ROCE																	
		F2. Meet Cash Flow Plan	Cash flow																	
		F3. Profit Leader	Integrated Income																	
		F4. Meet Cost and Asset Utilization Plan	Total Integrated Cost																	
"Delighted Consumer" "Win Win with Distributors"	Customer & Partners	C1. Innovative Brand	Market share																	
		C2. Mutually Profitable Relationships	Distributor Survey																	
		C3. Easy to Work With	Customer Survey																	
		C4. On Time / On Spec / As Ordered	Number of customer / partner complaints																	
"Market Focused" "Error Free Order Fulfillment" "Cost Effective Production" "High Performance Organization"	Internal	I1. Proactive Product Development	Percent Revenue from new products		Top 3	Competencies	Impacts BSC Objectives	Personal Growth	Comments	Impact on Job Effectiveness	Personal Motivation	Difficulty of Change								
		I2. Build Superior Brand Image	Price vs. competition																	
		I3. Develop Best-in-Class Distribution Network																		
		I4. Achieve Perfect Order Fulfillment																		
		I5. Reduce Manufacturing Cost																		
		I6. Effectively Utilize Assets																		
Learning & Growth	L1. Demonstrate Support for change			1	Effective Communication	X	X	Need to communicate team results to other parts of Lubes by 5/1/96	H	M	H									
		L2. Develop strategic skills and competencies										2	Teamwork	X	X	On a new team – Need to take a more active role in sharing my knowledge and driving team success	M	H	M	
			L3. Ensure information technology availability																	
				1	Delegates Effectively	X	X	Anticipate turnover on team – need to develop coaching skills to speed growth of new team members	M	H	L									
		2										Forward Thinking		X	Develop a 6-12 month plan for technical roll-out. Focus on consequences and actions I plan to take to address these consequences	M	M	M		
			3																Taking Initiative	X
				1	Generates Results	X	X	Have been seen as a technical idea person – not great follow through. Work with Manager to set more realistic goals and meet 100% of them	H	H	H									

(H,M,L)

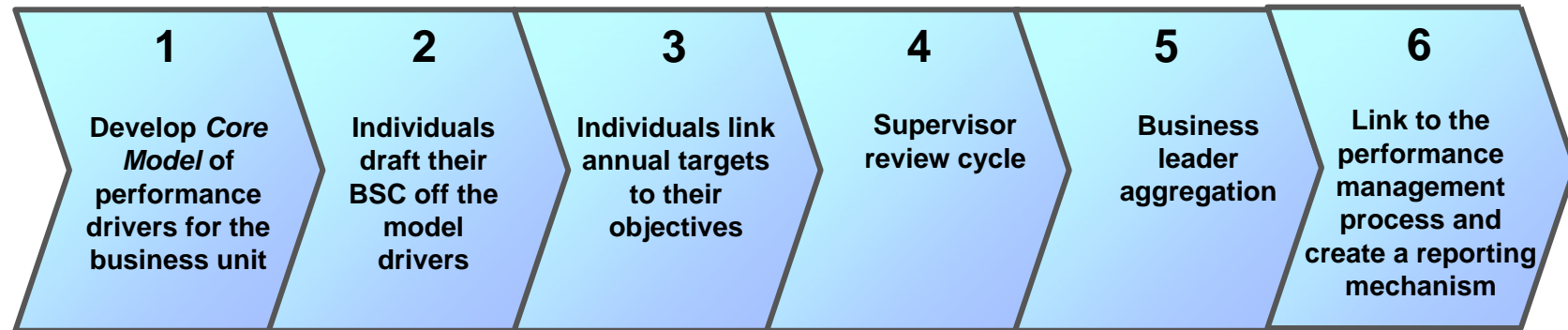
Creating A Reporting Mechanism for Performance Management will Help Ensure Organizational Alignment

As well, the manager of the organization must be able to compare how the organization is doing against the BSC objectives as well as how the individuals are being evaluated strategically.

Objective #6 shows that the organization is behind, but the individuals supporting that objective are on track. Maybe you should look closer at the assumptions or evaluation process. The reverse is true for Objective #8.

	Obj. 1	Obj. 2	Obj. 3	Obj. 4	Obj. 5	Obj. 6	Obj. 7	Obj. 8	Obj. 9
Ind. 1	X			X					
Ind. 2		X	X						
Ind. 3	X								
Ind. 4	X				X				
Ind. 5				X		X			
Ind. 6	X						X		
Ind. 7						X		X	
Ind. 8					X			X	
Ind. 9		X	X				X		
Total	4	2	2	2	2	2	2	2	0

The Methodology for Cascading from a Balanced Scorecard for a Business Unit to Individuals Can Be Encapsulated in 6 Steps



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BSCol's Human Capital Community Will Work Together to Address Human Capital Challenges

> Objectives of the Community:

- #1 Define the Top CEO and HR Issues
- #2 Articulate the Value of Human Capital in Executing Strategy
- #3 Implement an Approach to Measure and Report on Strategic Readiness
- #4 Develop an HR Balanced Scorecard to Align with the Organization

> Member Benefits

- > Centralized forum to collaborate and share ideas on human capital
- > Learn from peers and BSC experts

> Working Principles





- > BSCol organizes community and provides thought leadership
- > All members are active participants and must contribute current practices on human capital
- > Attend annual Human Capital conference to meet face to face
- > Commit to attending a quarterly net conference with assignments in between scheduled meetings
- > Openness to sharing ideas and exploring new concepts
- > Maintain confidentiality among members

> Terms and Conditions

- > Selection and application process
- > Fees waived for qualified applications

> Please contact Cassandra Frangos at cfrangos@bscol.com or 781-402-1164 if you are interesting in learning more about the community

Human Capital Community Program Calendar

	March	April	May	June	July	August	September	October	November
Events	<p>Human Capital Conference March 9-11th Orlando, FL</p>								
Netconference		<p> #1 Net Conf.</p> <ul style="list-style-type: none"> • Research agenda • Strategic readiness 		<p> #2 Net Conf.</p> <ul style="list-style-type: none"> • Job Families and competencies 			<p> #3 Net Conf.</p> <ul style="list-style-type: none"> • Organization Capital 		<p> #4 Net Conf.</p> <ul style="list-style-type: none"> • Making Strategy Everyone's Job
Deliverables	<ul style="list-style-type: none"> • Assessment of organization 	<ul style="list-style-type: none"> • Interviews with CEO's and HR executives • Summary report 	<ul style="list-style-type: none"> • Establish HR and business partnership • Design BSC program 	<ul style="list-style-type: none"> • Define strategy and determine job families 	<ul style="list-style-type: none"> • Define job families and competencies 	<ul style="list-style-type: none"> • Collect best practices on organization capital 	<ul style="list-style-type: none"> • Share measures and create new models 	<ul style="list-style-type: none"> • Define change agenda 	<ul style="list-style-type: none"> • Create HR strategy • Personal BSC program

Resources to Advance Your Knowledge and Stay Connected

- Ongoing Human Capital Community
- Annual Human Capital Conference
 - “Align Human Capital with Business Strategy”, March 9-11th, 2004 in Orlando, Florida
 - For more information go to www.bscol.com
- New Book:
 - “*Strategy Maps: Converting Intangible Assets into Tangible Outcomes*”
- HBR Article:
 - “Measuring the Strategic Readiness of Intangible Assets”

“It is a breakthrough article for people concerned with how to take a great strategy and make it work. The tool Kaplan and Norton propose rates what they call “strategic readiness”. If you know how well your intangible assets support your strategy, you have a good idea of how likely that strategy is to succeed. For those of us concerned with execution, that’s something akin to the holy grail.”

Tom Stewart

Editor, Harvard Business Review