

Book Review
“THE HR SCORECARD: Linking People, Strategy, and Performance”
By Brian E. Becker, Mark A. Huselid, Dave Ulrich
Harvard Business School Press, Boston, 2001, 235 pages, ISBN: 1578511364

Reviewed by Sweta Singh, Great Lakes Institute of Management

Human capital is the driving force behind the success of any organization in this modern knowledge-driven economy. So, as a source of competitive advantage for today's organizations, the human resource strategies are a key differentiator. The investments that are made in the name of HR development are increasingly being held accountable to justify. In this context, the book by Becker, Huselid and Ulrich has come out with an innovative concept called HR Scorecard that highlights the role of HR as a strategic asset. The authors provide a measurement system which links HR to firm performance. Building on the concept of balanced scorecard of Kaplan and Norton, the authors here have elaborated the idea of HR scorecard with the objective of highlighting HR's role in a firm's performance. The authors on the basis of a decade long study of HR aspects of almost 3000 firms concluded that the firms with more effective HR management systems consistently outperform their competitors.

“HR as a strategic partner—the measurement challenge” argues the case of HR in business organization and how we can ensure that HR can measure or demonstrate how exactly they create value for their organization. Firms having high performance work systems (HPWS) are much more likely to have developed a comprehensive, systemic HR management system. A strategic HR role is the firm's “HR architecture”, which is composed of the function, the system and employee behaviors. The role of HR as an asset can be visible only when aligned with the organization's strategy implementation system. Further, authors introduce a seven-step model for implementing HR's strategic role. This is the major contribution of this book. But the model has certain flaws. The model involves steps to develop various measures to be adopted for measuring HR's strategic influence. But evaluating HR scorecard is also necessary, though the authors seem to be less interested in that. One cannot assume its measures and relationships to stay same always; so HR scorecard needs to be evaluated.

There are some essential architectural elements that are required to be included in a HR scorecard besides highlighting its benefits. The elements are High Performance Work System (HPWS), HR system alignment, HR deliverables and HR efficiency measure. The first two are called leading indicators, and the latter two are the lagging indicators for HR's performance. HPWS focuses on individual change, but an organization can be high performing itself. How can this scorecard be related to organizational change? Again strategy implementation requires organizational change and not merely individuals' change within the system.

The HR deliverables are again of two categories: performance drivers which are core, people related capabilities and enablers which reinforce the performance drivers. The final component is the HR efficiency measure (also called doables).

The next part of the book, explains cost benefit analysis for HR interventions. They introduce a three-step process for determining ROI. Firms should identify potential costs, then identify potential benefits and finally calculate the ROI of the program with an appropriate index. Here authors could have included few of the indexes, rather than leaving the audience to refer to a financial management book.

The next section “the principles of good measurement” is devoted to how proper measurement can be done. To explain how firms formulated ways to measure casual linkages, the authors have given live examples of GTE and Sears. This enables reader to align the concept with practice.

There are two dimensions of alignment that the HR architecture must attain, to become a strategic asset. They provide two type of alignment—internal and external. Internal alignment is the degree to which HR is perceived to be valued strategic partner and external alignment is the degree to which HR provides HR deliverables. This implies that HR should endeavor to be valued and should measure its effort. HR can further focus on enabling other functions in the firm to be of value. Furthermore, based on a multidimensional scaling technique called Galileo, a metric is developed called the Systems Alignment Map (SAM). It provides a visual summary of how the human dimension of the organization can be aligned to the firm’s larger strategic goals and the HR system.

In addition to the five dimensions prescribed by the Michigan studies including knowledge of business, personal credibility, delivery of HR practices, management of change and culture, new competency in strategic HR performance management is needed for modern day professional needs. In the final part of the book, guidelines for implementing an HR scorecard are provided.

To illustrate various concepts to make understanding of the concepts and its applicability easier, they have used real life cases of companies. The authors use the example of Sears and GTE Corporation (who managed to achieve great transformations by aligning their HR with the larger organizations strategy) throughout the book.

The authors of this unique book deserve all credit for coming up with an innovative measure for linking people, strategy and performance. It is a thought provoking guide for HR professionals providing insight into an area of high significance in the modern economy. But at times it seemed that HR focuses on merely proving its own worth rather than driving organization-wide strategy implementation. They could have better highlighted the cause of HR by focusing on contribution made to entire organization, and not just only to itself.