THE OTI THOUGHT LEADERSHIP SERIES

VOLUME 1: ISSUE 5

STRATEGIC HUMAN RESOURCES:
HOW TO ALIGN HUMAN CAPITAL WITH
STRATEGIC GOALS

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THE OTI THOUGHT LEADERSHIP SERIES

The OTI Thought Leadership Series provides expert insight and best practice implementation advice on issues that are front-of-mind of senior executives. Particular emphasis is placed on strategy implementation and the alignment of organizational processes, people and functions with strategic goals.

The OTI Thought Leadership Series is an invaluable compendium of proven best practices that are drawn from the observations of OTI senior consultants of organizational excellence throughout the world.

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Global research proves conclusively that those organizations that successfully ‘engage’ their workforce significantly outperform other companies against a number of financial metrics. Enabling this engagement is primarily the role of the HR organization. And HR must ensure that employees are fully engaged with, and aligned to, the strategic goals of the enterprise.

As this issue of The OTI Thought Leadership Series explains, to deliver engagement HR needs to reposition itself as strategic business partners. For this, HR professionals must develop an intimate understanding of the business and take an ‘outward, results–focused’ view of their work rather than an inward perspective.

HR professionals must also be willing to be accountable for the outcomes (most notably financial) of their interventions.

Moreover, HR must develop strong strategic thinking capabilities and so understand the impact tomorrow of today’s decisions. For this reason, many HR organizations use the Balanced Scorecard as a framework to describe the future outcomes of their work and as a mechanism through which they accept accountability.

Furthermore, HR is the natural custodians of the corporate culture. As such it must manage the cultural infrastructure so that enablement and the much sought-after high performing organization can take hold.

A case study on the US-headquartered Verizon Communications highlights the key learnings from this paper.
Jack Welch, former Chief Executive Officer (CEO) of the global giant General Electric, described the core challenge of winning in today’s markets this way. “Any company trying to compete…must figure out how to engage the minds of every employee.”

Research repeatedly shows that few companies successfully figure this out. For instance, a 2007 poll by the world-leading market research organization Gallup found that fully 73% of employees are disengaged from the organizations they work for: This means that they either just turn up at work and go through the motions or, worse, do all they can to do as little as they can.

Talent Management Research Study

The deleterious financial consequences of managing a workforce of disengaged, disinterested employees can be massive, as was powerfully illustrated in a major 2007 research project by the US–headquartered benchmarking specialist The Hackett Group.

By using a sophisticated modelling approach, Hackett researchers identified and grouped those organizations from its global database of about 3000 companies that could be described as top-performers in talent management. Hackett defined talent management according to four components:

1. **Strategic workforce planning**
   This considered, as examples, workforce gap assessment and leadership gap assessment.

2. **Staffing services**
   As examples recruiting & staffing and exit process.

3. **Workforce development services**
   As examples learning & development and career planning.

4. **Organizational effectiveness**
   As examples organization design & development and employee relations (including individual performance management).

The researchers then compared the financial performance of the talent management top-performers with the Fortune 500 companies. The findings were unequivocal. As figure 1 shows, those organizations that are talent management top performers significantly outperform the Fortune companies against financial metrics.

### Engagement: The Role for HR

Although the day-to-day task of engaging employees is the responsibility of all organizational managers, it is the role of the HR organization to figure how to configure processes, activities and policies to enable engagement to take hold. Therefore, as the Hackett figures show, a high-performing HR organization is capable of delivering significant financial benefits to the enterprise.

But note, engagement is not just about happy employees; it is about making sure that the skills, competencies and attitudes of the employee base are appropriate to the strategic needs of the enterprise. Put another way, that the HR organization has as a core focus that every employee is fully engaged in the increasingly global battle for customers — and committed to defeating the competition.

For many, the enablement of such engagement calls for nothing short of a fundamental reappraisal and repositioning of the HR organization. As much as anything, this is about HR migrating from a traditional dispatcher of personnel services to a full fledged strategic business partner. This is not to say that traditional administrative functions are no longer required. Rather they are separated out from the higher-value partnering activities. HR staff will not do both administrative and partnering activities. Different staff will be allocated to each.

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**Figure 1: Financial performance of talent management top performers versus the Fortune 500 companies.**

<table>
<thead>
<tr>
<th>Financial metric</th>
<th>Talent Management top Performers</th>
<th>Fortune 500</th>
<th>Annual impact on average Fortune 500 company*</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>16.2%</td>
<td>14.1%</td>
<td>$399 million</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>7.1%</td>
<td>5.8%</td>
<td>$247 million</td>
</tr>
<tr>
<td>ROA</td>
<td>5.5%</td>
<td>3.7%</td>
<td>$992 million</td>
</tr>
<tr>
<td>ROE</td>
<td>17.3%</td>
<td>13.6%</td>
<td>$340 million</td>
</tr>
</tbody>
</table>

*Averages for Fortune 500: revenues = $19 billion, assets = $55.1 billion; equity = $9.2 billion*
This white paper considers how HR moves up the value-chain and into the partnering space. Indeed, becoming a strategic business partner has been something of a holy grail for many functional leaders, be they from HR, finance, procurement or elsewhere, for more than a decade. Being a business partner elevates the support function from the back office to the front-line of the business operations — from being just an overhead to a contributor to enterprise revenue and net profit.

Yet although much sought-after, few HR organizations (or indeed other functions) have managed to be fully accepted as partners by the business. For HR this is the result of two failings, each of which we examine:

1. a failure to understand the partnering role from the perspective of the business
2. a lack of skills to fulfil the partnering position.

### Understanding The Partnering Role

For HR professionals to become strategic business partners they have to assume an ‘outward, results-focused’ view of their activities rather than maintaining their historic ‘inward’ perspective. As a simple mechanism for doing this, HR professionals should visualize three inter-connected circles. The top circle represents the goals of the enterprise (financial, customer, market-share, as examples). The middle circle houses the objectives of each business unit. The bottom circle is ‘resource management’ and is where HR’s work takes place.

Historically HR professionals have tended to focus only onto the bottom-circle. But it is by focusing on the connects between all three circles that HR professionals will begin to gain a proper, and business-centric, understanding of how their work drives success in the upper two circles. This is the beginning of HR thinking like a business partner. A powerful anecdote of why HR must make this shift in thinking was provided by a leading practitioner to one of the authors of this paper in a previous major work on HR:

“Several years ago I was in a meeting with both the CEO and HR vice president of a large company. The CEO said to me ‘this guy [the vice president] came to me the other week and said that he wanted to spend $X000 on a new software package for HR. I told him to go away and build a business case for it. He came back and gave me a list of reasons why HR needed this package. However, all of these reasons were about making life more comfortable for HR and not one was about making my organization more profitable.”

### Scotiabank Case Example

Conversely, consider this as a best practice example of how a senior HR manager assumes as “outward” rather than “inward” focus. At the Canadian financial services giant Scotiabank, Sylvia Chrominska, the executive vice president of HR orchestrated a repositioning of the HR function from being a provider of essentially administrative services to being a fully fledged business partner. This repositioning led to HR staff developing business partnering competencies in five key areas:

1. **Knowledge of the business.**

   “If you’re going to provide credible, real-time solutions, you need to have an intimate understanding of your business, markets and critical success factors. You must speak the language of the business and articulate deliverables in terms the business relates to,” says Chrominska:

   Developing such an intimate knowledge of the business will require HR professionals to spend time in the business and involved in operational work. This might be as involved as a secondment into an operational position or as simple as spending a day on the road with a salesman. Either way business knowledge is developed.

   And speaking the language of the business requires HR professionals to learn “operations” speak and to become financially literate. Regarding the latter, it will be difficult for a HR professional to gain a seat at the top table of an organization that has a laser-like focus on growing shareholder value if they do not understand value-based management methodologies, for instance.

2. **A results focus.**

   Chrominska stressed that as the speed of change in the market-place quickens, so must the speed at which organizations adapt. Therefore HR professionals must be able to read the business environment and labour markets to deliver valuable solutions to rapidly changing business needs. “This means that HR professionals must learn to simplify project management to ensure that they are continually delivering to the business and are able to switch
course quickly, should the business plan change,” she explains.

The speed of change these days means that HR must be much more proactive in seeking and implementing new human capital interventions.

3. Relationship-building skills.

“Influencing and negotiating skills are paramount to help business partners understand the risks and opportunities for people inherent in business decisions and to make the necessary trade-offs. Increasingly, this means influencing rather than controlling,” says Chrominska.

Too often HR reverts to policy or procedure to get things done. Here Chrominska is pointing out that softer skills are often required to drive the organization toward strategic success.

4. Project management skills.

Chrominska says that this requires the ability to lead teams, manage work and deliver results as an integral member, and sometimes as the leader, of the business team.

Becoming a leader of a business team will, as much any other measure, show that HR has assumed the position of trusted business partner.

5. Willingness to take risks.

Finally Chrominska comments that: “You need to take positions and go with solutions without having 100 per cent of the information — without the same opportunities to evaluate and re-evaluate as you may have had in the past. You must be prepared to stand behind your recommended people strategy and be held accountable.”

Accountability

The thought of being accountable for outcomes is something that many HR professionals find somewhat uncomfortable. HR staff do not make anything, so they are not accountable for production; they do not sell anything, so they are not accountable for sales. And they are not market focused, so they don’t naturally look out at the marketplace to try to figure out what it is the organization is trying to achieve. In the new business partnering world, HR has to be accountable for financial and other consequences of their policies, processes and interventions, and back that accountability with metrics. For instance, a manufacturing manager will rightly ask: “Show me in hard figures how your work makes my unit more productive.”

This discomfiture leads to many HR professionals shunning the business partnering role — and the accountability that comes with it. Indeed, the authors of this paper have witnessed time and time again how many organizations are surprised that their HR staff cannot, or are unwilling to make the leap to higher-value business partnering roles. These organizations have hired and grown people whom they thought would have been able to be strategic thinkers. However, they find that their HR people end up doing the transactional work and becoming very good at it and therefore very comfortable in doing it. As a result when the HR function tries to reposition itself to be strategic it finds that it does not have the skills or enough people who want to develop the skills.

Those HR professionals who do not want to develop the skills will need to be placed in role that it clearly administrative (as stated, HR is still required to do such work) or eased out of the organization.

III. HR UPSKILLING

For those HR staff that remain there is typically a need for a major upskilling exercise to build business knowledge and to take an ‘outward, results-oriented view of their work’. Without this upskilling, HR will not be taken serious by often hard-nosed operational leaders.

HR professionals will need to develop myriad characteristics and skills. For ease of explanation they can be described according to two groups:

1. Business Outcomes
   This is where HR ensures that is focused on what the business is trying to achieve.

2. Custodians of the High-Performance Corporate Culture
   This is where HR used its skills to ensure the fash-
ioning of a corporate culture that enables employee engagement and the delivery of strategic objectives.

### Business Outcomes

As we have already stressed, developing knowledge of the business is a pre-requisite for a business partnering role. Without it there can be no progress. But business acumen must be supported by strong strategic thinking capabilities. HR professionals must be able see the big picture and the impact today’s decisions will have on the whole organization tomorrow.

### The Balanced Scorecard

To better predict and manage toward tomorrow’s performance is one reason why the Balanced Scorecard has become a popular performance management framework within HR organizations. Below there is case example from the telecommunications giant Verizon Communications, a pioneer in, and one of the most celebrated, HR functional users of the scorecard and the benchmark for many that followed. Other notable examples include Scotiabank, Centrepoint Properties and Brisbane City Council.

“To better predict and manage toward tomorrow’s performance is one reason why the Balanced Scorecard has become a popular performance management framework within HR organizations”

As we explain the Volume 1 issue 3 of The OTI Thought Leadership Series, Using the Balanced Scorecard to Align Support Functions with the Balanced Scorecard (2) a functional scorecard must first and foremost be focused on how the function supports the corporate strategy. To aid HR leaders thinking here, The US-headquartered Balanced Scorecard Collaborative (BSCol) — now part of the Palladium Group — developed a framework for ensuring that the HR Strategy Map connects directly to that of the enterprise.

The BSCol framework breaks human capital down into five areas of strategic importance: strategic competencies, leadership, culture and strategic awareness, strategic alignment, and strategic integration and learning. These can be described as:

**Strategic Competencies:** The availability of skills, talent and know-how to perform activities required by the strategy.

**Leadership:** The availability of leaders at all levels to mobilize the organization towards its strategy.

**Culture and Strategic Awareness:** Awareness and internalization of the shared vision, strategy and cultural values needed to execute the strategy.

**Strategic Alignment:** The alignment of goals and strategy at all organizational levels.

**Strategic Integration and Learning:** The sharing of knowledge and assets with strategic potential.

The BSCol-inspired five categories can be seen as a human capital vision. And as with a corporate strategic vision, it must translate into objectives, measures, targets and initiatives.

To achieve this, a BSCol facilitated HR Action Working Group created a Human Capital Readiness Report, and a supporting Human Capital Development Programme (shown together in Figure 2).

Essentially, the readiness report describes the objectives, measures and targets that must be achieved to deliver the overall enterprise-level strategy. The development programme details what HR must do to better manage the development of human capital.

For example, consider the human capital category of strategic alignment/motivation. This may have an objective to “create an organization where personal goals and incentives are aligned with strategy and that encourages personal contribution.” Measure of strategic readiness may be (%) goal alignment, and (%) incentive alignment. Appropriate targets will be set.

From the perspective a human capital development programme, this category impacts the HR programmes/functions of performance management, compensation and reward and positive work environment (or culture). Measures may be (%) personal goals aligned to the Balanced Scorecard, (%) receiving incentive compensation.
Strategic Human Resources: How To Align Human Capital With Strategic Goals

PT Westindo Esa Perkasa Case Example

PT Westindo Esa Perkasa (Westindo), which markets and maintains Power Supply and Air Conditioning products, provides an Indonesian example of aligning HR to strategy through the Balanced Scorecard.

Westindo focuses its business in providing high quality service to customers in the telecommunication, construction, buildings and industrial sectors. To ensure this quality is maintained and to closely monitor the company’s performance against its strategic objectives, the organization implemented the Balanced Scorecard in 2006. A year after the implementation Westindo found it necessary to align its human resources management with its strategic objectives. It realized that getting the ‘people bit’ right was critical for strategy execution.

The alignment process began by first getting the corporate and division scorecards drilled down to the department and section levels; and, thereafter, to the individual level. Simultaneously, OTI consultants designed a performance appraisal system to evaluate individual performance, which took into account both the KPI and the behavioral dimensions of performance. The next task was to lay down the mechanism for grading levels of performance, together with a policy on rewarding performance.

In the next step of alignment, the competencies required in each position to perform to the expected standards were identified and articulated. This was followed by an assessment of the competencies of individual position holders using a web-based competency assessment tool, together with personal interviews and group discussions. Based on a gap analysis of competencies, three levels of capabilities were developed — leadership, management development and supervisory development.

Another useful framework has been described by the Canadian knowledge management experts Hubert Saint–Onge and Charles Armstrong. In their book The Conductive Organization: building beyond sustainability (which one of the

Human Capital Readiness Report

<table>
<thead>
<tr>
<th>Human Capital Category/Objective</th>
<th>Measure of Strategic Readiness</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strategic Competencies</td>
<td>* Strategic talent gap</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Key employee retention</td>
<td></td>
</tr>
<tr>
<td>2. Leadership</td>
<td>* Leadership gap</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Employee survey of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>leadership effectiveness</td>
<td></td>
</tr>
<tr>
<td>3. Strategic Awareness/ Culture</td>
<td>* Cultural alignment index</td>
<td></td>
</tr>
<tr>
<td>4. Strategic Alignment/Motivation</td>
<td>* Goal alignment (%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Incentive alignment (%)</td>
<td></td>
</tr>
<tr>
<td>5. Strategic Integration</td>
<td>* Shared across boundaries</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Best practice</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Key People</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Teams</td>
<td></td>
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<tr>
<td></td>
<td>- Rewards</td>
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</tr>
</tbody>
</table>

Figure 2

PT. Westindo Esa Perkasa Case Example

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Another useful framework has been described by the Canadian knowledge management experts Hubert Saint–Onge and Charles Armstrong. In their book The Conductive Organization: building beyond sustainability (which one of the...
authors of this paper helped to write) they argue that culture is a core organizational capability alongside strategy, systems, structure and leadership (figure 3). They write:

"An organization’s culture reflects the collective mindsets of its employees. It is best represented as: ‘That’s just how things are done around here.’"

They continue: “Culture is a key enabler of business performance. It can make or break strategies. Employees are the ones who must implement strategies, and they will fail (or unconsciously refuse) to do so if the strategies of the corporation, no matter how sound from a business perspective, are incongruent with the organization’s culture. For example, a strategy based on customer-centricity and partnerships will be difficult to implement if the culture is task-focused and based on the power of the functional silos. Figure 4 shows how Saint-Onge and Armstrong view culture as the link between organizational and individual capabilities.

Saint-Onge and Armstrong’s arguments seem powerful given the Gallup poll finding that most employees are disengaged from their organizations.

Just as the finance organization is the natural custodian of the financial assets, HR holds that position for the people assets and the culture that they work within. HR does not have the authority to articulate the culture the enterprise requires (that is the sole responsibility of the executive team), but it is responsible for putting in place the mechanisms to ensure that the culture can flourish.

If, for instance, a culture of teamworking is seen as critical for strategic success, HR must provide the appropriate training and other interventions. If diversity is viewed as a cultural requirement then HR must ensure that recruiting, training and other processes are geared to creating a diversified workforce. Moreover in creating a robust cultural infrastructure, the head of HR must be an advocate of integrity, fairness, and equity, and all that is right and ethical, even if that means standing up to other members of the executive team.

We noted earlier that engagement is not just about ‘happy’ employees. Similarly creating a culture that will deliver strategic success is not just about inculcating values such as integrity (however worthy). Engagement is also about creating an environment in which employees are expected to give their best. HR professionals should bear this in mind if they are tasked with creating a high-performing organization (another of the management holy grails of the past decade or so).

The US-based Bonneville Power Administration has worked diligently to create a high performing organization. Indeed it has created a model that states that leadership + talent + motivation/alignment + positive work environment = high performance organization (figure 5). But note
how softer descriptors (such as integrity, trust and respect in the leadership and motivation/alignment boxes) are balanced by harder descriptors such as “clear goals, targets and expectations” and “measuring progress” (motivation/alignment). Figure 6 shows the Strategy map of Bonneville Power Administration.
A powerful example of how a HR organization has ensured that it is strategically aligned is provided by the US–headquartered telecommunications giant Verizon Communications. It the late 1990s (when called GTE, just before its merger with Bell Atlantic) the enterprise completed an exercise in which it identified its key market and other threats and opportunities over the coming years.

At that time the business was in the throes of moving from a regulated, monopolistic environment to one based on competition. Senior executives knew the business environment was going through a dramatic transformation and that the organization would have to adapt rapidly to the new situation, and that would have a profound impact on the skills requirements of the workforce.

To gain a complete picture of the change pressures ahead, GTE undertook an in–depth study into how its markets were changing and what this meant to the corporation. The study, known as ‘Leadership 2000’, identified a number of threats and opportunities, including:

- technology acceleration
- shareholder pressures
- expanding market opportunities
- more demanding and price–aware customers
- mergers and acquisitions
- the emergence of non–traditional customers
- low US unemployment rates
- difficulties in identifying and attracting specialist talent.

From this understanding emerged a set of national and international strategies focused on protecting current markets, leveraging present products, creating strong national ‘data world’ capabilities and taking advantage of global telecommunications growth. ‘Data world’ refers to the diverse data and information technology products provided by Verizon as complete solutions to residential and commercial customers, including voice, video, data, web hosting and virtual private networks.

People Imperatives

With strategies clarified, the next step was strategy implementation. As part of this, an HR team undertook a major analysis of what the business would need from its people — which it called its ‘people imperatives’ — in order to deliver to the strategy.

The HR team conducted an evaluation of the skills and competencies within its human capital. It looked at that carefully to determine what it would take to succeed in the current business environment, where it thought the business would evolve in three year and five to ten year time-frames.

Using leadership development as one example, there was a series of focus groups were held where the HR team facilitated discussions with business leaders and HR subject experts as to the sort of leadership skills that the company required now and into the future.

Based on these interviews, the HR team compiled a three-level articulation of skills sets required of its people:

- current (skills/competencies already existing)
- enhanced (skills/competencies that existed but required some sharpening)
- new (skills/competencies to be developed).

### Current Skills/Competencies

Current skills and competencies include:

- network management skills (management of the telecommunications infrastructure)
- customer support skills
- leverageable international skill base
- financial/operational control.

### Enhanced Skills/Competencies

Enhanced skills and competencies include:

- leadership capabilities
- partnering with unions
- customer support, service expertise and relationship management skills
- global capabilities
- business awareness at all levels
- learning and innovation focus
- team–working capabilities.

### New Skills/Competencies

- New skills and competencies include:
  - shared mindset toward achieving business results
  - marketing and distribution capabilities
  - data skill — technical and functional
  - partnering/alliance management capability
  - integration capability.
Returning to the leadership development example, these levels show that there is a clear focus on developing leaders who have the basic skills set required of any manager/leader, such as financial/operational control competencies. The basics would then be enhanced through development of skills sets such as ‘customer support, service expertise and relationship management skills’. From this would be the development of new skills that would be of fundamental importance in developing leaders of a global organization, such as partnering/alliance management capability.

**HR’s Strategic Thrusts**

With the organization’s leadership recognizing the importance of its ‘people imperatives’, it then became incumbent on HR to help facilitate the inculcation of those skills sets. Once the skills sets were identified, HR would deliver the real value by directly linking the skills development to HR strategy.

To do this, the HR leadership team identified five key strategic thrusts: talent, leadership, customer service and support, organization integration and HR capability. The thrusts would support Verizon’s strategic goals by ‘positioning the organization to become a leading worldwide player in telecommunications’.

**The Balanced Scorecard**

However, although the strategic thrusts were clearly defined and their link to the ‘people imperatives’ were evident, there was a missing link; one that is typical in HR organizations: how to monitor and measure the effectiveness of the strategic execution. To make this happen Verizon chose to use the Balanced Scorecard.

As a preliminary step in building the Balanced Scorecard, a list of 17 business focused questions were articulated. The questions evolved from business leader/HR specialist interviews. The HR specialists comprised a HR planning, measurement and analysis team of four (responsible for designing and deploying the scorecard) and a core team of 12 subject–matter experts from throughout HR (charged with reaching out throughout the function to explain the scorecard process, engage the various HR groups and get the data).

These questions are articulated through Verizon’s four HR scorecard perspectives:

- strategic
- operational
- customer
- financial.

The scorecard was re–scoped following the merger. Note, however, that the original five strategic thrusts still served as the objectives within the strategic perspective of Verizon’s HR scorecard:

- talent
- capability (build strategic competencies)
- enable performance based culture/climate
- organizational integration
- leadership.

The only slight difference is the redefinition of ‘customer service and support’ with ‘enable performance–based culture/climate’. Both objectives are concerned with building a performance culture. Verizon’s HR Strategy Map is shown in figure 7.

From the strategic perspective, note the importance of talent. Verizon places great emphasis on ensuring that it recognizes, develops and keeps its best people. Verizon has specified metrics for tracking its ‘high potentials’ generally, and also directly for women and minorities.

Speaking in a March 2000 edition of the US magazine Workforce the Verizon leader that facilitated the scorecard building process said: “If we had the next Jack Welch in our organization, and they were an early–career professional, we would need to identify them and engage them in order to maximize their value. “We can compare how frequently we’re moving them through developmental assignments as compared to the rest of the organization . . . it should be at a more frequent rate because, for future senior leaders in the company, we have already created a development plan and we need to move them through jobs to gain experience. We don’t want them to end up in a job for three years that they could have learned in six months.” (4)

Monitoring the development of leaders through the scorecard enables an early signalling of any growing discontentment within this key employee population and so intervenes through executive education, job movement and so on.
Examples of early initiatives launched by the Verizon included the following:

**For the strategic thrust ‘talent’:**
- strategically attract key schools [i.e. universities/business schools] that match business needs and workforce diversity objectives
- strategically redeploy talent in early, mid and advanced career.

**For the strategic thrust ‘leadership’:**
- accelerate leadership 360–degree feedback and expand participation
- examine use of educational sabbaticals for leaders.

**For the strategic thrust ‘customer service and support’:**
- expand utilization of selection methodology that more rigorously tests for customer focus.

- involve the GTE leadership team in recognition of customer contact employees — create deliberate communication strategy/campaign to promote service heroes.

**For the strategic thrust ‘organizational integration’:**
- create partnership task team to investigate work and family issues
- create better methods and systems for sharing data and information across business units.

**For the strategic thrust ‘HR capability’:**
- identify key HR competencies
- accelerate shift to employee self-service.

Eight years on the Verizon Communications case study can still be viewed as a master–class in both ensuring that the HR organization is aligning human capital with strategy and in building a HR Scorecard.
V. CONCLUSION

For many years CEOs and other senior executives have proclaimed loudly that “people are our greatest asset”. More often than not this was little more than empty rhetoric. Today, as the research at the beginning of this paper showed, those organizations that really do understand that people are its most important source of capital are reaping significantly better financial returns that their competitors.

In the future, the intensifying war for talent will lead to most organizations facing a scarcity of good people and a constant outflow and inflow of employees. This will become an increasingly worrisome challenge for organizations as they struggle to deploy the requisite human capital to win in globalized and highly competitive markets.

Those that manage to recruit, retain the best people and effectively align that human capital with strategic goals will undoubtedly be the most able to reap substantively better financial returns than their competitors. Gaining the competitive advantage from people is primarily the function of HR. Those HR organizations that deliver this advantage will be a long way from being perceived as little more than back–office personnel administrators — they will become front–of–mind corporate heroes.

References

1. James Creelman, Creating the HR Scorecard, Business Intelligence, 2001
4. Quoted from Workforce Magazine, 2000

About OTI

OTI is an Indonesia headquartered Management Consulting Firm specializing in helping organizations to transform themselves and their performance. It works in four broad areas with its clients: Strategic Alignment, Financial management, Process Transformation and Human Resource Management.

OTI was the pioneer in providing Balanced Scorecard consultancy to Asian companies and continues to innovate in product design and execution.
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