

# HR Scorecard: A Full Guide for HR Leaders

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The HR scorecard is like a strategic bingo card—HR, the organization, and employees win when they hit all the key numbers, or KPIs. Each completed square marks progress toward business goals, and success comes from data-driven efforts, not luck, to align HR with strategy.

The HR scorecard, or Human Resources scorecard, is a well-known HR tool. It provides organizations with a holistic view of HR performance and helps them evaluate the effectiveness of the various HR functions as well as their contribution to the overall business goals.

## What is the HR scorecard?

The HR scorecard, also known as HR KPI scorecard, is a strategic HR measurement system that helps to measure, manage, and improve the strategic role of the HR department. It is a representation of leading HR indicators and key metrics that assesses the impact of HR activities on organizational performance.

Leading indicators are measurements that predict future business growth. These are called HR deliverables. They are also known as HR metrics and, more specifically, HR KPIs, as they are metrics linked to the business strategy.

Becker, Huselid, and Ulrich first published about the Human Resources scorecard in their 2001 book to solve one of the key problems that HR has been facing in the past decades: the perception that HR doesn't add to the company's strategy.

## HR scorecard vs. balanced scorecard

The terms **HR scorecard** and **balanced scorecard** can be confused, as they are sometimes used interchangeably in the field of HR.

The balanced scorecard is a broader framework, first introduced by Kaplan and Norton in the early 1990s and detailed in their 1996 book *The Balanced Scorecard*. Put simply, it is a strategy performance management tool. It organizes goals into four perspectives: financial, customer, internal processes, and learning and growth. Together, these perspectives provide a comprehensive view of what the organization aims to achieve.

The HR scorecard is based on the balanced scorecard framework but focuses specifically on measuring and improving HR's contribution to the organization. It evaluates how well HR is achieving its goals, such as improving employee retention, streamlining recruitment processes, or enhancing training effectiveness.

## Benefits of HR scorecard

HR scorecard can increase the impact of HR within your organization by focusing on measurable outcomes and actionable insights. Its benefits include:

- **Alignment with business goals:** By focusing on HR metrics and their impact, the HR scorecard helps illustrate how HR activities contribute to business success at an operational level. It connects day-to-day HR functions, such as recruitment and training,

to the organization's goals, providing measurable insights into areas where HR can improve or add value.

- **Data-driven decisions:** It provides measurable insights into important areas like recruitment, employee engagement, retention, and productivity, helping HR leaders make informed choices.
- **Identifying areas for improvement.** The HR KPI scorecard enables organizations and HR to determine where the HR department could perform better, making it easier to create targeted interventions and improvements.
- **Improved accountability:** Clear metrics hold HR teams accountable for achieving specific outcomes, such as reducing turnover or increasing employee satisfaction.
- **Supporting strategic HR planning:** The HR scorecard acts as a framework for HR to plan future initiatives, allocate resources effectively, and prioritize efforts that provide the most value.

## Implementing the HR scorecard: 5 steps

There are five steps to develop an HR scorecard:

1. Creating an HR strategy map
2. Identifying HR deliverables
3. Designing HR policies, processes, and practices
4. Aligning HR systems
5. Creating HR efficiencies,

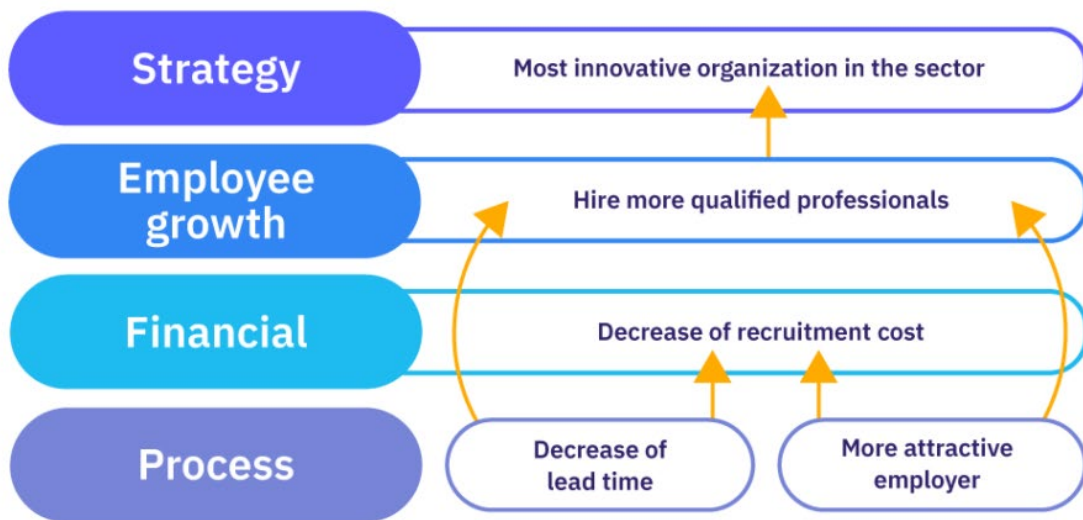
Let's go through them one by one while creating an example of an HR scorecard.

### 1. Creating an HR strategy map

To identify how HR can contribute to this business outcome, HR leaders can create a strategy map. The strategy map helps identify how HR is driving these business outcomes. The question here is: What HR practices drive the company's strategic goals?

Let's take a look at an example for the recruitment function.

A large European shipbuilding company wants to become the most innovative organization in its sector. In the external market, low-cost shipbuilding projects are increasingly moving to Asia, while European builders are the go-to for technologically advanced ships, like navy vessels and superyachts. For this reason, a high innovation ranking is tremendously important for the company's future competitiveness.



As you can see, the company’s strategic goal is at the top. Next, HR has identified its recruitment contribution to this goal. The contribution is to hire more qualified professionals. The way to do this is to become a more attractive employer in the competitive technical shipbuilding labor market and decrease the time it takes to hire a new employee (lead time). This specific company had a fairly bad lead time and was losing candidates because of it.

## 2. Identifying HR deliverables

To measure this, you need to create HR deliverables or KPIs. The HR scorecard example below shows how you can measure these strategic goals. For example, the lead time is measured as the ‘time to hire in days.’ This is currently 38 but needs to go down to 25, which is a 34% improvement.

KPI	Current score	Target
<ul style="list-style-type: none"> <li>Position in the sector-wide innovation benchmark</li> <li>Time to market of last 5 new products in days</li> </ul>	5 121	Top 3 95
<ul style="list-style-type: none"> <li>Satisfaction score of manager after 1 year (<i>Quality of Hire</i>)</li> </ul>	0.70	0.85
<ul style="list-style-type: none"> <li>Recruitment cost in Dollars</li> </ul>	4 MM	3.5 MM
<ul style="list-style-type: none"> <li>Time to hire in days</li> <li>Offer acceptance rate in %</li> <li>Top employer benchmark</li> </ul>	38 70% Top 40%	25 90% Top 20%

By using this recruitment strategy map and HR scorecard, the company has now identified the leading measurements for business success. In this case, some of the company's leading indicators of success in achieving the business strategy are 1) becoming a top employer and 2) improving the quality of hire (the satisfaction score of the manager after 1 year in the HR scorecard).

Because of these clearly defined indicators, the HR department knows that increasing those two HR deliverables will contribute to the company's goal of becoming more innovative, giving HR a more strategic role.

### **3. Designing HR policies, processes, and practices**

Another step in the creation of an effective HR scorecard is related to policies, processes, and practices. Here, we look at what we can do to ensure that HR successfully achieves its key deliverables.

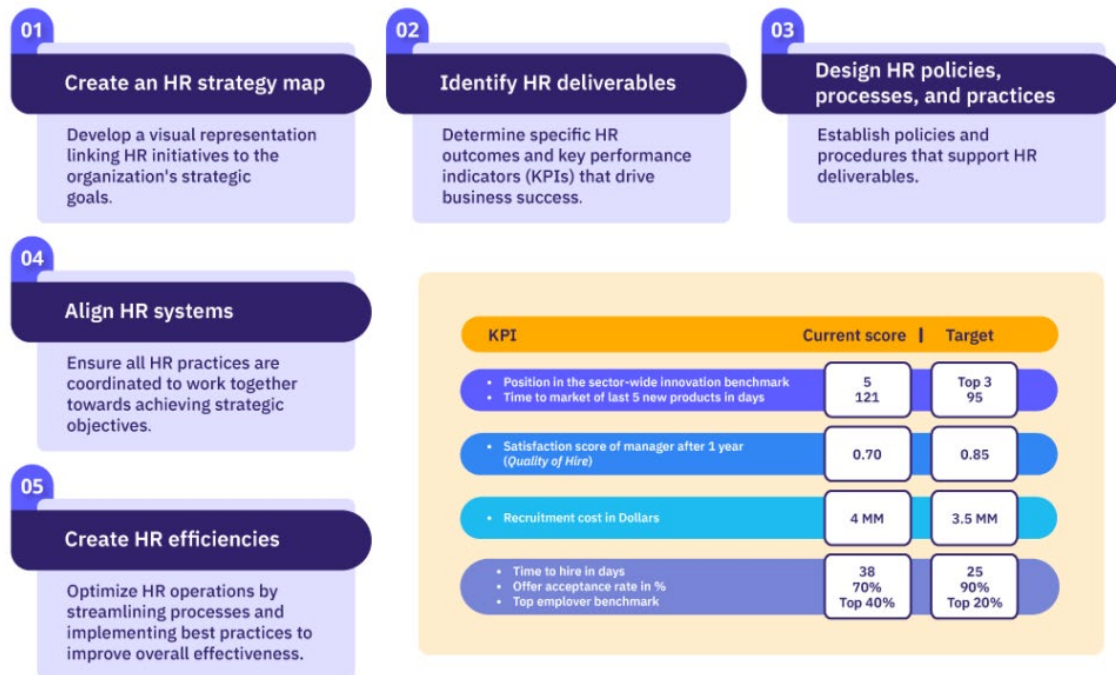
The idea here is that HR creates several High-Performance Work Systems (HPWS). An HPWS is a group of separate but interconnected HR practices designed to enhance effectiveness.

In the previous example, some key deliverables included a decrease in lead time and a high ranking in the top employer benchmarks. These deliverables can be supported through:

- **Policies:** A strong employer branding policy will help to build a strong reputation and become a top employer.
- **Processes:** Optimizing communication between recruiters and managers will decrease lead time. Often, managers take a long time to review resumes and plan interviews with candidates. Changing these slow processes into workflows that guarantee next-day action can decrease the time to hire by days, sometimes even weeks. This is one of the many processes that can be implemented to enable better performance on the HR deliverables.  
Another example could be the application process for candidates. The candidate experience will be vital to attracting top candidates and ensuring a good rating in the top employer benchmark.

- **Practices:** This looks at the specific practices that help HR achieve the aforementioned deliverables.

Developing policies, processes, and practices that create synergies is referred to as 'bundles' of practices. These practices work together to create synergy for the HR deliverables. This is also the core focus of the next step in the scorecard, aligning HR systems.



#### 4. Aligning HR systems

Aligning HR systems is about ensuring that all HR practices complement and reinforce each other to achieve the organization's goals. It's not about technology or software systems but rather about creating consistency and cohesion across different HR activities.

For example, if your employer's branding efforts target a specific type of candidate, the recruitment process should be tailored to attract and select those individuals. Similarly, while reducing lead times is important, rushing through the hiring process without maintaining quality can lead to poor hires—undermining the very goals HR is trying to achieve.

Aligning HR systems, such as recruitment, training, and performance management, ensures that all practices work in harmony to meet key deliverables and drive overall HR success.

#### 5. Creating HR efficiencies

This step involves automating and streamlining HR processes, implementing best practices to improve the operational efficiency of the HR department, and leveraging technology. Think, for example, of:

- Optimizing resource allocation
- Automating routine tasks
- Increasing the overall effectiveness of HR initiatives.

There is one side note to make here: Sometimes, when creating an HR scorecard, some efficiencies must be sacrificed.

Let's look at an example. To get a higher quality of hire, your cost of hiring someone might increase. In our above-mentioned example, the quality of hire is a strategic HR measurement. Investing money to improve the quality of hire is thus worth it. This justifies investments in

assessments, employer branding projects, and other HR initiatives that boost the main HR deliverables.

## Metrics to include on the HR scorecard

The metrics on the HR scorecard will vary based on your organization's goals and focus. Here are examples of metrics from different areas of HR that you can include:

### Engagement

- **eNPS:** The employee Net Promoter Score measures the likelihood of employees recommending their employer to others. As such, it is indicative of their engagement.
- **Absenteeism rate:** The absenteeism rate refers to the number of absent days divided by the number of available workdays in a specific period. It is an essential HR indicator that can, for example, indicate problems with engagement or the organizational culture.

### Retention and turnover

- **Employee turnover:** Employee turnover measures the rate at which employees leave an organization during a specific period, often a year. There are various types of turnover (early, voluntary, functional, dysfunctional, etc.).
- **Internal promotion rate:** The internal promotion rate measures the frequency at which employees are promoted to fill open roles within a company during a particular period. A high promotion rate can indicate that employees have plenty of opportunities to grow and stay with the company longer. In contrast, a low retention rate may suggest that the wrong people are promoted to the wrong roles.

### Build a data-driven HR team

HR teams that leverage data make smarter, more strategic decisions. Equipping your team with people analytics skills helps them measure impact, uncover insights, and drive better workforce outcomes.

### L&D

- **Training ROI:** Training return on investment refers to the profitability or efficiency of the money the company puts into training. A popular way to measure training ROI is:  $Training\ ROI = (Return\ of\ Benefit - Investment\ Cost) / Investment\ Cost \times 100$
- **Training hours per employee:** This metric measures the average training hours per employee and indicates people's commitment to L&D.

### Recruitment

- **Cost per hire:** Cost per hire measures the costs related to hiring new employees, including expenses such as recruitment advertising costs, sourcing, onboarding, etc.
- **Time to productivity:** Time to productivity measures, as the term suggests, how long it takes for new employees to reach the desired level of performance in their role (this means having the required ability, knowledge, and skills to do essential tasks autonomously).

- **Time to fill vacancies:** The time to fill metric refers to the number of calendar days it takes to find and hire a new employee. It is often measured in terms of the days between the approval of the job requisition and the candidate accepting the offer.

## HR scorecard examples

Once you have a good understanding of the HR scorecard creation process and potential metrics to include, take a look at three basic HR scorecard examples from different areas of HR to bring your own HR scorecard to life:

### Recruitment

HR strategic objective	Key performance indicators
Develop and implement an excellent recruitment process	<ul style="list-style-type: none"> <li>• Recruiting cost per employee</li> <li>• New hire performance during their first 2 years</li> <li>• Early new hire turnover</li> </ul>
Develop strategic competencies	<ul style="list-style-type: none"> <li>• % of strategic competencies available in the company</li> <li>• Average time to close strategic competencies gap</li> </ul>

### Employee engagement

HR strategic objective	Key performance indicators
Increase employee satisfaction	<ul style="list-style-type: none"> <li>• Employee Net Promoter Score (eNPS)</li> </ul>
Create a positive work environment	<ul style="list-style-type: none"> <li>• % of (early) turnover</li> <li>• % of referred candidates</li> </ul>

### Performance management

HR strategic objective	Key performance indicators
Optimize the performance management process	<ul style="list-style-type: none"> <li>• % of employees hitting (or overperforming) their KPIs</li> <li>• Number of performance feedback sessions held per year</li> </ul>
Develop and implement top talent management practices	<ul style="list-style-type: none"> <li>• % of managers who have been promoted internally</li> <li>• Number of qualified employees per strategic position</li> </ul>

## **A final word**

The HR scorecard can be an excellent tool for organizations and HR to track and improve HR performance across its various functions. It enables HR to align its goals with those of the company, creates accountability, and improves transparency.

<https://www.aihr.com/blog/hr-scorecard/>