

The HR Scorecard: A Full Guide

Written by [Erik van Vulpen](#)

One of the key problems that HR has been facing in the past decades is the perception that HR doesn't add to the company strategy. Indeed, HR directors in many organizations are often still looking for a seat at the proverbial (board) table. In many organizations, HR has failed to do so.

The HR scorecard, first published about by Becker, Huselid & Ulrich in their 2001 book that bore the same title, aims to solve this.

The HR scorecard is a strategic HR measurement system that helps to measure, manage, and improve the strategic role of the HR department.

The HR scorecard is meant to measure leading HR indicators of business 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 that are linked to the business strategy.

There are five steps to create an HR scorecard:

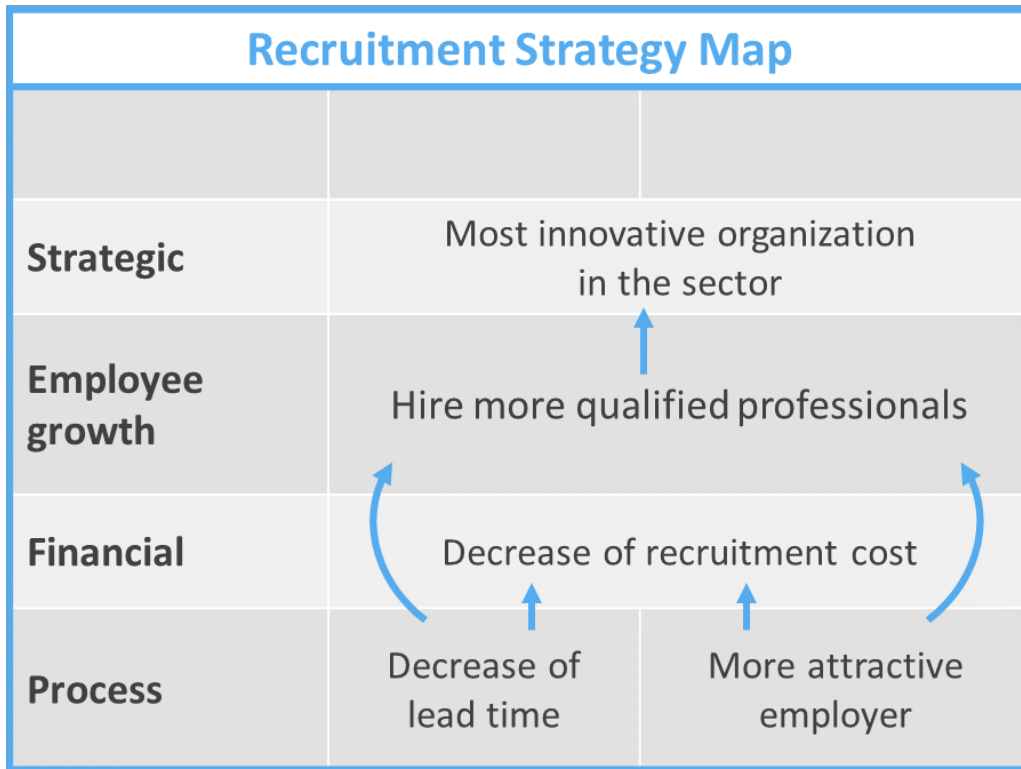
1. Create an HR strategy map
2. Identify HR deliverables
3. Creation of HR policies, processes, and practices
4. Aligning HR systems
5. Creating HR efficiencies

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

HR Strategy map

A large European shipbuilding company is looking to become the most innovative organization in the sector. In the external market, low-cost shipbuilding projects are increasingly moving to Asia, while the 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 to this company's future competitiveness.

To identify how HR can connect to this business outcome, one can create a strategy map. The strategy map helps to identify how HR is driving these business outcomes. The question here is: what HR practices drive the strategic goals of the company? You'll find an example below, which was created specifically for the recruitment function.



the company’s strategic goal is on 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 through becoming a more attractive employer in the competitive technical shipbuilding labor market, and through a decrease in the time it takes to hire a new employee (lead time). This specific company was doing quite badly on their lead time and was losing candidates because of it.

HR deliverables

To measure this, HR deliverables or KPIs are created. This HR scorecard example shows how these strategic goals can be measured. For example, the lead time is measured as the ‘time to hire in days’, which is currently 38, but has to be decreased to 25, a 34% improvement!

Recruitment Strategy Map			HR Scorecard		
			KPI	Current score	Target
Strategic	Most innovative organization in the sector		<ul style="list-style-type: none"> Position in the sector-wide innovation benchmark Time to market of last 5 new products in days 	5 121	Top 3 95
Employee growth	Hire more qualified professionals		<ul style="list-style-type: none"> Satisfaction score of manager after 1 year (<i>quality of hire</i>) 	0.70	0.85
Financial	Decrease of recruitment cost		<ul style="list-style-type: none"> Recruitment cost in Dollars 	4 MM	3.5 MM
Process	Decrease of lead time	More attractive employer	<ul style="list-style-type: none"> Time to hire in days Acceptance ratio in % Top employer benchmark 	38 70% Top 40%	25 90% Top 20%

HR scorecard template with a recruitment example

Using this strategy map and HR scorecard example, the company has now identified the leading measurements for business success. In this case, becoming a top employer, and improving the quality of hire (which is the satisfaction score of manager after 1 year), are the leading indicators of success in achieving the business strategy.

Because of these very clear indicators, the HR department knows that an increase in those two HR deliverables will lead to the company's goal of becoming more innovative, giving HR a very strategic role.

HR policies, processes, and practices

Another element of the HR scorecard is concerned with policies, processes, and practices. Here we look at what we could do to ensure that HR is successful when it comes to their key deliverables.

The idea here is that HR should create a number of High-Performance Work Systems (HPWS). An HPWS is a group of separate but interconnected HR practices designed to enhance effectiveness. In the previous example, the key deliverables include a decrease in lead time and a high ranking in the top employer benchmark. These deliverables can be supported through:

1. Policies: A strong employer branding policy will help in building a strong reputation that will help in becoming a top employer
2. Processes: Key to decreasing lead time will be an optimization between how recruiters and managers communicate. Oftentimes, 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 with days, sometimes 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 in ensuring a good rating in the top employer benchmark.
3. Practices: This looks at the specific practices that help HR achieve the aforementioned deliverables.

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

Aligning HR systems

System alignment is not about software systems. Rather, it is about aligning the different HR practices to create synergy.

For example, the employee branding efforts should focus on the type of workers that the employer is actually looking for. In addition, decreasing lead time by rushing through the process may lead to a lower quality of hire, resulting in a mismatch between what HR is doing, and some of the goals it tries to achieve.

Aligning these HR systems is key in performing on the HR deliverables.

Creating HR efficiencies

Traditionally, HR has focused a lot on creating efficiencies. When it comes to creating an HR scorecard, some efficiencies have to be thrown out of the window.

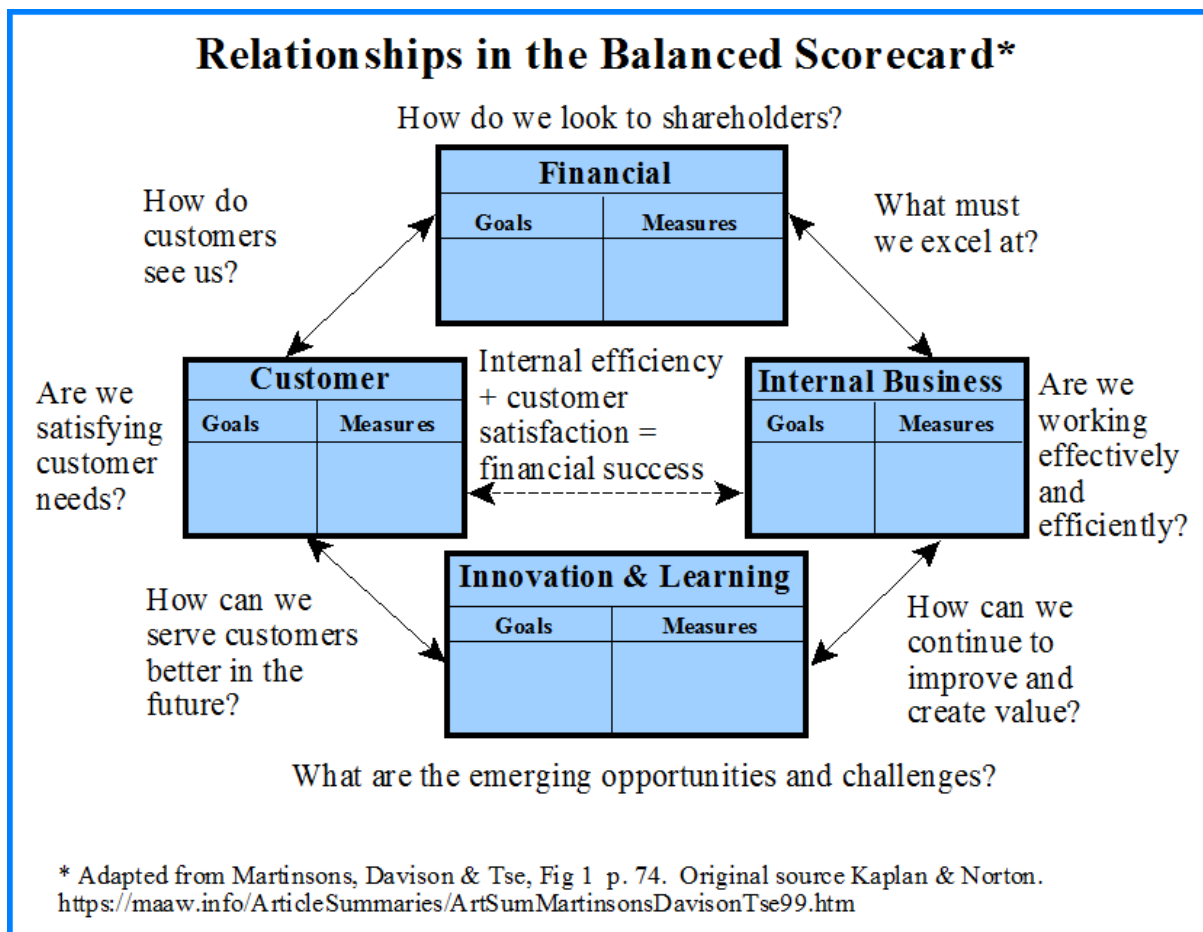
The simple reason here is that to get, for example, a higher quality of hire, your cost to hire someone might go up. In our example, the quality of hire is a strategic HR measurement. Investing money into increasing the quality of hire is well worth it. This justifies investments in assessments, employer branding projects, and other HR initiatives that boost the main HR deliverables.

The HR balanced scorecard

A common misconception is that there is an HR balanced scorecard. The HR balanced scorecard is a mix-up of the HR scorecard and the balanced scorecard.

The balanced scorecard was first published about by Kaplan and Norton in the early '90s. In 1996 the two published a book that bore that title.

The balanced scorecard is a strategy performance management tool. The scorecard lists financials goals, customer goals, internal business goals, and innovation & learning goals. These four goals give a good overview of what the company tries to achieve, i.e. the company strategy.



As we know, the [HR strategy](#) follows the business strategy, so the HR scorecard is heavily influenced by the business scorecard. Indeed, the HR scorecard takes the strategy as defined in the balanced scorecard as the starting point and then identifies the HR deliverables that drive these outcomes. However, do keep in mind that both are different documents!

The HR scorecard: a critique

In a [2019 podcast interview](#), Dave Ulrich, one of the writers of the original 2001 publication on the HR scorecard, said the following:

“I co-authored a book called *The HR Scorecard*. Today I should be shocked because it is not about the HR scorecard. What we’ve found is that when you looked at information and HR people who know People Analytics, the HR pieces of that, that doesn’t drive business results. But when you look at the information that connects the marketplace to the company, it had the single biggest predictor of the business result, as an organizational capability. We called that external sensing.”

External sensing is the idea that you look at market opportunities for customers and investors. Bringing that into the company is the biggest driver of business results. The key is, therefore, to link metrics and analytics to the business.

Although not really a critique, it is a warning about the intention of the HR scorecard. The HR scorecard should not be about HR – it is about enabling market opportunities, building competitive advantage, and driving business results.

According to Ulrich: “I often start with a question [when I talk] with business leaders or HR leaders. What is the most important or best thing HR can give an employee? It’s an interesting question ‘cuz it triggers a dialogue. The answers are usually a sense of purpose, a sense of belonging, opportunities to learn, compensation, teamwork. And my answer is: you’ve missed it. The most important thing HR can give an employee is a company that wins in the marketplace.”