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SECTION: Learning Curve

Bringing Strategy to Life

How scorecards help RBC align business and HR plans

By Donald E. Baer

It used to be that companies guarded their medium- to long-term strategic objectives and priorities as knowledge that only senior executive management and the board of directors should know. This philosophy safeguarded strategies from hitting the streets, but impeded the engagement of a firm's most significant resource—its people—when it came to the implementation of such strategies. Staff undertook day-to-day activities unaware of their roles in furthering the directional changes underway. Execution, one of the major “bugaboos” of the modern enterprise, suffered. Fortunately, this strategic philosophy is now obsolete.

In today's dynamic environment and marketplace, it is essential that a firm's entire staff—from the CEO to front-line employees to back office support—are fully aware of the firm's strategic direction and priorities. And even more important is that the leadership team and all staff are fully engaged in putting into place the defined strategy through day-to-day activities and longer-term initiatives. Such thinking converts strategic plans, which are just directional words on paper, into action. This requires seamless links between strategic, business and human resource plans—not an easy task. But any one of these plans will be impaired without strong links to the others.

RBC's Canadian consumer banking business has used a balanced scorecard framework for roughly a decade. This framework has been instrumental in strengthening the links between strategic, business and human resource plans. The scorecard is structured along longer-term strategic objectives, closely aligned to four key stakeholder groups: clients, employees, shareholders and communities. “Employee capability and engagement,” for example, is the longer-term strategic objective focused on employees.

Considerable time and effort has been placed in identifying the few critical performance drivers that most impact success for each of these strategic objectives. The performance drivers selected are leading indicators, which are measurable and actionable at the unit level, and influence staff behaviour. Forward-looking stretch targets are then set for these performance drivers at the business, geographic and unit level as part of the business planning process. Such targets take into account past performance and the strategic intent incorporated in the firm's overall strategic and business plans.

In setting such scorecard targets, external benchmarking is used to compare current performance with other firms operating in the marketplace, as well as “best in class” firms anywhere. Competitive research on understanding the performance, business models and processes used by benchmarked firms to achieve results have proven to be extremely useful in challenging the status quo and evolving the approach and processes currently in place.

But determining what to measure and setting appropriate targets for these measures is less than half the job. It is equally or even more important that the results

achieved are tracked and reviewed on a regular basis (e.g. monthly or quarterly), with actions taken in response to current results and market trends at every level that the scorecard is measured.

The scorecard also provides an excellent tool for internal benchmarking. Targets and results are compared between geographic regions and units, with “best practices” shared, leveraging the experiences and processes underway in those areas achieving superior performance.

The strategic, business and human resource links, however, do not stop at the unit level. The scorecard provides a framework where each employee is engaged in setting targets and activities for the coming quarter and year aligned to the firm’s strategic objectives as well as the performance driver targets set for their unit. These individual employee forward-looking targets and activities should be agreed to in discussions with their supervisor, and be appropriate to the staff members’ respective job roles and responsibilities. Individual employee performance in line with these targets then needs to be reviewed through quarterly and annual performance reviews, with incentive compensation aligned to such individual performance as well as unit and enterprise scorecard results.

Such a scorecard framework can be instrumental in contributing to the seamless integration of strategic, business and human resource plans at the national, geographic and unit level. This is what strategic management is all about—converting plans into concerted action, aligned across the enterprise.

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