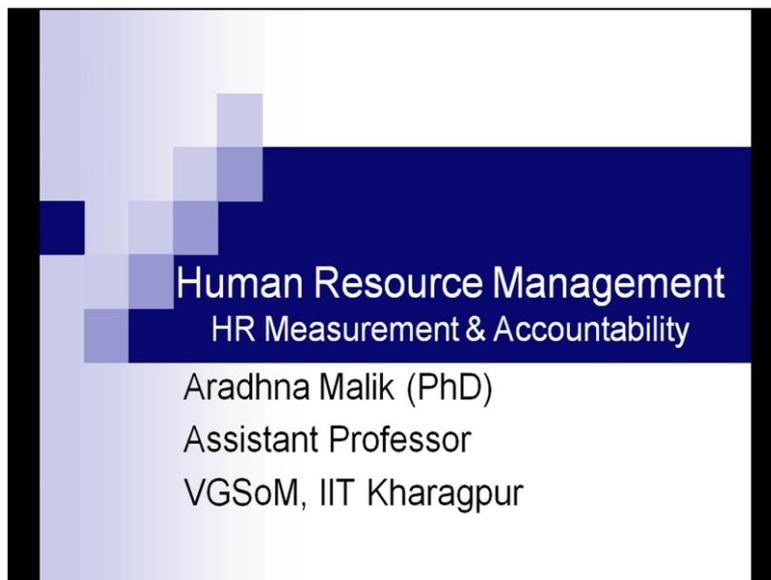


Principles of Human Resource Management
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Module No. #08
Lecture No. #28
Human Resource Measurement and Accountability

Welcome back, to the class on, Human Resources Management. My name is Aradhna Malik. I have been helping you, with this course. In this particular lecture, we will be dealing with, human resources measurement. Measurement of human resources activities, and the accountability, that the human resources activities, have to the organization. So, let us get on, with it.



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I have used, two papers for this.

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Sources

- Phillips, J. J. (2005). Chapter 10: Creating and Using the Human Capital Scorecard. In, *Investing in Your Company's Human Capital* (pp. 211-233). American Management Association International.
- Srimannarayana, M. (2010). Status of HR measurement in India. *Vision – The Journal of Business Perspectives*, 14(4), 295-307.

There is a paper by, Srimannarayan, which evaluates, the status of HR measurement in India, published in, Vision, The Journal of Business Perspectives. And, there is a chapter, a book chapter by, a book written by, J J Phillips, called, Investing in Your Company's Human Capital, published by, American Management Association International.

And, the chapter is called, Creating and Using the Human Capital Scorecard. And, i found applications of both of these, in the topics, that we are going to talk about, today.

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Results-based approach to HRM

(Phillips, 1999, in Srimannarayana, 2010)

- “Performance measurements should be developed for all HR functions. When that is not feasible, at least a few key measures should be in place in each function.
- Major organizational decisions should always involve input from the HR function.
- Return on investment in HR should be measured by improvements in productivity, cost savings, & quality.
- The concern for the method of evaluation should occur before the program is developed.
- HR programmes should never be implemented without a provision for at least some type of formal method of measurement & evaluation.”

Now, Philips suggests that, human resources management, should be measured, in terms of results. And, Philips has suggested, a series of, or a number of parameters on which, to assess the output of human resources activities. The first thing, that Philips says, we should assess is, the performance measurements.

What is, you know, we need to develop, some criteria, some metrics, some measurements of, or some, sorry, some ways of assessing, quantifying, the performance of our employees, for our HR functions. And, we need to assess the output, of these functions, against the standards, that we have set. So, if it is not possible for all functions, then at least for some functions, these performance measurements, methods of assessment and standards, should be established.

Major organizational decisions, should always involve input, from the HR function. For the simple reason that, most of the organizational decisions, require the input of people, they require people, or they require the work, that is done by the people, in the organization. So, wherever people are involved, we need, somebody from the human resources division, to come in, and intervene.

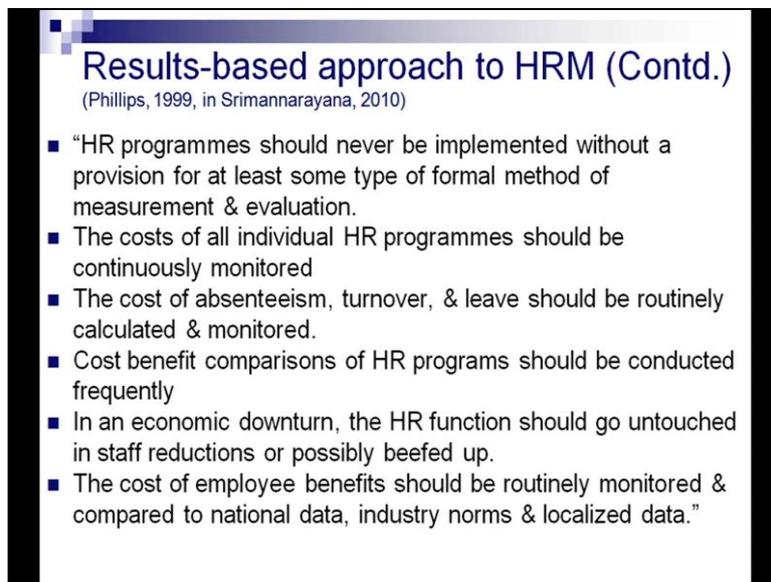
Okay. Return on investment in human resources, should be measured by, improvements in productivity, cost savings, and quality. So, whatever, we invest in human resources, should be measured in output, in terms of the output in the company. In terms of productivity, how much the company has saved, the quality of the, whatever the company is selling.

Big concern, for the method of evaluation, should occur, before the program is developed. You develop, a human resources program. You develop, a human resources function. But, the manner in which, the human resources function is measured, should be evaluated, before the program is set up, and before the performance measurement program, is established.

Human resources program should never be implemented, without a provision, for at least some type of, formal method of measurement and evaluation. We should have, a way of evaluating, any function. Why human resources function. Any function in the organization,

should be evaluated, should be assessed, in terms of some standards, that are established, before these programs are operationalized, or before they are put into action.

At the planning stage, we must find out, how we can measure, the success of the different things, that our organization, does. And, we must know, how we are going to evaluate, whatever these measurement methods, give us. And, what are the standards against which, we will evaluate this. And then, we use this output, for our feedback to the processes, that the organization engages.



Results-based approach to HRM (Contd.)
(Phillips, 1999, in Srimannarayana, 2010)

- “HR programmes should never be implemented without a provision for at least some type of formal method of measurement & evaluation.
- The costs of all individual HR programmes should be continuously monitored
- The cost of absenteeism, turnover, & leave should be routinely calculated & monitored.
- Cost benefit comparisons of HR programs should be conducted frequently
- In an economic downturn, the HR function should go untouched in staff reductions or possibly beefed up.
- The cost of employee benefits should be routinely monitored & compared to national data, industry norms & localized data.”

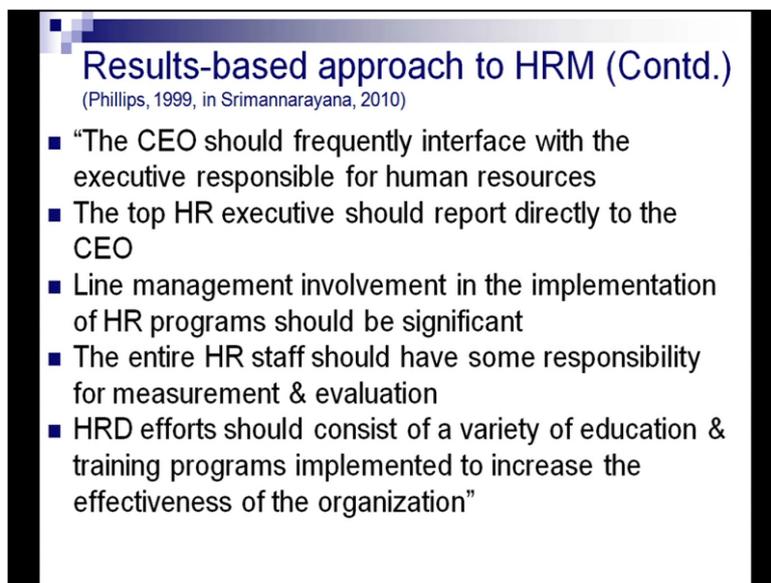
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HR programs, should never be implemented, without a provision for at least, some type of formal method of measurement and evaluation. The costs of all individual HR programs, should be continuously monitored. The money should be, we know, we should have some way of knowing, how much money, we are spending on human resources functions. The cost of absenteeism, turnover, and leave, should be routinely calculated and monitored

So, you know, how much it costs the organization, whenever an employee goes on leave. Cost benefit comparisons of human resources programs, should be conducted, frequently. We must find out, which programs are getting us, some output. What is costing us, immense amounts of money, but there is no significant output. In an economic downturn, the HR function should go untouched, in staff reductions, or possibly, beefed up.

Which means, that the HR function, should be invested in, heavily. Because, it is the responsibility of the human resources department, to ensure that, people become more and more productive. So, the HR function should not be touched, whenever the cost-cutting is happening, whenever people are being laid-off. HR personnel should not be laid-off. Because, they are specially trained in dealing with, people related matters. The cost of the employee benefit should be routinely monitored, and compared to national data, industry norms, and localized data.

So, you know, benefits should not be, very much higher than the industry, should not be very much, lower than the national and industry standards. And, you know, we should try and stay at par. Higher is always good, for the employee. From the perspective of the employee, the higher, the benefits, the happier, the employee will be. But, if it is not being cost-effective, maybe, that can be cut down, but only up to a point. So, we must definitely match the standards, within the industry.



Results-based approach to HRM (Contd.)
(Phillips, 1999, in Srimannarayana, 2010)

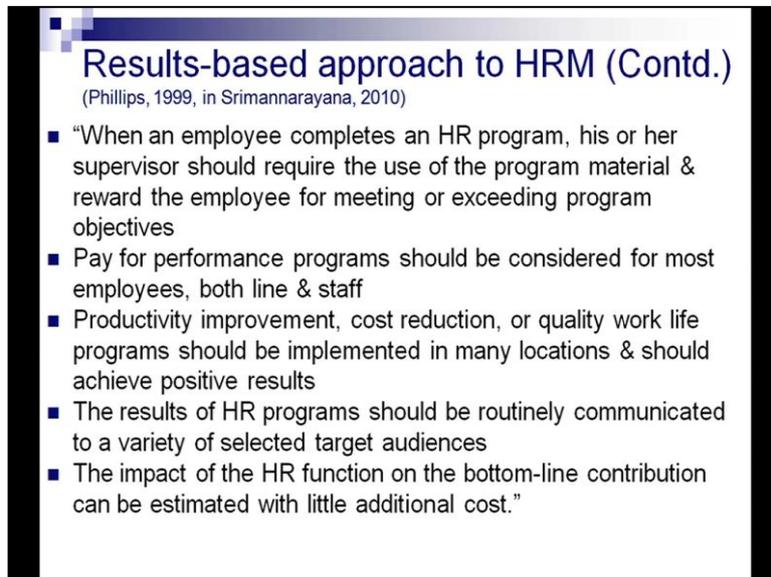
- “The CEO should frequently interface with the executive responsible for human resources
- The top HR executive should report directly to the CEO
- Line management involvement in the implementation of HR programs should be significant
- The entire HR staff should have some responsibility for measurement & evaluation
- HRD efforts should consist of a variety of education & training programs implemented to increase the effectiveness of the organization”

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The CEO should, frequently interface with the executives, responsible for human resources. So, that the CEO knows, what is going on in the organization. So, that the CEO is aware of, whatever the human resources people are doing. The top HR executive should report, directly to the CEO. Line management involved, in the implementation of HR programs, should be

significant. The entire HR staff, should have some responsibility, for measurement and evaluation.

Again, not only, should the programs be evaluated, the staff involved, should be responsible for measurement and evaluation, of these programs. HRD efforts, human resource development efforts, should consist of, a variety of education and training programs, implemented to increase the effectiveness of the organizations. So, any human resource development programs, that are taken up by the HR managers, should be informative. And, should train the employees, in helping the rest of the functions, in the organization, become more productive.



Results-based approach to HRM (Contd.)
(Phillips, 1999, in Srimannarayana, 2010)

- “When an employee completes an HR program, his or her supervisor should require the use of the program material & reward the employee for meeting or exceeding program objectives
- Pay for performance programs should be considered for most employees, both line & staff
- Productivity improvement, cost reduction, or quality work life programs should be implemented in many locations & should achieve positive results
- The results of HR programs should be routinely communicated to a variety of selected target audiences
- The impact of the HR function on the bottom-line contribution can be estimated with little additional cost.”

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When an employee, completes an HR program, his or her supervisor should require, the use of the program material, and reward the employee, for meeting or exceeding, program objectives. In terms of training, why only the HR. In terms of training, any kind of training, that the organization funds, should be for the benefit of the organization.

So, any employee, who invests the company money, or who goes through, any kind of training, should understand that, she or he has a responsibility, of contributing the learning from this training, to the benefit of the organization. They need to be productive. They need to take this training, and use it to better their work. So, they should choose the type of training, they undergo, very carefully.

And, it would not hurt, if you are an employee, who has been asked to go through some training. It will help, if you can find out, how this training is going to help you, do your work, better. Make a mental note of it. Sit through the training program. And, after the training ends, make a conscious effort to apply, whatever you have learned, through these training programs, into your daily work routine.

So, that the organization also feels, comfortable. The organization also has a record of the training, having improved your productivity. Because, these trainings costs, very high amounts of money. And, if the organization is not going to be benefited by it, then it may not be worthwhile for the organization, to invest in this kind of activity.

Productivity improvement, cost reduction, or quality work life program, should be implemented in many locations, and should achieve positive results. The results of HR programs, should be routinely communicated, to a variety of selected target audiences. Not only, should these programs be evaluated, the evaluation, the measurement of these programs, should be communicated, to the people, who have actually undergone, these programs.

Many times, we also go through training programs. We try to use those, whatever we have learnt, in these training programs, in our daily lives. And, but many times, whatever we use, either goes unnoticed, or does not yield, very tangible results. So, anybody, who is evaluating the success of the program, will have a better idea of, how the training, that has been imparted to the employees, has helped the organization.

It will help the employees. It will help boost them, morale of the employees, if this information is communicated to the concerned employees. The impact of the HR function on the bottom-line contribution, can be estimated with, little additional cost. So, you know, we need to find out, what it is doing for the organization.

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Scorecard

- A formal method of quantifying the construct that is being assessed on a pre-determined set of parameters.
- “A printed program or card enabling a spectator to identify players & record the progress of a game or competition” (American Heritage Dictionary, in Phillips, 2005)
- A small card used to record one’s own performance in sports such as golf” (American Heritage Dictionary, in Phillips, 2005)

Okay. One way in which, we can assess, whatever we are doing, whatever people are doing, is by way of a scorecard. And, we will deal with, the various types of the scorecards, in the next lecture. But, right now, i will tell you, a scorecard. what is a scorecard. A scorecard is a formal method of quantifying the construct, that is being assessed, on a pre-determined set of parameters.

I will see, if i can show you a scorecard, in the next lecture. According to the American Heritage Dictionary, it is a printed program, or card, enabling a spectator, to identify the players, and record the progress of a game, or competition. That is a scorecard, in general. It is a small card, used to record, one's own performance, in sports, such as golf. So, it is a way of keeping records, of your performance.

That is, a personal scorecard. When we talk about scorecards, in terms of human resources terms, it is a measure, it is a tool, that we use, in order to keep track of, how we are performing. It helps us, you know, it helps us keep records of the quantified parameters, that we use, to assess our productivity and output, in the organization, on different parameters.

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Why use human capital scorecards

(Walsh, 2002, in Phillips, 2005)

- “Measure human capital in a recognized way
- Track changes in the value of human capital
- Specify how to increase human capital
- Form the basis of performance management/ reward systems
- Justify investment in human capital”

Why do we use, human capital scorecards? You will say, what are human capital scorecards. We talk about, human capital scorecards. Human capital is the value, that human beings bring to an organization. Human capital is, what, we as employees, contributes to our organization, in terms of the skills, in terms of our talents, in terms of what we do. Okay. So, human capital scorecards, is what help us measure the, human capital in a recognized way.

They track changes, in the value of human capital. I bring, some skills to the table. How i use those skills, is going to be measured, by the output of my work. I may say, i am very skilled. But, if my output is not very high, then i do not know, how to use that skill. So, you know, whatever skills i brought with me, were valid, maybe 5 years ago, maybe 10 years ago, but are they still valid, today.

The scorecards, help us keep track of, how valid, how useful, our skills are, over a period of time. And, if any changes happen, then the scorecards help us, identify those changes. And, as a result, identify the gaps, and needs, for further training, in order to keep our, the value of our human capital intact, or increase the value of the human capital, in an organization. They form the basis of, performance management reward systems.

If our output, if what we bring to the table, how we use it, is measured in an objective manner, it becomes easy for us as HR personnel, to identify, how we can reward, exceptional

output, how we can reward, exceptional productivity. Okay. And, how we can remind employees, who are not performing, as well as they should, as to what, they can do. Justify investment in human capital.

After all, we are investing in human beings, who are coming to the organization. There is a debate going on about, how machines have overtaken, a large number of activities, that were being performed by human beings, thereby putting human beings, out of jobs. A lot of mechanization, has taken place. A lot of automation, has taken place. And, a lot of people, have lost their jobs. Because, machines are doing, what people used to do.

And, they seem to be doing things, better. And because, you know, it is like, the standard program. Human beings, are prone to, human follies. Now, there is a debate going on. But, what do human beings do. What do we do. You know, you have a certain skill set. So, that has to be either updated, or at least kept intact. So, why do we invest in human capital. Why do we need, to train our employees?

Because of the output, that they produce. And, the scorecard helps us justify, as organizations. It helps us justify, why we are investing so much money, in hiring good quality employees, in training them, in retaining them, in making them happy, in helping them improve their job satisfaction.

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Criteria for developing effective measures of human output <small>(Kerr, 1995 & Mayo, 2003, in Phillips, 2005)</small>	
Criterion	Definition: The extent to which a measure...
Important	Connects to strategically important business objectives rather than to what is easy to measure
Complete	Adequately tracks the entire phenomenon rather than only a part of the phenomenon
Timely	Tracks at the right time rather than being held to an arbitrary date
Visible	Is visible, public, openly known, & tracked by those affected by it rather than collected privately for management's eyes only
Controllable	Tracks outcomes created by those affected by it, who have a clear line of sight from the measure to the results

Some criteria for developing, effective measures of human output. There is a paper by, you know, in this book, by Phillips. I found this reference to work, by Kerr, and Mayo. Kerr in 1995, and Mayo in 2003. And, some criteria, that have been suggested are, one. Whatever, we are proposing, or the parameters, that we are suggesting, need to be important. Which means, that the parameter needs to connect, to strategically important business objectives, rather than to, what is easy to measure.

Whatever, we are measuring, needs to be important enough, for the strategic objectives of the company. We should not select things for measurement, just because, they are easy to measure. Whatever, we are measuring, should be complete. And, it should adequately tracked the entire phenomenon, rather than, only the part of the phenomenon. It should be timely.

So, whatever measure, we are using, needs to track at the right time, rather than being held, to an arbitrary date, annual, or semi-annual, or quarterly. No. It has to be timely. Whatever measure is being used, should be useful, at that particular point of time. It should be visible, openly known, and tracked by those, affected by it, rather than collected privately, for the management's eyes only.

So, any kind of feedback forms, that have been collected for your work, needs to be openly known. And, you should be, as the active participant, as the stakeholder, you should be able to track, these feedback forms, or whatever. You know, they should be, available to you.

The measurement criteria, should be controllable. They should track outcomes, created by those affected, by them. Who have a clear line of sight, from the measure to the results. So, every employee, whose performance is being measured, should have some control over the performance. Should know, what they can do, to improve their performance.

They should know, how they are working. They should know, how their work is being perceived. And, they should have control over the outcome, by doing, what is necessary to improve the outcome. The performance measurement standards, should be, or methods should be, like that.

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Criteria for developing effective measures of human output (Contd.) (Kerr, 1995 & Mayo, 2003, in Phillips, 2005)	
Criterion	Definition: The extent to which a measure...
Cost-effective	Is efficient to track by using existing data or data easy to monitor rather than requiring a new layer of procedures
Interpretable	Creates data that re easy to make sense of & translate to employee actions
Simplicity	Simple to understand from each stakeholder's perspective
Specific	Is clearly defined so people quickly understand & relate to the measure
Collectable	Can be collected in a way where the effort required is proportionate to the resulting usefulness of the measure
Team-based	Will have value with a team of individuals & not just an individual judgment
Credible	Provides information that is valid & credible in the eyes of the management

The some more criteria are, the measures of human output. How we quantify, human output. The measurements methods should be, cost-effective. After all, everything costs money. They should be interpretable. People should not need, very specialized training, to interpret the results. So, they should be understandable, at least by the people, who are going to be affected by them.

Which means, the employees, their supervisors, and the HR department, at the very least, the decision-makers. Simplicity. They should be simple to understand, from each stakeholder's perspective. Not only should they be interpretable, simplicity will enhance the

interpretability. Specific. They should clearly define, what is being measured. So, people quickly understand, and relates to the measure.

They say, yes, this is what is being measured. I can do this, to improve something else. Okay. They should be collectible. They can be collected in a way, where the effort required is, proportional to the resulting usefulness of the measure. Sometimes, we, you know, in our attempt to do something, that is very accurate, or very useful, we end up spending, a lot of time and money on things, that may not be so useful.

We end up, you know, we pick up such complex tasks. And, we end up spending a lot of time and money on something, that may lose its utility, by the time it is collected and interpreted. So, that is not really what, we should be doing. Whatever we use to measure, the output of the human beings, in our organization, should be easy to collect and interpret. It should be team-based. It should have the value, with a team of individuals, and not just an individual judgement. One person's judgement is not enough to decide, whether a person is performing, well or not.

Whatever is collected, in terms of the performance measure, should be based on team judgement, rather than on individual judgement. And, it should be credible. It should provide information, that is valid and credible. It should provide information, that helps us understand, what is being measured, and how it is being measured, and it should be credible. Credible means, it should be believable, in the eyes of the management, and of the stakeholders.

And, these are some of the criteria for developing, some measures of human output. So, that is where, i will stop in this lecture. In the next lecture, i will tell you about, the different types of scorecards, we can use, in order to, assess the performance of employees, in order to, assess the inputs of the employees, in order to, assess the human resource management functions, within an organization. So, thank you, very much, for listening.