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Dean of Economic Faculty, NTU «KhPI»**Roman O. Poberezhnyi**Assistant of Business Administration and
Personnel Management department, NTU «KhPI»**USING HR SCORECARD FOR DEVELOPMENT
OF THE STRATEGIC POTENTIAL
OF MACHINE-BUILDING ENTERPRISES**

The methodological approaches using the balanced scorecard, the strategy development for the engineering enterprises are described in the article. Particular attention is paid to the system of indicators that use a wide range of «leading and lagging» indicators within the overall strategy, operations, customer perception, financials indicators to measure the effectiveness of HR initiatives. HR Balanced Scorecard allows you to monitor the performance of staff, analyzing his stats, diagnose problems, make decisions and monitor changes.

В статье рассмотрены методологические подходы с использованием системы сбалансированных показателей, при разработке стратегии для машиностроительных предприятий. Особое внимание уделено системе показателей, которые используют широкий спектр «руководящих и отстающих» индикаторов в рамках общей стратегии, операционных процессов, восприятия клиентов, финансовых показателей для оценки эффективности HR инициатив. HR Balanced Scorecard позволяет контролировать показатели персонала, анализировать его статистику, диагностировать проблемы, принимать решения и отслеживать изменения.

У статті розглянуто методологічні підходи з використанням системи збалансованих показників, при розробці стратегії для машинобудівних підприємств. Особливу увагу приділено системі показників, які використовують широкий спектр «ведучих і відстаючих» індикаторів в рамках загальної стратегії, операційних процесів, сприйняття клієнтів, фінансових показників для оцінки ефективності HR ініціатив. HR Balanced Scorecard дозволяє контролювати показники персоналу, аналізувати його статистику, діагностувати проблеми, приймати рішення і відстежувати зміни.

Keywords. Balanced Scorecard strategic management, enterprise development, measurement of achievements, training, human resources, leadership

Ключові слова. Збалансована система показників, стратегічне управління, розвиток підприємства, вимір досягнень, навчання, людські ресурси, лідерство

Ключевые слова. Сбалансированная система показателей, стратегическое управление, развитие предприятия, измерение достижений, обучение, человеческие ресурсы, лидерство

Introduction. The problems of strategic management, how to evaluate and formulate strategic directions of development potential, and problems of methodological of predicting outcomes of development strategies are important for modern enterprises and are analyzed through various aspects in a number of scientific works.

The employees in companies — their «human capital»—are one of the key drivers of their competitive advantage. It is widely believed that in the next ten years the primary source of competitive advantage for most businesses will continue to increasingly focus on the talent within the organization, which means that the ability to effectively manage the employee talent within the organization is becoming more critical every day. While management makes decisions continuously about how to invest in human capital, few companies have an effective process to measure the value created by this «most valuable» asset.

The long-term effective operation of any company, including an engineering firm, requires that its growth and development are determined by the right choice of strategic

guidelines that allow the best way to realize the potential human capital and other resources of the enterprise. The strategy that the company selects must ensure sustainable economic growth and development of the company, increasing its competitiveness [6]. Therefore, engineering firms are now faced with the task of development of effective management, including strategic management, in order to take the lead.

The Balanced Scorecard [5] provides a system that leverages the traditional financial and efficiency measures. Available currently for Human Resources with metrics of performance from three additional perspectives — customers, internal business processes, learning and growth.

The balanced scorecard (BSC) is one of the most highly touted management tools today [2, 9]. The editors of the Harvard Business Review (HBR) identified the BSC as one of the most significant management ideas of the past 75 years [7]. The BSC is now being listed as a value methodology along with cost–benefit analysis and return on investment [3]; it is being used to help change organizational culture [8]; and several companies have reported improved operational efficiency and profitability as a result of using the BSC [1, 4]. Researchers have clearly stated that companies of all sizes are good at developing mission statements and strategies but poor at implementing operational strategies to achieve them, and that they are poor at measuring whether they are achieving their mission and strategy. The BSC addresses this problem by linking the mission to strategy and then translates the strategy into operational objectives and measures.

Research Aims. Aim of research is to identify what the current investments in employees match the strategic objectives of the business. The HR is organization a partner with the business to manage employees as assets. Management needs to pay attention that more information not just simple cost figures, but and need to track financial results while monitoring progress in developing our human capital and acquiring the talent and capabilities we will need for business success. Necessary research results on the formation and development of the components of Balanced Scorecard (BSC), namely component «development of personnel».

Results of the research. It must be noted that modern enterprises for sustainable development should be considered as a condition of the internal environment, as well as constant and variable conditions of an unstable external environment. At the same time we believe that the strategic development of the company has properties:

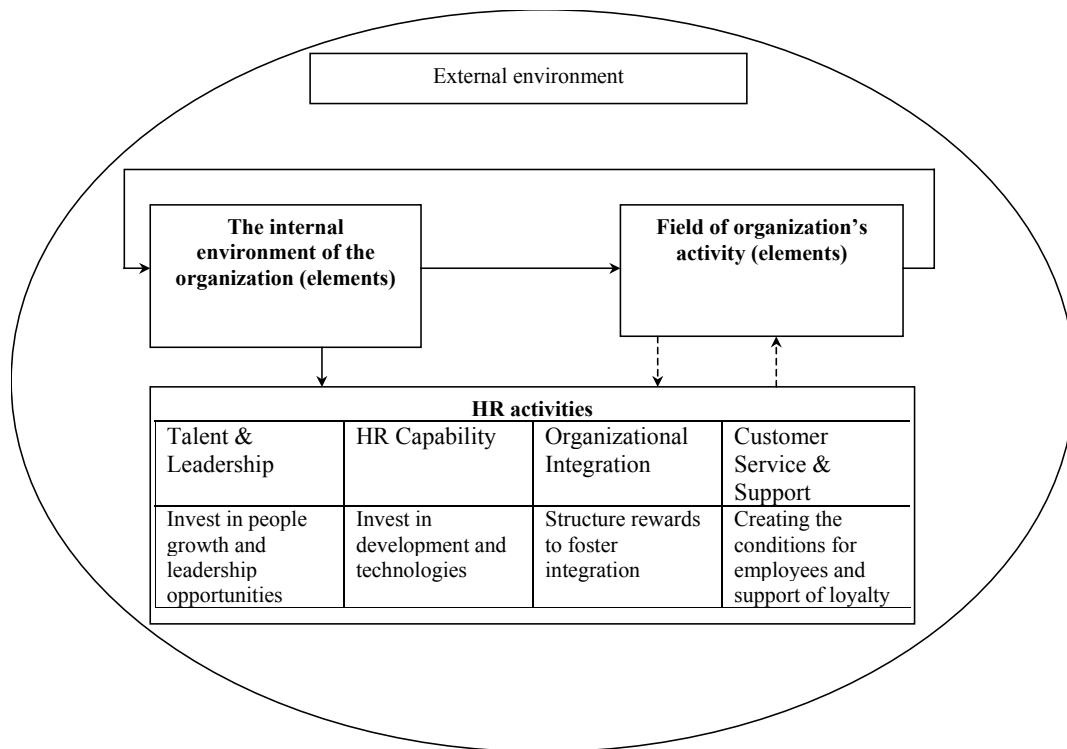
— cyclicity — a property that is to move from quantity to quality, new quality gives the further development, etc.;

— helicity — the property that is the change of the spiral, with different influences in the development of the object. Direction can be positive or negative for object development. There are both upward and downward spirals of development.

Consider the development of the organization as a positive impact of development, so that a negative effect or a negative development will lead, ultimately, to the liquidation of the company.

The overall system organization as shown in Figure 1 represents a set of elements of the internal environment that characterize the capabilities and limitations of a company, which through the development and implementation of strategic and operational decisions form the elements of the scope of the enterprise, describing the organization's activities in the environment of operation.

Informing about the possibilities of HR Scorecard all the organization's management and business partners is an important aspect of the successful implementation of the strategy of development of the staff.



Source: own development

Figure 1. HR activities in system of the organization

To use the HR Scorecard special attention should be given to planning, measurement and analysis job. Should be developed systematic approach to communication and management training in accordance with the new management tool. Emphasis on the scorecard should focus on cost characteristics of tools and resources that are provided in connection with the strategy of business optimization. It also served as a tool, which allows predicting and anticipating possible problems. Measuring effectiveness is an important component in the decision-making attachment to the results of the HR Scorecard.

Internal elements of the enterprise environment affect the formation of element areas that allow for better internal environment elements. The properties of the organization reflect the cyclical and helical development.

The elements of internal environment that characterize the capabilities and limitations of this company, in our view, should include:

- Raw materials (their quality, quantity, price, etc.);
- Technology (existing in the enterprise);
- The means of labor (fixed assets, their characteristics);
- Company personnel (structure, quantity, quality characteristics, etc.);
- Financial resources (equity and debt, generating funds, investment, etc.);
- Structure of the enterprise (the division of responsibilities and work, hierarchy, degree of freedom in decision making, etc.);
- Management system (principles and tools of management, planning, organization, control, motivation, coordination and forecasting);
- System information (database, characteristics, information security, etc.);
- The process of converting raw materials into a finished product (value chain, cost, etc.).

Development of the elements of the internal environment of the organization increases the possibilities and reduces limiting on the activity of the company, and thus contributes to the development of reasonable and timely strategic and operational decisions, which in turn creates and develops the scope of activity of the enterprise.

The scope of the enterprise, which characterizes the activities of the organization in its environment functioning includes, in our opinion, the following elements:

- Finished product (the quality, price, consumer value, etc.);
- The market and consumers (market share, new markets, old and new customers, etc.);
- Position within the industry (competitors, suppliers, distribution system and sales, etc.);
- Technology (technology applied, innovation, novelty, etc.).

Development of the elements of the business sector enables a company to more effectively set strategic and operational objectives, increase productivity and efficiency of activities of the organization, and provides opportunities for the development of its internal environment.

For their existing conception about the state of the implementation of selected goals for objective measurement of the results of implementation strategy, the management of many Ukrainian machine-building enterprises has used the traditional system of financial-accounting indicators. In our opinion, in today's conditions of development, which has replaced the earlier industrial competition, now it is the time of information competition, meaning that reconsideration is needed of approaches to the formation, control and efficient allocation of financial, industrial, intangible and labor assets of the company. Enterprises need an additional evaluation system, which is linked to accurate and reliable financial evaluation of such intangible assets as market promotion of new products and services, potential ability, experience, interest in employee flexibility, customer loyalty, innovation projects, investment in production and workers, and other assets.

In order to satisfy the needs of Ukrainian enterprises, we are proposing to use the method of Balanced Scorecard (BSC) [5]. BSC complements the financial parameters system which reflect the results of grading the development prospects system of enterprises. Objectives and indicators of the system are formed depending on the ideology and strategy of each organization and consider its activities on four criteria: financial, customer relationship, internal business processes, as well as training and staff development [1].

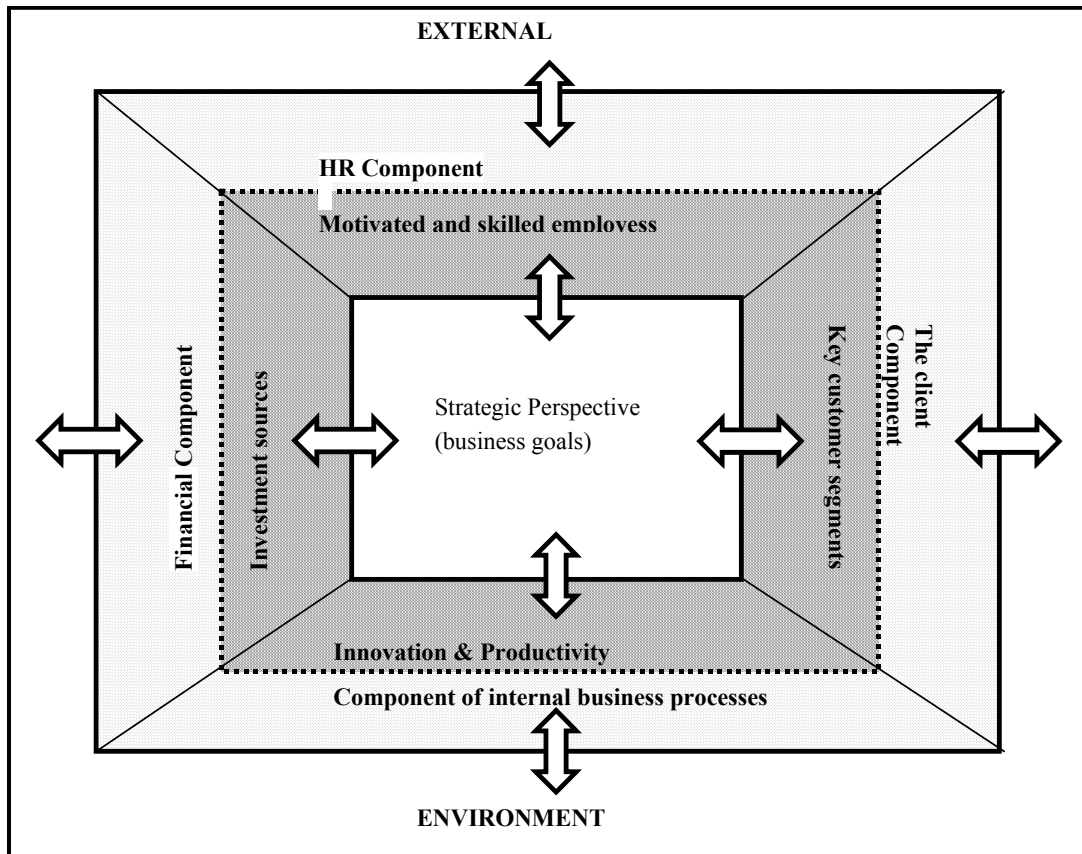
Figure 2 shows the relationship and subordination between the components of BSC by shaping the strategy of development of a modern engineering enterprise.

This vision is based on the proposed dual structure of potential strategic development of industrial enterprises (including engineering), which combines the current state of the underlying potential and the ability of companies to develop, i.e. the effectiveness of innovative potential.

Thus, in our view, the modern industrial enterprise faces two major tasks: first, creation of a system of indicators, and second, its use as an integrated system of strategic control for their development.

One of the main methods of management for the development potential of industrial enterprises is to develop a system of evaluation and development of methods of assessment on development potential and its prediction to identify the priority capacity of a development enterprise environment.

Linkages between business processes and value chains to human resource actions and services were clearly defined as the HR Scorecard became a business tool understood and used across the HR organization. Not only are human capital initiatives needed to increase employee value delivered to the business, they are vulnerable to business process changes and the measures taken in isolation can be misleading.





-  - Current (base) potential
-  - Potential for innovation development

Figure 2. Relationship between components of BSC in the formation of Strategic Perspective

Source: own development

Importance of HR Scorecard is to obtain information that is contained in the scorecard, and helps to take timely measures promoting business efficiency.

As an example, can be chosen as one of the most important areas of management, from the point of view, the cost of personnel for the company — staff turnover, labor turnover is critical to productivity and cost control. High turnover results are reflected in the poor performance requires higher costs for training. Impact is in all directions and affects the profitability of the business. Using the HR Scorecard, HR professionals monitor and analyze statistical data on turnover, determine the causes of turnover, calculated negative financial consequences, make decisions, monitor the trend of improvement.

As a result, there is a need for quantitative and qualitative assessment of the current (base) potential and capacity for innovation development to guide the process of formation of competitive advantage and provide evaluation and formulation of strategic directions of engineering enterprises.

Conclusions. The HR Balanced Scorecard has made it possible for HR managers to understand how they align to business objectives. They are able to explain not only what

they are tracking but also how they are performing on essential strategies for the business. Business environment and the objectives and strategies will continue to evolve, and HR managers will continue to be flexible and creative in supporting the changes. The value of the HR Scorecard as a tool is that it can get us to the new goals and measures and through the process ensure continued learning and change management. The analysis of the dynamics of integrated indicators characterizing the use of strategic capacity development for local engineering industry indicates the following:

— the existence of negative trends, which is evident in the decline of manufacturing engineering products that are competitive on the domestic and foreign markets;

— formation of negative trends associated with the influence of a rapidly changing external environment and the lack of a clear strategic program for long-term business development in machine-building enterprises and of strategic management of its potential;

— strategic development potential is the most important factor for the economic and strategic security of an engineering enterprise and defines the base for creating a long-term competitive advantage.

— the balanced scorecard approach can provide accurate and timely information about the current (base) potential and the potential for innovative development of engineering enterprises.

We believe that this information will allow for more efficient shaping of competitive advantages and improve strategic decision making at engineering companies. HR Scorecard will allow managers to actively engineering enterprises to improve productivity and achieve strategic goals. In HR Leaders now have a tool that supports the focus on tactical excellence, ensuring alignment with business strategy.

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