

## Article

# Competency Based Balanced Scorecard Model: An Integrative Perspective

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*In the current globalization induced abrupt changes in business environment human resource has become the source of successful corporate strategy. This study emphasizes that human resource and HR practices are the foundation for achieving business excellence in terms of ROI, market share, employee satisfaction and customer delight. The paper explains the implementation of Balanced Scorecard by developing competencies in relation to values of the organization necessary for achieving business excellence.*

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## Introduction

In today's dynamic world, companies are adopting newer approaches for facing competition and achieving business excellence. The new economic paradigm is characterized by speed, innovation, quality and customer satisfaction. The essence of the competitive advantage has shifted from tangible assets to intangible ones. Earlier HR was concerned with activities such as payroll, staffing and employee welfare but rules of game have started to change completely as today organizations have to reckon with global competition and match international requirements in terms of product design, process technology, quality standards and on time delivery.

It is said today that endeavours succeed or fail because of people involved and only by attracting the best people and making them perform their best will lead to accomplish deeds. Based on various studies (Pfeffer & Jeffrey 1994) it can be concluded that firms with more effective HR management systems consistently outperform the competition. However, evidence that HR can contribute to a

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firm's success doesn't mean it is now effectively contributing to success in business. It is a challenge for managers to make HR a strategic asset. This paper justifies that there is a connection between human resource and business success in terms of tangible and intangible measures and establishes a framework which could assist HR professionals to make human resource a strategic asset. Based on Balanced Scorecard (Kaplan & Norton 1996) and through competency framework evident from corporate practices, the author has established a Competency Based Balanced Scorecard model.

### **Balanced Scorecard**

Developed in the early 1990's by Kaplan and Norton (1992), the Balanced Scorecard is a management system that enables organizations to clarify their vision and strategy and translate them into action. The Balanced Scorecard has become the prominent strategic tool for the management. The success of its implementation is attributable to its focus on strategy and the future. By the help of this the managers are able to translate broad mission statements into tactical action plans. The Balanced Scorecard paves the way for the managers to exploit the firm's resources and ultimately produce economic results

while directing the firm towards the achievement of its goals. The Balanced Scorecard emphasizes the importance of measuring business performance from the perspective of strategic implementation, rather than relying solely on financial results. Senior managers tend to pay far too much attention to the financial dimensions of performance and not enough attention to the driving forces behind those results. Financial measures are normally designed to rectify or change past results. Performance drivers on the other hand are within the control of the management in the present and the Balanced Scorecard methodology encourages management to look at these leading indicators as well. By specifying the important process measures, assessing them, and communicating the firm's performance based on these criteria to the employees, the managers can ensure that the entire organization participates actively in the strategy implementation process. It is a unifying tool in strategy implementation. The Balanced Scorecard (available at [www.balancescorecard.org/bscl.html](http://www.balancescorecard.org/bscl.html)) suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives.

**Balanced Scorecard demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers.**

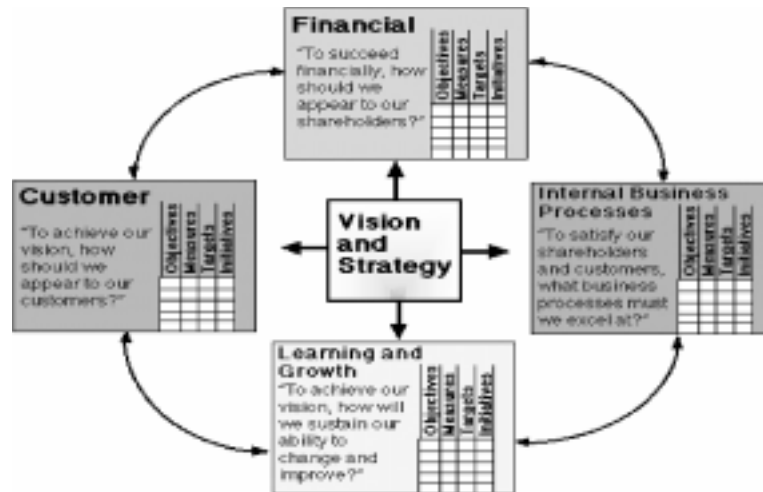


Figure 1: Balanced Scorecard Model

### The Customer Perspective

Importance of customer focus and customer satisfaction in any business is increasing. These are leading indicators of performance. If customers are not satisfied, they will eventually find other suppliers who will meet their needs, affecting financial measures. The Balanced Scorecard demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers (Kaplan & Norton 1992). To put the Balanced Scorecard to work, companies need to articulate goals for time, quality, and performance and service and then translate these goals into specific measures.

### Internal Business Process Perspective

The internal measures focus on the processes that have the greatest impact

on customer satisfaction and financial objectives. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements and towards mission of the organization. Managers need to focus on those critical internal operations that enable them to satisfy customer needs. The second part of the Balanced Scorecard gives managers that internal perspective.

### Learning & Growth Perspective

Learning and growth constitute the essential foundation for success of any organization, specifically knowledge based organization. A company's ability to innovate, improve, and learn ties directly to the company's value. That is, only through the ability to launch new products, create more value for customers, and improve operating efficiencies continually can a company

penetrate new markets increase revenues and margins, grow and thereby increase shareholder value. This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement.

### **Financial Perspective**

The Balanced Scorecard retains the financial perspective since financial measures are valuable in summarizing the readily measurable economic consequences of actions already taken. They indicate whether a company's strategy, implementation and execution are contributing to the bottom line. The financial measures tend to be profit related (by operating income), return on capital employed and sales growth or generation of cash flow.

The Balanced Scorecard allows an organization to align its strategic activities to the strategic plan. It permits real deployment and implementation of the strategy on a continuous basis. Measures of customer satisfaction, internal business performance, and innovation and improvement are derived from the company's particular view of the world and its perspective on key success factors. But that view is not necessarily correct. Even an excellent set of balanced scorecard measures does not guarantee a winning strategy. The Balanced Scorecard can only translate a company's strategy into specific measurable objectives. A failure to convert improved operational performance, as measured in the

Scorecard, into improved financial performance should send executives back to their drawing boards to rethink the company's strategy or its implementation plans.

**Competency for a particular activity is a set of human qualities and /or attributes that make a person star performer for a particular activity.**

### **Competency**

The term competency and its various forms has been a topic of academic and practitioner discussion for almost twenty years. It often seems to be as an umbrella term to cover almost anything that might directly or indirectly affect job performance. According to Boyatzis (1982) competency is an underlying characteristic of an employee (i.e., a motive, trait, skill, aspects of one's image, social role, or a body of knowledge) which results in effective and/or superior performance in a job. The Boyatzis definition of competency distinguishes between the tasks that need to be performed competently and the traits people need to have or develop to perform the tasks at the required level of competence. It is an observational skill or ability to complete a managerial task successfully. Simply put, competency is a description of a specific type of behaviour, which derives its basis from an individual's knowledge, skills, personality, values and motives. As competencies are focused on what a person does, they can provide a sound

basis for describing and measuring performance. Competency for a particular activity is a set of human qualities and /or attributes that make a person star performer for a particular activity.

### **Research Methodology**

The relevant information for the present paper has been gathered from the literature of Balanced Scorecard, competency and business strategy. Articles and reference manual of Bharti Airtel have been referred to understand practical aspects of achieving business excellence and business objectives. Articles reviewed included those in academic journals and business magazines. These were located by entering the following words with no date restrictions into relevant business; integrating HR and business strategy, human resource and competitiveness, competency. Personal discussions with people from industry and academia have helped to draw important inferences on the subject. After reviewing various authors' constructions of the concept, definition, current knowledge, an integrative framework has been arrived at to demonstrate how the human capital and competencies can support all dimensions of Balanced Scorecard and will lead to its effective implementation and achieving business excellence. The framework constructed has not been empirically tested; this could form reference for future research study. This conceptual framework forms an

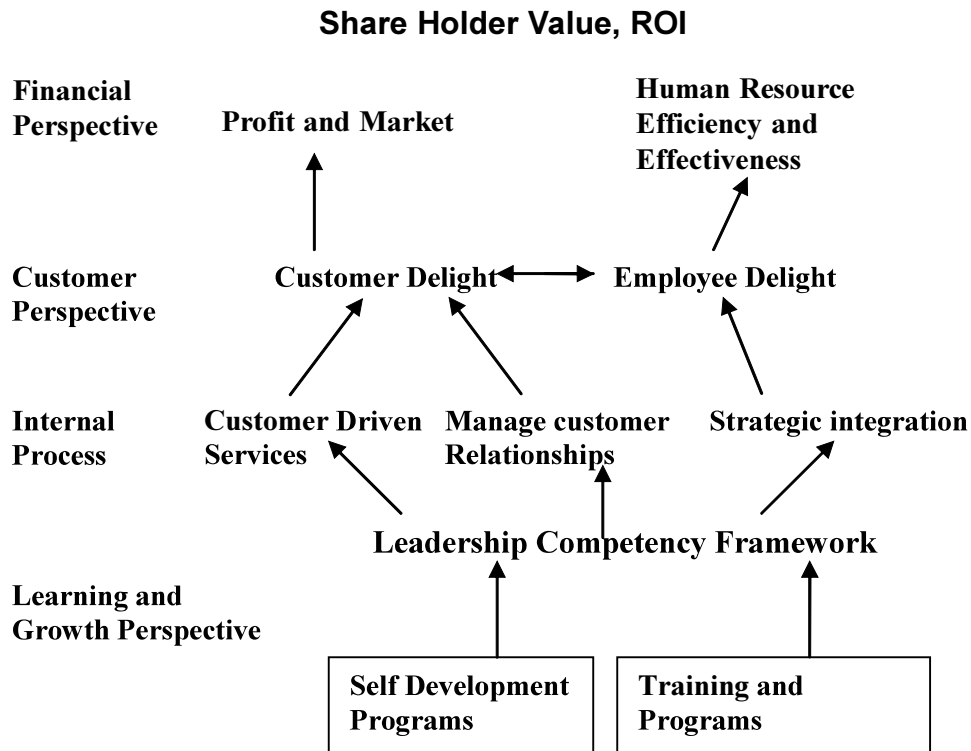
exploratory study and gives practical insight in to achieving business excellence.

### **Competency Based Balanced Scorecard Model**

The vision statement does not make the company successful by living in it. To achieve, it is necessary to imbibe competencies in employees, which are aligned with vision and with values and form the basis of employee behaviour in the organization. This model based on Balanced Scorecard integrates human resource practices and growth perspective in the organization with its vision and strategies and give emphasis on competency based HR practices like training, self- developmental programs as the foundation and basis for achieving business excellence in terms of ROI and market share, employee satisfaction & customer delight.

**Like Leadership, Competency Framework followed by Bharti Airtel is based on the values of the company**

Learning and Growth Perspective forms the foundation of the model and is concerned with inculcating competencies in the employees, which will enable them to achieve the business objectives of the organization. Like Leadership, Competency Framework followed by Bharti Airtel is based on the values of the company. It mentions the competencies which the company aims to inculcate in the employees. It has been Bharti Airtel's



**Figure 2: Competency Based Balanced Scorecard Model**

endeavor to nurture a learning culture among its employees. The company will achieve this by identifying certain positive and negative behaviors of the employees and then give specific training to inculcate that competency in them. Competency Framework of Bharti Airtel provides a list of nine such competencies along with their positive and negative behaviors. Since competency is a behavioral trait, positive and negative behaviors can be identified for each competency, and then training can be provided on that competency, which can be regulated through self development programs. This alignment of competencies inculcated through various

human resource practices with values and strategies of the organization will facilitate achieving business excellence. The key feature of the Competency Framework will include defining generic behavioural competencies across various levels, which are applicable to all roles across all levels and framework for systematic evaluation of employees across all the levels.

### **Competency Framework**

Competency Framework will define a clear definition of the expected behaviours across the organization, required to achieve company vision and

will assist in attaining desired performance. This gives competency requirements that cover all the key jobs in the organization. It lists out criteria and skills that employees are required to possess across all jobs in an organization and key behaviors required for excellent performance in a particular role. The framework is focused on the need to create future leaders and managers. The various competencies defined by organization should be aligned with the strategies and will be source of achieving measures in key areas in metrics of Balance Scorecard. This is evident from Bharti Airtel's example of competency framework, which has established competencies across jobs in three brands.

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### **Empowering & Developing**

An employee should be given opportunities to define role and expectations. This is done by delegating the work appropriately, fairly, clearly and aligning them and facilitating the ongoing training and development of teams in their functional areas. For this a culture of seeking and providing regular feedback is necessary. In recruitment, an employee responsible for recruitments should be clearly explained

the skills, knowledge they want in an employee and clearly clarifying the expectation out of him.

### **Value People**

An employee should be fair in dealings and open to consultation and constructive challenges. An employee who lives the values and value other people can be a source of customer delight.

### **Achieving Results**

Driving for results and perseverance are competencies which an employee should have to plan ahead and monitor milestones and timelines to ensure delivery. In order to achieve goals, an employee should not be afraid of the obstacles and failures; he should think through the possible roadblocks and keep commitments despite setbacks. Employee who achieves results should be recognized and rewarded as well.

### **Aligning Strategies & Systems**

This competency will enable the employees to implement the vertical fit in the company. For this an employee should translate organizational strategies into benchmark systems and processes. He should plan and implement successful programs in the whole company which are aligned as well. This competency will facilitate internal process perspective in the Balanced Scorecard. It helps employees to be outward working and be allowed to the external factors including customers,

market, and industry among them and thus prepare the organization for future challenges.

### **Delighting the Customers**

The company should always lay more emphasis on delighting the customers as they are the sole generator of revenues. Delighting the customer is also present in the mission statement of Bharti Airtel, which shows its importance for the company. An employee should therefore have competencies to empathize with the customer, to work cross functionally to maximize customer care, and assist in handling feedback from the customers effectively.

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### **Facilitating Change & innovation**

In today's world innovation has become imperative for every organization. Those companies which do not innovate vanish from the industry. An employee should have competencies to himself drive the change, he should manage and translate change initiatives and have strategies for change and innovation into own area. Like recruitment process should lay emphasis on selecting innovative and creative people because then imbibing this competency through training programs will become easy.

### **Living the Values**

This competency requires an employee to demonstrate ethics and integrity in all his dealings and adherence to company's values. He should work consistently in the organization's interests, openly endorse and implement consensus decisions. This competency not only requires employee to live the value but also drive the values in the company.

### **Business & Commercial Acumen**

An employee should possess business understanding of the industry, cost and profit parameters impacting his unit's function. He should be able to translate business initiatives into effective roadmaps. He should have business understanding of factors external to the company and impacting the business.

### **Building & Nurturing Talent**

Company partners are the support pillars of the company. An employee should develop competencies which assist in projecting a polished and professional image in front of the them. Every behavior of the employee should promote and nurture cross-functional relationships and manage strategic partnerships.

### **Self Development Programs**

Self development program is an important tool to enhance employee performance and potential. The main aim of self development program is to

increase employee delight in the company by empowering and developing them. Organizations should believe that only when the employees are satisfied and content, they could provide delight to customers. Self development program will improve on aspects of employees' behaviour competencies or functional abilities and acquiring new functional competencies which are included in the organization's competency framework. It is a guide to employees to option which will help to address development needs and build on their strength. The employee will thus grow and develop intellectually and will perform better. Also an employee could be appraised not only on specific targets allocated to him but also on the competencies which he inculcates in himself through attending various training workshops. The idea is to prepare an organization through building human capital and all its employees stand as leaders with all the required competencies.

**HR strategic staffing recruitment and development requires specific skills and knowledge in order to help their company to sustain a competitive advantage to attract and retain top and diverse talents.**

### **Training**

Training is a process by which the aptitude, skills and abilities of employees to do a particular job are increased. Training requirements are mainly identified at two stages, first is

at the time of employee selection and second, after their performance appraisal. Leadership competency identifies the positive behaviours which are lacking in the employees. The company would provide customized training programs to each of these competencies. The idea is to make the employee grow in the company and prepare him for future manpower requirements i.e. succession planning while improving his current performance. These training programs are closely linked to the competencies like training program on "creativity & innovation" in Bharti Airtel trains the employee to be able to understand innovative ways of managing revenue and to be able to practice what are the new elements of managing revenue. The training program on "customer sensitivity, excellence in customer relationship (ECR) helps the employee to acquire skills of interacting with the customers in order to provide them delightful experience, it teaches, trains the employee to become sensitive to the needs of the customers. Various programs like team working, mentoring for leadership, leadership skills, working together etc, impart the efficient teaming skills to train employees to handle conflictive transactions, conflict resolutions, understanding and transacting with internal customers. The aim is to build leader of tomorrow and prepare them to handle more complex problems and greater responsibilities. Training programs on strategic management helps the employee to enhance strategic thinking to build a

competitive edge for the company. HR strategic staffing recruitment and development requires specific skills and knowledge in order to help their company to sustain a competitive advantage to attract and retain top and diverse talents. The employee can also be given training on how to manage stress, its causes and symptoms, solutions, how to keep productivity high, to manage time and stay healthy. Art of living and transcendental meditation programs are also organized to develop healthy mental, physical and spiritual dimensions of individuals. All these training programs help the employee to inculcate the competencies and improve their Key Result Area's while preparing them to be future leaders of the company.

#### **Internal Processes**

Effective Internal Processes in the organization will lead to implementation of strategies. If the competencies of employees are aligned with the vision and values, effective process would be established. Like competencies such as valuing the people, delighting the customer may result in customer driven internal process. Similarly competencies of aligning strategies and systems may create strategic integration as established in the model in Fig 2.

**Employee delight is strategically linked with business strategies and will lead to higher ROI as well as HR efficiency and effectiveness.**

#### **Customer Perspective**

This layer takes into account both the internal as well as the external customers of the company as the company always aims to satisfy and bring delight to both of them. The HR functions are all directed to bring the employee delight as only when the employees are satisfied with the company, they will help the company to achieve business excellence. Employee delight is strategically linked with business strategies and will lead to higher ROI as well as HR efficiency and effectiveness.

#### **Financial Perspective**

The company will always try to put the efficiency and effectiveness achieved by it in terms of numbers. This Balanced Score Card links that if the business is doing well, and there is proper integration of all layers, it will lead to higher ROI, which is a measure in monetary terms. Human Resource efficiency and effectiveness mentioned in the model will be measured in numbers, like decrease in attrition rate, decrease in absenteeism; these factors can only be achieved if employee is delighted.

#### **Conclusion**

The model is based on the fact that human resource contributes to competitive advantage, profit and business excellence in the company, where all human resource practices are closely linked and aligned with business

practices. This framework has four basic parameters based on Balanced scorecard, which if integrated well through the Competency Framework (outcome of HR practices) will lead to shareholders value and business excellence, which is the ultimate aim of the company.

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