

Introduction

This case describes the balanced scorecard (BSC) implementation experiences of the HR Division at Financial Services Corporation (FSC) (name has been changed), which is a national financial services corporation. The description includes factual details gleaned from the experiences of the Measurement Coordinator, who is responsible for developing HR's BSC. FSC's implementation process provides a rich source for discussing issues and considerations that arise when adopting a management innovation. In addition, the case provides an opportunity to discuss BSC issues in relation to the human resources function of an organization. In most organizations, this functional area has traditionally collected many measures, but usually views itself as a cost center, not a value-added partner within its organization. The BSC implementation is changing the thinking on this issue within FSC.

Company Background

Financial Services Corporation (FSC) is a large, national financial services institution headquartered in the Southeastern region of the US. The Corporation employs approximately 70,000 individuals in its offices and financial centers, which are geographically dispersed primarily along the east coast. FSC's culture is one that has adapted to frequent change due to several mergers and acquisitions over a ten-year period. The corporation's overall measurement emphasis historically focused on customer service and financial reporting rather than a strategy-related or formal measurement solution.

At the time of the case study, FSC had recently announced a new merger of equals, and was several months from consummation. The corporation's current focus was on revenue growth, expense control, corporate core values and employee satisfaction; however, measurement is a growing interest of FSC's senior leaders.

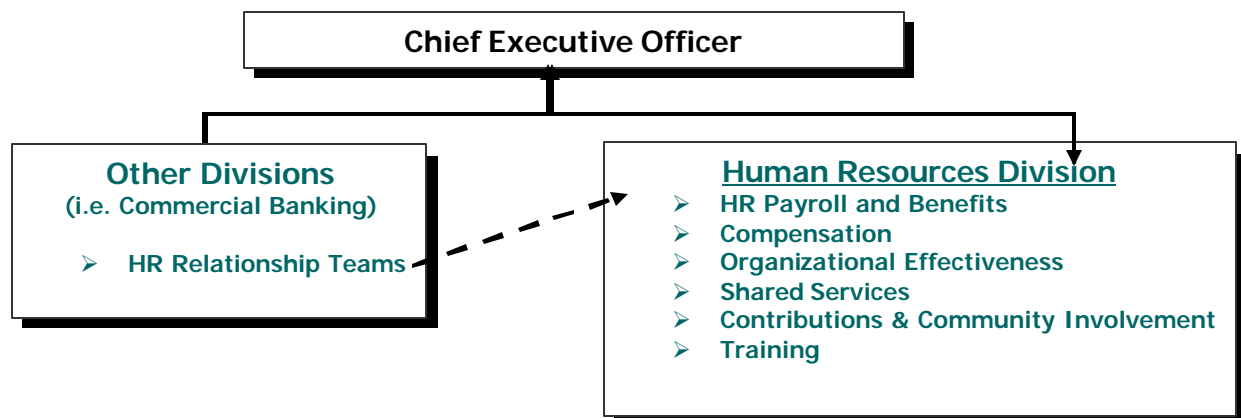
HR Division Organizational Structure

FSC's HR Division evolved with industry trends in HR management over several years. The evolution of HR's organizational structure was key in the emergence of a function specifically designed to focus on organizational performance.

From 1996 to 1998, HR experienced re-engineering and the HR functions were removed from the business units they supported. These functions were centralized into an HR Division. HR Relationship Teams (business-unit specific groups characterized with HR generalists) remained in the business units and had a dotted line relationship to the HR Division.

At the time, the HR Division was organized in several centralized business units including: HR Payroll and Benefits, Compensation, Organizational Effectiveness, Shared Services, Corporate Contributions, and Training. Exhibit 1 shows how the organization was structured from 1996 to 1998 post-reengineering. During this period, HR employed approximately 900 people.

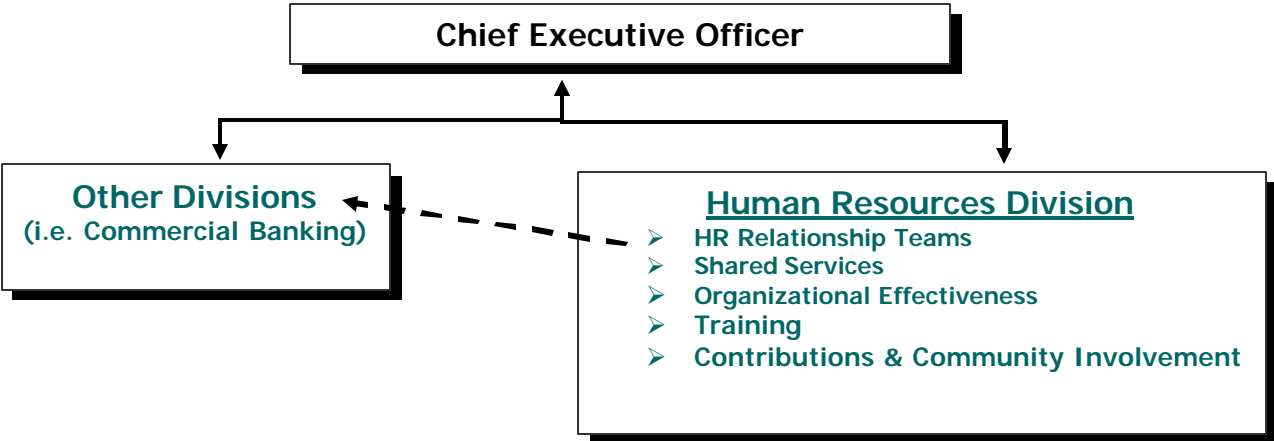
Exhibit 1. HR Organizational Structure post HR Re-engineering 1996 to 1998



In the years following, the entire Corporation endured an enterprise-wide redesign effort to create efficiencies in all divisions. Once again, the HR Division realigned its resources in

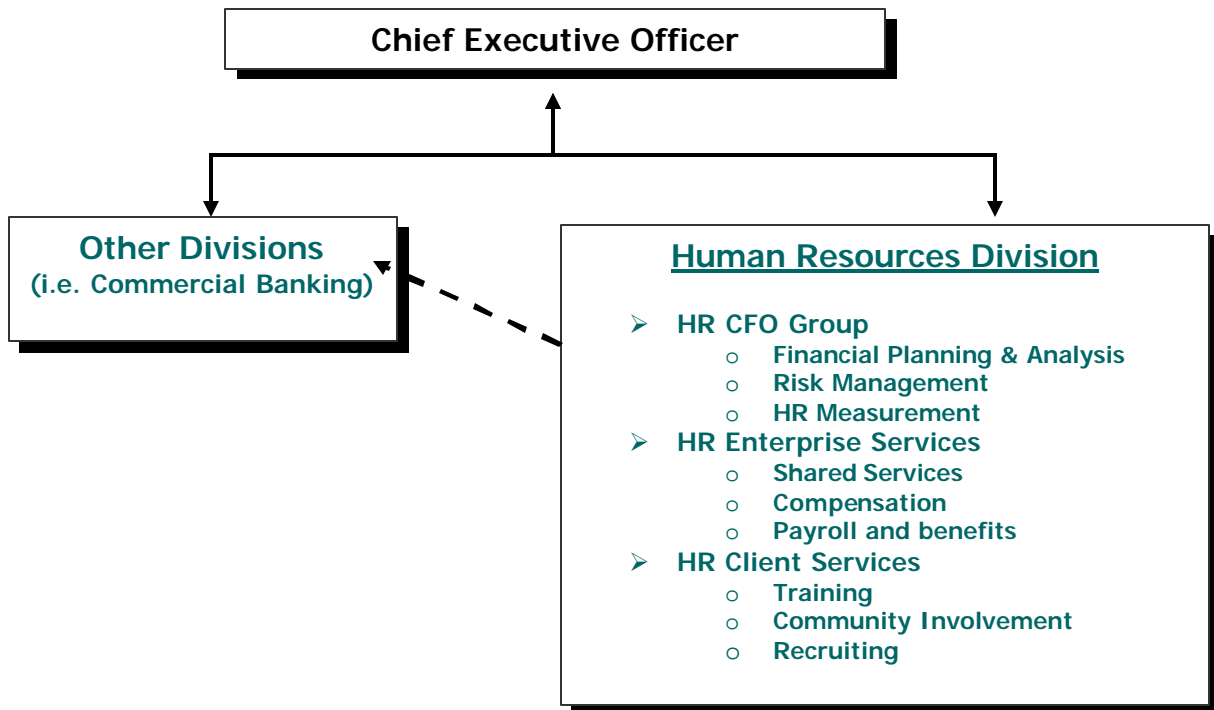
keeping with corporate objectives. This realignment consolidated several HR functions and removed the HR Relationship Teams from the business units (placing them back into the HR Division). This shift resulted in a direct reporting relationship to HR and a dotted line reporting relationship to the strategic business units. Exhibit 2 shows the structure that lasted from 1999 to 2000. Approximately 1,500 individuals were employed by HR during this period.

Exhibit 2. HR Organizational Structure 1999 to 2000



As a testimony to the volatility of the financial services industry in the 21st century, HR once again redesigned itself, and consolidated its functions into three key areas: the HR CFO function, Enterprise Services, and Client Services (HR clients included all divisions within the corporation). Exhibit 3 shows the structure of the HR Division in 2001. This organizational structure employs approximately 1,200 employees.

Exhibit 3. The HR Organizational Structure 2001



In this new organizational structure, the HR CFO function emerged with a renewed corporate focus on expense control. The HR Division, realizing that it is a key cost center, sought to understand how the HR Division was helping the corporation to achieve its strategic goals. The Division also wanted to better understand performance of human capital in the Corporation as a whole. These key drivers lead to the creation of a BSC for the HR Division.

Balanced Scorecard-A Review

The Balanced Scorecard (BSC) is a formal measurement strategy introduced by Robert Kaplan and David Norton in 1992. The purpose of the BSC is to provide a management reporting mechanism that illustrates the company's performance against its strategy.

The concept of balance is fundamental to the BSC. Indeed, its name was chosen to reflect the balance provided by the four perspectives—financial, customer, internal-business-process, and learning and growth. In order to provide this balance, the BSC retains traditional

financial measures to evaluate past decisions, but also includes measures linked to future performance (Kaplan & Norton, 1996). The BSC provides managers with a view of the organization that encompasses internal and external sources of information using a combination of leading and lagging indicators.

Today, many organizations use a combination of financial and nonfinancial measures¹ like the BSC advocates (Epstein & Manzoni, 1997; Stivers et al., 1998). The measures, however, are often used across firms and divisions regardless of whether the measures relate to the particular firm's organizational strategy. To obtain the benefits of the BSC, an organization needs to select a *combination of measures relevant to its particular strategy* (Kaplan & Norton, 1996). Kaplan and Norton contend that the BSC's holistic view of the firm provides management with a tool to establish a strategic linkage between the organization's performance measures and the objectives of a unified strategy. The measures in the BSC are then linked to the organization's financial objectives. In this way, Kaplan and Norton (1996) contend that the system keeps the benefits of the financial measures to evaluate outcomes while eliminating the focus on short-term financial measures.

Initially, Kaplan and Norton conceived the BSC as an improved performance measurement system for implementing organizational strategy. As the concept was applied in organizations, the early implementers began to integrate the performance measures with organizational strategy and to use the BSC as a framework for many managerial functions, such as goal setting, budgeting, and compensation (Kaplan & Norton, 1996). Thus, the BSC evolved from a performance measurement system into a management system.

¹ Nonfinancial measures include product quality, customer satisfaction and market growth (Brancato 1995).

The Journey Begins

During 1998, FSC conducted an internal quality process assessment based on the Malcolm Baldrige National Quality Award methodology (<http://www.quality.nist.gov>). Several weaknesses within the HR Division were identified through this process. The issues that needed to be addressed included the following:

- Difficulty in translating strategy at every level
- Need for definable, measurable results
- Lack of meaningful indicators in the design of projects and processes
- Lack of in-process measurements that indicate how well a current process is working
- Few meaningful indicators for day-to-day operations
- Lack of benchmarking for key processes or functions

Overall, no integrated or uniform methodology existed for defining and measuring performance across the HR Division. Furthermore, none of these systems were tied to an overall, organizational strategic plan. In addition, the HR Leadership Team did not regularly review departmental metrics or indicators; rather it relied on anecdotal information from colleagues and internal customers relating to how the HR Division was performing.

While HR was not facing any immediate demands to demonstrate its value to the organization or to reports its performance against strategic goals, the process assessment did bring a realization that HR had the potential to significantly improve. Having identified a need to improve HR measurement processes, the decision was made to use the Balanced Scorecard concept. Thus, the HR Division began a two-fold mission: (1) to consolidate existing measures into an effective tool, the product, and (2) to engage the Leadership Team to use this tool in strategic activities, the process. With these challenges, FSC endured several iterations before implementation of what is now known as its HR Scorecard.

Scorecard Implementation, The Product and Process

Several attempts were made to create a scorecard. The process began with an employee hired as a Measurement Coordinator. This Coordinator reported directly to HR's Chief Financial Officer and was responsible for accumulating resource documents that included several metrics the HR Division was already tracking in various departments. The measures collected in HR departments covered a vast array. Over time, each department within HR had developed its own system for measuring and evaluating performance. With no overall HR strategy or measurement system, the diversity in the quality and extent of measurement was extensive. The resources accumulated included raw data regarding headcount, FTE (full-time equivalent employees), terminations, new hire data, employee survey data, exit interview data, diversity scorecards, and some benchmarking data.

The Coordinator used this information, along with feedback from the HR Leadership Team, to design an inventory of approximately 20 metrics that were representative of the HR Division. The measures of interest were put through a "filtering" process where a cost-benefit analysis was performed. While accumulating specific data may seem necessary, the measure must be cost-effective to warrant its use. This data and feedback laid the foundation for creating HR's first BSC.

At this stage, a BSC was not used across the entire HR Division. Since some areas were traditionally better at measurement (e.g., recruiting and training), HR management decided to pursue BSC implementation in those areas. The thinking behind this decision was that successful BSC implementation in these select areas would serve as an excellent model for other HR areas.

The first iteration of the scorecard was a compilation of metrics that were categorized using several methods. The BSC was organized by perspective (financial, customer, business

process, and employee learning and growth), HR's nine strategic priorities at the time, and HR's

Mission. The strategic priorities were the following:

- To be the best-in-class recruiting organization
- To improve employee commitment and retention
- To drive efficiency through employee/manager self-service
- To build integrated HR Division (common process, products, and systems)
- To execute an effective Business Partner Model
- To deliver on performance promises
- To build a culture of accountability within the HR Division
- To improve communication, collaboration, and morale among employees in the
- To make it easier for people to do business with HR (simple, accurate processes and highly skilled customer service deliverers)

Another system for categorization was according to HR's Mission, which reduced the perspectives to the following:

- To position FSC as an employer of choice
- To build exceptional individual and organizational strength
- To strengthen trust, relationships and pride throughout the organization
- To ensure sound HR practices that minimize company risk
- To provide highest quality HR service at the smallest cost
- To ensure highly skilled, just-in-time talent

The final product, which ended up relying on the traditional four perspective outlined by Kaplan and Norton, was presented to the HR Leadership Team; however, the first BSC product presented several challenges. First, the Leadership Team did not collectively agree upon the purpose of the BSC. In addition, a major contention that members of the Leadership Team deliberated about was whether the BSC would track indicators of HR Division performance or Human Capital Metrics for the Corporation as a whole. Another point of debate among the Leadership Team members was the lack of clarity of exactly how the scorecard would influence and be influenced by the HR Division's strategy. This feedback resulted in massive re-work of the scorecard.

A New Approach

The decision was made to continue work on a BSC with a new approach. The Leadership Team decided to continue to produce HR Statistics and Staff reports, which included raw HR data and to learn from the difficulties of the first BSC iteration in creating the new version.

Several key decisions were made to enhance the scorecard process. First, a cross-functional team was established. This team included members of the HR Leadership Team, HR Business Planning, HR Data Management and other measurement professionals. The purpose of the team was to provide ongoing feedback during the BSC development process and to create a sense of ownership and accountability for the metrics. Additionally, an external best practice consultant was engaged to assist with the process.

At this point, a vital step was the Leadership Team agreement to collectively sponsor and be actively involved in defining and setting the purpose for the scorecard, developing guiding principles, and establishing the overall framework of the scorecard. This approach was different from the previous iteration, which was completed entirely by the Coordinator.

The new approach called for innovation by leveraging creative metrics, rather than simply measuring what was already collected. In addition, the need to engage technology where possible was recognized. The new approach also included keeping the scorecard simple by focusing on only a few critical performance indicators. Finally, the new approach included the purpose of building a meaningful process to complement the HR Scorecard product after its completion.

A “path to success” was developed from the ideals of the new approach. This “path” was designed to provide the systematic process that would be used to create the scorecard. Exhibit 5 shows the “path to success” that was identified by the leaders.

Exhibit 5. FSC's HR Scorecard "Path to Success"

1. Build the foundation for HR Scorecard
 - a. Definition
 - b. Purpose
2. Identify the questions an HR Scorecard would attempt to answer
3. Identify the measures that would answer these key questions
4. Establish targets
5. Capture data

Scorecard Purpose and Definition

The HR Leadership Team began by defining the scorecard and determining its purpose.

The stated purpose was to:

- *review HR Division performance,*
- *identify best practices,*
- *identify potential action plans or interventions to influence performance,*
- *communicate performance to HR leaders and employees, and*
- *reinforce HR's strategic priorities by updating key performance indicators to align with the HR Scorecard."*

The Leadership Team wanted the scorecard to also be used by employees to improve employees' literacy regarding HR Division functions. Employees would be able to evaluate tangible metrics of HR performance and trends based on the work that they contributed. As such, the scorecard was established as a management framework within HR. At this time, a key decision was made that the scorecard would not be used as a performance assessment tool.

HR Strategic Questions

The next step in the path to success was, much like in the game of jeopardy, to identify the questions that the HR Scorecard would seek to answer through each perspective. These questions were selected by the HR Leaders to communicate an understanding of HR performance. Three questions per perspective were written. The questions were to create a linkage between the objectives and HR's priorities. Considerations in choosing the metrics were

whether the measures: reflected HR's priorities, and were available, cost effective and reliable.

Exhibit 6 shows the strategic questions asked in each perspective.

Exhibit 6. HR Scorecard Strategic Questions

Financial Perspective

1. How is the HR Division adding the greatest value at the smartest cost?
2. How is the HR Division proactively managing HR related financial risks?
3. How is HR maximizing ROI on special projects, initiatives, etc.?

Customer Perspective

1. What is the overall quality of HR's customer responsiveness, reliability, and problem resolution?
2. How user-friendly and accessible are HR's tools, products, and processes?
3. How satisfied are HR's clients with their business partnerships?

Operations Perspective

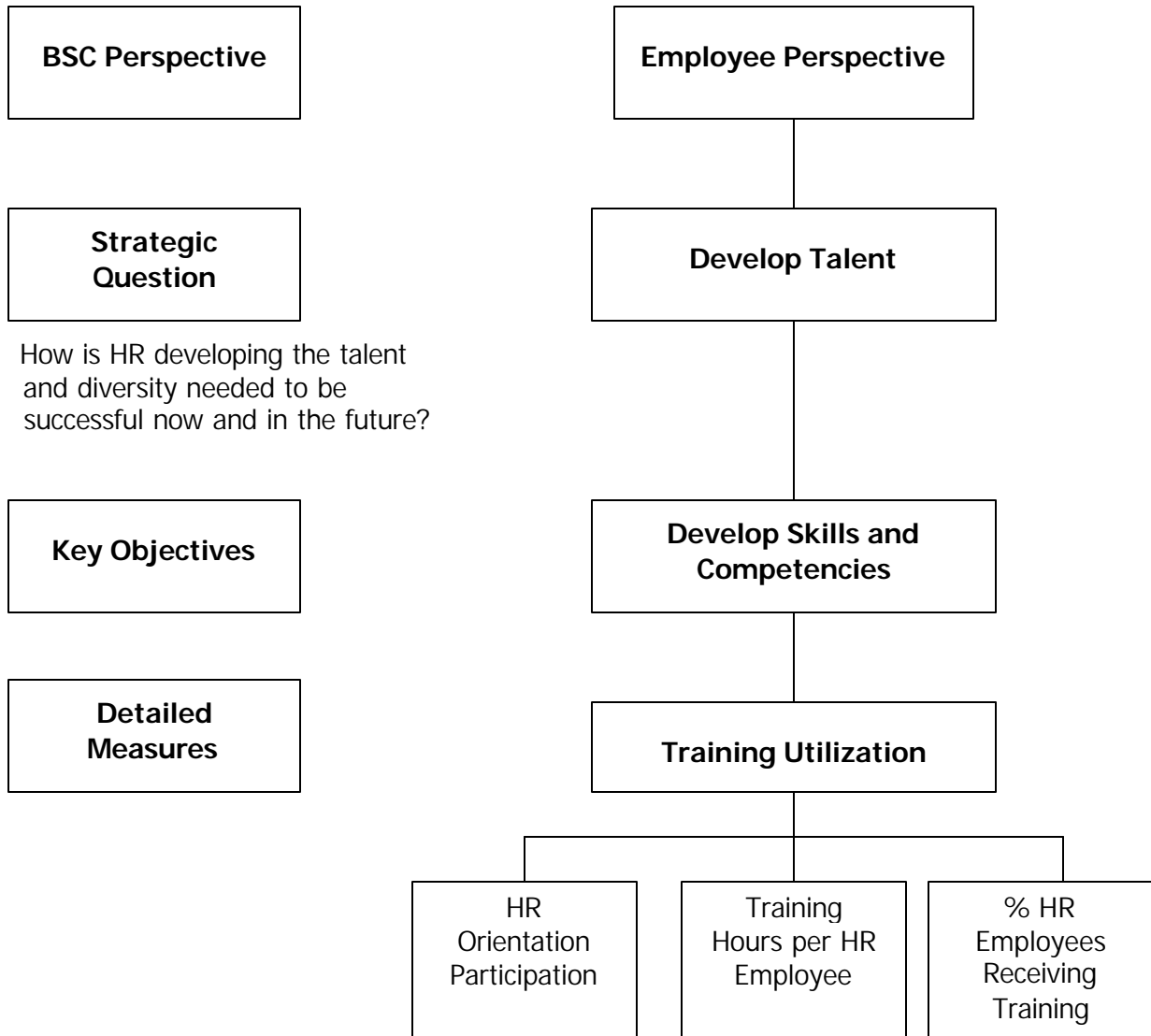
1. How efficient, effective, accurate, timely, and relevant are HR's key processes?
2. How effectively does HR leverage technology to improve its business processes and customer interactions?
3. Are HR's processes compliant with government and company?

Employee Perspective

1. How is HR developing the talent and diversity needed to be successful now and in the future?
2. How is HR developing the leadership bench strength needed to be successful now and in the future?
3. How is HR building a workplace that results in employee commitment and retention?

Once the questions were created, objectives were developed for each question. Next, detailed metrics were identified that linked to those objectives. For example, a key question in the Employee Perspective is, "How is HR developing the talent and diversity needed to be successful now and in the future?" A key objective in this question is to develop skills and competencies of employees. Therefore, detailed measures outlining training utilization, such as "training hours per HR employee" and the "percentage of the total of HR employees receiving training," became the key metrics to measure the objective. Exhibit 7 shows an example of how this linkage works.

Exhibit 7. Flow of Strategic Questions to Metrics



The Metrics

The HR Leadership Team used criteria to determine which metrics would make their appearance on the final scorecard. These criteria, or filters, included confirming that the metric had: strong linkage to the HR Division's Strategic Priorities, quality data available, and strong linkage to the corresponding BSC perspective.

The Leadership Team acknowledged that the measures would need change over time as the business changed. Appendix A shows a copy of the first BSC using the new approach. This BSC was narrowed from a potential list of 200 metrics to over 80 measures.

After the metrics were established, the HR Leaders embarked upon a journey to define targets for the metrics. The Leadership Team first identified the difference between the actual, ongoing performance targets and “ideal” targets, which are the desired levels as envisioned by the Leadership Team. The leaders also used historical data and external benchmarks, such as those from the Saratoga Institute (www.saratoga.com), as a resource to set the targets.

Once the targets were established, the Team decided to use an indexing system to score the metrics. The index was based on the actual performance of the metric versus the goal. Exhibit 8 shows how the index scoring works:

Exhibit 8. Indexing Methodology for HR Scorecard

An index takes any value or unit and expresses it in terms of 100. Anything over 100% is better than expected, under 100% worse than expected.

An index includes two elements—an “actual” (real results in any period) and a “target” (see Target), and can be used either when low values are good or low values are unfavorable.

Illustration:

Metric: Time to Fill Exempt Positions

Actual score: 28 Days to Fill

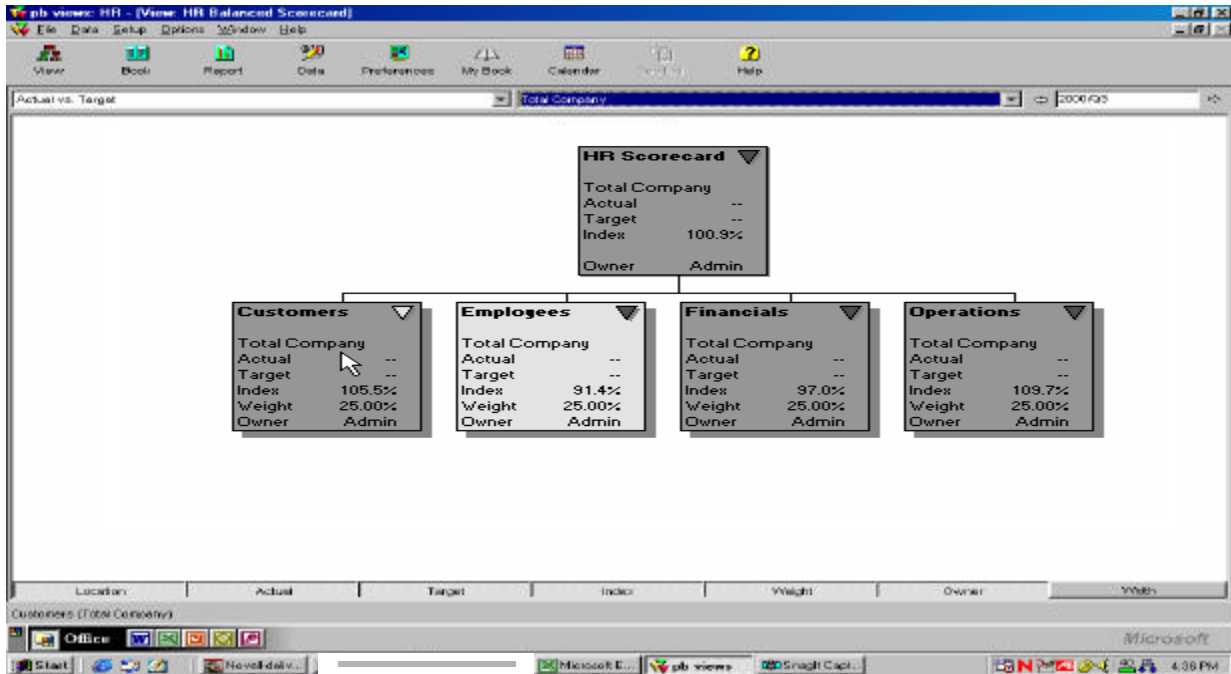
Target: 30 Days to Fill

Index Score = $28/30 = 93.3\%$ (where low values are good)

HR employed a BSC software solution to assist with data collection and reporting. This solution allows measurement owners in different HR departments to enter their scorecard data results for the Coordinator to capture centrally. The software automates processes and calculates indices quickly. Viewing sub-measures is available through the software’s “drill down”

capabilities. This software also allows managers to view their quarterly performance at-a-glance. Exhibit 9 shows a screen shot of what the software looks like.

Exhibit 9. Screen Shot of On-line HR Scorecard Software



The Final Product

The final scorecard was published the third quarter of 2000. This scorecard was populated with second and third quarter data to illustrate a trend of results. In addition to the actual metrics tracked in the scorecard, an executive summary with highlights of the results was created to accompany the scorecard's quarterly publication. The scorecard was presented to the HR Leadership Team. As part of the communication strategy, the HR Scorecard was published on the internal HR Communication Electronic Network, where all HR employees have access to review results.

Some process improvements and cost savings have been realized as a result of quarterly HR Scorecard publications. For example, the scorecard's inclusion of shift overtime pay helped identify a time delay in discontinuing this pay differential after the employee began a new shift.

The correction of this process potentially saved \$1 million, annualized. Additionally, several data integrity issues have been uncovered as part of the scorecard process and corrected.

Conclusion

As previously mentioned, at the time of this study, FSC announced a new merger of equals. The merger would introduce new challenges to metrics tracking and measurement strategy for the organization as the two companies integrate processes and resources. The HR Scorecard has currently been published for the last year, at each quarter-end. The current scorecard (see Appendix B) also changed somewhat from previous publications due to a need to reduce the number of metrics in each perspective.

Requirements

1. Discuss the structural changes that the financial services industry has undergone.
2. Describe the strategy of FSC's HR Division.
3. The case describes several implementation issues faced by the HR Division. Discuss the strengths and weaknesses of FSC's implementation efforts.
4. Discuss the strengths and weaknesses of FSC's BSC system.
5. Discuss the unique issues faced by an HR Division in demonstrating its value to the organization.
6. Discuss the advantages and disadvantages to FSC's of not using the BSC as a performance tool.
7. Many factors contribute to the resistance to change within an organization. Discuss some factors and recommendations for overcoming that resistance.
8. Shields & Young (1989) discuss three strategies for implementing a cost management system. Discuss and describe how FSC's strategy.

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- Kaplan R., and Norton, D. 1996. Using the balanced scorecard as a strategic measurement system. *Harvard Business Review* January-February 78-85.
- Stivers, B. P., T. J. Covin, N. G. Hall, and S. W. Smalt. 1998. How nonfinancial performance measures are used. *Management Accounting* 79 (February): 44-49.

Suggested Background Readings

Balanced Scorecard

- Atkinson, A. A., Banker, R. D., Kaplan, R. S., and Young, S. M. 2001. Motivating Behavior in Management Accounting and Control Systems. Chapter 10. *Management Accounting*, Third edition. New Jersey: Prentice Hall.
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Human Capital Metrics

- Fitz-enz, J. 1995. *How to Measure Human Resources Management*, Second edition. New York: McGraw-Hill, Inc.
- Ulrich, D. 1997. *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results*. Boston: Harvard Business School Press.

Implementation of Performance Measurement Systems

Gooderham, G. 2001. The top 10 lessons of implementing performance management systems. *Journal of Cost Management* (January/February): 29-33.

McKenzie, F. C. and M. D. Shilling. 1998. Avoiding performance measurement traps: ensuring effective incentive design and implementation. *Compensation and Benefits Review* 30 (4): 57-65.

Neely, A. and M. Bourne. 2000. Why measurement initiatives fail. *Quality Focus* 4 (4): 3-6.

Shields, M. D. and S. M. Young. 1989. A behavioral model for implementing cost management systems. *Cost Management* (Winter): 17-27.

Young, S. M. 1997. Implementing management innovations successfully: principles for lasting change. *Journal of Cost Management* (September/October): 16-20.

Compensation Issues

McKenzie, F. C., and Shilling, M. D. 1998. Avoiding performance measurement traps: Ensuring effective incentive design and implementation. *Compensation and Benefits Review* 30: 57-65.

Issues facing HR organizations

Coates, J. F. 2001. HR in an era of new strategic opportunities. *Employment Relations Today* 28: 1-12.

Appendix A: Excerpts from First HR Scorecard

To all HR Professionals:

Over the past two years HR has worked exhaustively to define and execute its strategic priorities with great success. Within our strategic priority framework is commitment to build a culture of measurement throughout HR. A great stride has been made in the development and deployment of HR's first HR Balanced Scorecard.

The HR Scorecard will be one in which all of us in HR can see relationships between our intense efforts at work and the results produced. These results will help guide our Division through continuous improvements efforts, help to better tell our story in HR to our clients and customers. While we celebrate our many successes, our work will never be done with just an HR Scorecard. We must continuously build upon it and validate its purpose, and we must also focus our efforts on bridging the gap between our work and the business results of our clients.

John Doe
Executive Vice President, HR
X Corporation

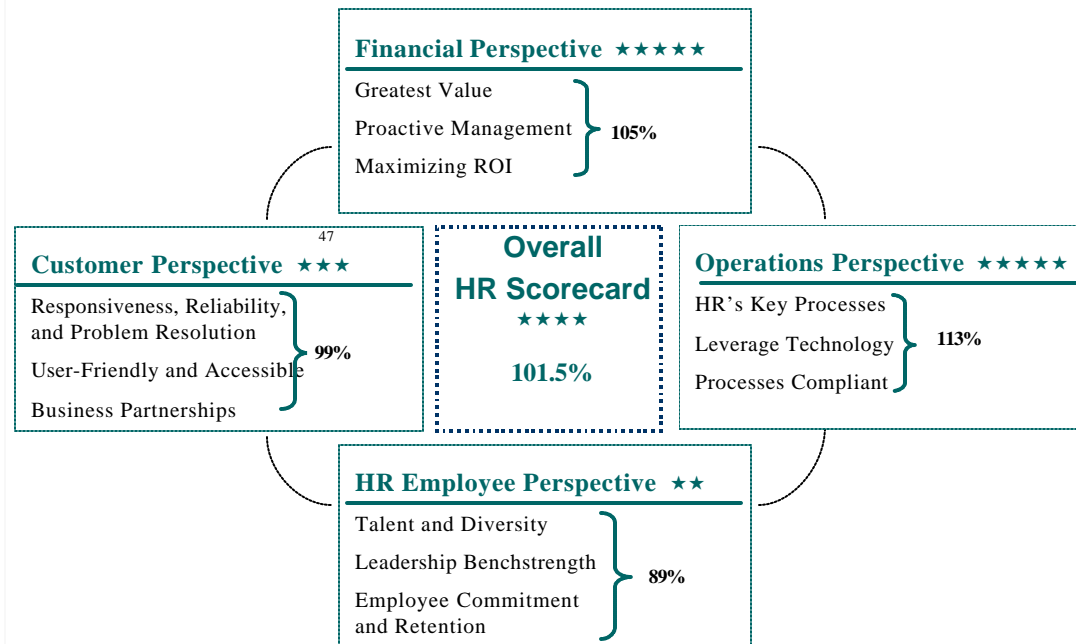
Quarterly Performance Highlights

- Support of the 2000 Strategic Initiative
- EH&M
- Core Values
- Compensation Assessment

Quarter Quick Stats

HR Employees	1,536 FTE's
HR FTE Ratio	50 FTE's per Employee
HR Expense per Employee	\$1,953 per Employee

HR Balanced Scorecard



Percent (%) indicates performance relative to target. Annual targets are set each fiscal year.

FINANCIAL PERSPECTIVE

Period ending June 30, 2000

The Financial perspective of the HR Scorecard is addressing the following three issues:

- (1) How is the HR Division adding the greatest value at the smartest cost?
- (2) How is the HR Division proactively managing HR-related financial risk?
- (3) How is HR maximizing ROI on special projects, initiatives, etc.?

The overall score on the Financial Perspective for the 2nd Quarter is X% which means that the Division's financial management and performance in aggregate for the quarter exceeded expectations. Overall, X of the X financial metrics currently tracked met or exceeded performance targets for the quarter.

New measurements to be added to the HR Scorecard Financial Component include... XXXXX, XXXXX

	1 st Q00	2 nd Q00	2 nd Q00	2 nd Q00
<i>Financial Perspective Key Measures</i>	<i>Actual</i>	<i>Actual</i>	<i>Target</i>	<i>Index</i>
<i>Value-Added</i>				
<i>Aggregate HRD Cost per Headcount</i>				
<i>Aggregate HRD Cost as Percentage of FTU Expense</i>				
<i>HR Operating Cost per Hire</i>				
<i>HR Cost per Training Participant</i>				
<i>HR Relationship Team Cost per Headcount</i>				
<i>HR Service Center Cost per Headcount</i>				
<i>Managing Risk</i>				
<i>G/L Account Recons. Current</i>				
<i>G/L Suspense Acct Balance</i>				
<i>G/L Aged Account Balances</i>				
<i>HRD Financial Projection Accuracy*</i>				
<i>Maximizing ROI</i>				
<i>First Place Corporate Cost Savings</i>				
<i>Executive Search Corporate Cost Savings</i>				
<i>Emp. Relocation Corporate Cost Savings</i>				

*Score is summary score of multiple sub-measures

CUSTOMERS PERSPECTIVE

Period ending June 30, 2000

The Customer perspective of the HR Scorecard is addressing the following three issues:

(1)What is the overall quality of HR's customer responsiveness, reliability, and problem resolution?

(2)How user-friendly and accessible are HR's tools, products, and processes?

(3)How satisfied are HR's clients with their business partnerships?

The overall score on the Customer Perspective for the 2nd Quarter is X%, which means that the Division's customer service in aggregate for the quarter meets expectations. Overall, X of the X customer service metrics currently tracked met or exceeded performance targets for the quarter.

No new Customers measures were added to the Scorecard during the 2nd Quarter of 2000

Scorecard Measures

Hewitt - Call Center Wait Time (seconds)

Hewitt - First Call Resolution %

Hewitt - Monthly Survey Q1 –

Hewitt - Monthly Survey Q2 –

Hewitt - Monthly Survey Q3 –

Hewitt - Monthly Survey Q5A –

Hewitt - Monthly Survey Q5B –

Hewitt - Monthly Survey Q5C –

Hewitt - Monthly Survey Q5D –

Hewitt - Monthly Survey Q5E –

Hewitt- Abandonment Rate of Calls

Uptime of Hewitt TBA Pension System

Exec Search Client Survey - Q1

OPERATIONS PERSPECTIVE

Period ending June 30, 2000

The Operations perspective of the HR Scorecard is addressing the following three issues:

(1) *How efficient, effective, accurate, timely and relevant are HR's key processes?*

(2) *How effectively does HR leverage technology to improve business processes and customer interactions?*

(3) *Are HR's processes compliant with government and company regulations?*

The overall score on the Operations Perspective for the 2nd Quarter is X%, which means that the Division's operational performance in aggregate for the quarter exceeded expectations. Overall, X of the X operational metrics currently tracked met or exceeded performance targets for the quarter.

No new Operational measures were added to the Scorecard during the 2nd Quarter of 2000

<i>Scorecard Measures</i>	<i>1st Q00 Actual</i>	<i>2nd Q00 Actual</i>	<i>2nd Q00 Target</i>	<i>2nd Q00 Index</i>
<i>Employee Grievance Response Time</i>				
<i>OFCCP Audit Response Time</i>				
<i>EEOC Compliance Response Time</i>				
<i>AAPs - Created and Implemented</i>				
<i>OFCCP Audit Response Time</i>				
<i>Outsource Vendor-Percent of Calls Handled by IVR</i>				
<i>Benefit Survey Q15</i>				
<i>Benefit Survey Q24</i>				
<i>Benefit Survey Q26</i>				
<i>Benefit Survey Q34</i>				
<i>Benefit Survey Q35</i>				
<i>Benefit Survey Q45</i>				
<i>Benefit Survey Q46</i>				
<i>Benefit Survey Q47</i>				
<i>Benefit Survey Q7</i>				
<i>Benefit Survey Q72</i>				
<i>Benefit Survey Q8</i>				
<i>Outsource Vendor-Monthly Survey Q7</i>				
<i>Outsource Vendor-Monthly Survey Q8</i>				

EMPLOYEE PERSPECTIVE

Period ending June 30, 2000

The Employee perspective of the HR Scorecard is addressing the following three issues:

(1) How is HR developing the talent and diversity needed to be successful now and in the future?

(2) How is HR developing the leadership bench strength needed to be successful now and in the future?

(3) How is HR building a workplace that results in employee commitment and retention?

The overall score on the Employee Perspective for the 2nd Quarter is X%, which means that the Division's workforce indicators are below expectations in aggregate for the quarter. Overall, X of the X employee-specific metrics currently tracked met or exceeded performance targets for the quarter.

No new Employee measures were added to the Scorecard during the 2nd Quarter of 2000

<i>Scorecard Measures</i>	<i>1st Q00 Actual</i>	<i>2nd Q00 Actual</i>	<i>2nd Q00 Target</i>	<i>2nd Q00 Index</i>
<i>Diversity SCD - Senior Leadership Rep.</i>				
<i>Diversity SCD - Turnover by Group</i>				
<i>Diversity SCD - HISI by Group</i>				
<i>HISI Commitment</i>				
<i>HISI Employee Pride</i>				
<i>HISI Job Satisfaction</i>				
<i>HISI Turnover Intentions</i>				
<i>HISI Performance Culture</i>				
<i>Exit Interview: Avoidable Term %</i>				
<i>Exit Int. - "Accepting Environment"</i>				
<i>Exit Int. - "Would Recommend"</i>				
<i>Exit Int - "Felt Valued"</i>				
<i>Exit Int - "Willing to Return"</i>				
<i>Exit Int - "Satisfied with X Corp"</i>				

Appendix B: Current HR Scorecard

HR Scorecard EXECUTIVE SUMMARY – 3Q 2001

HR Total Score*****
Q3: 102%

Summary of Performance:

Operations Perspective

- HR self- service seems to significantly contribute to the continued success in the Operations Perspective.
- Percentage of calls handled by the IVR for 3rd Quarter 2001 (39 percent) has significantly increased compared to last year (3rd Quarter 2000 - 30 percent).
- Percentage of paperless transactions exceeded the target of 85% this quarter.

Customer Perspective

- We continue to excel in all areas of our customer perspective. The majority of metrics met or exceeded target.

Employee Perspective

- The employee perspective slightly improved during the third quarter.
- REVISED MEASURE: The scorecard is now reporting the percentage of merits completed on-time as opposed to the number of late merits.

Financial Perspective

- NOTE: Some financials are understated due to the scorecard only reflecting July and August Data.
- NEW MEASURE: The scorecard is now tracking the aged suspense dollars, over 60 days.

<u>HR Employee Perspective *</u>	
Talent and Diversity	} Q1: 92%
Leadership Benchstrength	} Q2: 71%
Employee Commitment and Retention	} Q3: 75%

<u>Customer Perspective *****</u>	
Responsiveness, Reliability, and Problem Resolution	} Q1: 90%
User-Friendly and Accessible	} Q2: 111%
Business Partnerships	} Q3: 105%

<u>Operations Perspective *****</u>	
HR's Key Processes	} Q1: 91%
Leverage Technology	} Q2: 110%
	} Q3: 120%

<u>Financial Perspective *****</u>	
Greatest Value	} Q1: 92%
Proactive Management	} Q2: 103%
Human Capital	} Q3: 108%

FINANCIAL PERSPECTIVE

The Financial Perspective of the HR Scorecard addresses the following three questions:

- (1) How is the HR Division adding the greatest value at the smartest cost?
- (2) How is the HR Division proactively managing HR-related financial risk?
- (3) How is HR maximizing the company's investment in human capital?

The overall score for the Financial Perspective in the 3rd Quarter is %.

Scorecard Measures	Q2 Actual	Q3 Actual	Q3 Target	Q3 Index	Saratoga Benchmark	Quick Check
<u>Improves Productivity</u>						
HRD Cost per FTU Headcount						
HRD Cost as Percentage of FTU Expense						
HR Operating Cost per Hire						
HR Cost per Training Participant						
HR Client Services Cost per Headcount						
HR Enterprise Services Cost per Headcount						
<u>Monitored Financials</u>						
On-time Payroll G/L Account Recon.						
Total Aged Suspense Dollars over 60 days						
<u>HR Savings</u>						
First Place Corporate Cost Savings						
Executive Search Corporate Cost Savings (ytd)						
Emp. Relocation Corporate Cost Savings						

CUSTOMER PERSPECTIVE

The Customer Perspective of the HR Scorecard addresses the following three questions:

- (1) What is the overall quality of HR’s customer responsiveness, reliability, and problem resolution?
- (2) How user-friendly and accessible are HR’s tools, products, and processes?
- (3) How satisfied are HR’s clients with their business partnerships?

The overall score for the Customer Perspective in the 3rd Quarter is %.

Scorecard Measures	Q2 Actual	Q3 Actual	Q3 Target	Q3 Index	Quick Check
Hewitt - Call Center Wait Time (seconds)					
Hewitt - First Call Resolution (percentage)					
Hewitt - Monthly Survey Q1 – “Quality Service” =					
Hewitt - Monthly Survey Q3 – “Service Satisfaction” =					
Hewitt - Monthly Survey Q5D – “Helpfulness” =					
Hewitt- Abandonment Rate of Calls (percentage)					
Uptime of Hewitt TBA Pension System					
Exec Search Client Survey - Q1 “Overall Satisfaction” ==					
Exec Search Candidate Survey - Q5 – “Peer Comparison” ==					■ Survey is on 6 point scale
Exec Search Client Survey - Q4 – “Communication” ==					■■ Survey is on 5 point scale
First Place Quality Review Survey (Total) ==					■■■ Survey is on 10 point scale

OPERATIONS PERSPECTIVE

The Operations Perspective of the HR Scorecard addresses the following two questions:

- (1) How efficient, effective, accurate, timely and relevant are HR's key processes?
- (2) How effectively does HR leverage technology to improve business processes and customer interactions?

The overall score for the Operations Perspective in the 3rd Quarter is %.

Scorecard Measures	Q2 Actual	Q3 Actual	Q3 Target	Q3 Index	Saratoga Benchmark	Quick Check
Hewitt Percentage of Calls Handled by IVR						
Percentage of Distributed Learning Hours						
HRSC Percentage of Calls Handled by IVR						
Percentage of Paperless Items Processed						
HRDM Report Turnaround Time (days) <i>(Note: target changed from three days last quarter)</i>						
Time to Fill Non-Exempt Open Positions (days)						
Time to Fill Exempt Open Positions (days)						
Internal Job Posting Response Time (days)						

EMPLOYEE PERSPECTIVE

The Employee perspective of the HR Scorecard addresses the following three questions:

- (1) How is HR developing its talent and diversity needed to be successful now and in the future?
- (2) How is HR developing the leadership bench strength needed to be successful now and in the future?
- (3) How is HR building a workplace that results in employee commitment and retention?

The overall score for the Employee Perspective in the 3rd Quarter is %.

Scorecard Measures	Q2 Actual	Q3 Actual	Q3 Target	Q3 Index	Saratoga Benchmark *	Quick Check
Training Hours per HR Employee (Hours)						
Percent of HR Employees receiving Training						
HR Voluntary Turnover Rate						
Number of unique visitors to FUNIV Learning Portal						
Percent of HR employees reported viewing HR Essentials on FirstNet						
Percentage of On-time reviews ***New Indicator***						
Number of marbles distributed (Employee Recognition)						

* 2001 Saratoga Benchmark for “Banking Organizations” is provided where applicable

Teaching Notes

Contribution of the Case

Many research initiatives have studied the BSC concept from a theoretical view; however, few case studies are published to show the real-life, application of the concept in an organization. The purpose of this case study is to examine the plight of the Human Resource (HR) division in a large, financial services corporation as it implements its HR Scorecard. The case focuses on the issues that need consideration during the development and implementation of a BSC, as faced by an HR Division. The following BSC/Financial Services cases were identified:

- Frigo, M. L., Maher, M. W., and Selto, F. H. 1999. *Boston Community Bank: Business Performance Measurement Assurance Services*, Case No. 1999-01. AICPA Case Development Program.
This case focuses on the assurance services related to organization's performance measurement systems. The emphasis is on defining organizational strategy as an important element of developing a BSC.
- Sjoblom, L. 1999. *BG Bank: Creating a performance-driven culture*. Cases from Management Accounting Practice, Volume 15. Institute of Management Accountants.
This case deals with the turnaround of a troubled Danish Bank. The details of the case allow an analytical approach to discussing the relations between sales, customer satisfaction, market share, etc.
- Carr, L. P. 1999. *Lucent Technologies: Shared Financial Services*. Cases from Management Accounting Practice, Volume 15. Institute of Management Accountants.
This case addresses three mistakes in implementation: top management support, difficulty spreading the performance measures to process owners, and lack of employee buy-in.
- Chang, O. H., and Chow, C. W. 1999. The balanced scorecard: A potential tool for supporting change and continuous improvement in accounting education. *Issues in Accounting Education* 14: 395-412.
This case is focused on changes in accounting curriculum.
- Albright, T., Davis, S., and Hibbets, A. 2001. Tri-Cities Community Bank: A balanced scorecard case. *Strategic Finance* 83: 54-59.
This case deals primarily with an analysis of whether the BSC has an effect on organizational performance. The anecdotal comments of bank employees are the foundation for a question on implementation recommendations.

- Moore, C., Rowe, B. J., and Widener, S. K. 2001. HCS: Designing a balanced scorecard in a knowledge-based firm. *Issues in Accounting Education* 16: 569-601.
This case focuses on having students experience the design process of a BSC.
- Frigo, M. L., Krull, G. W., and Pustorino, P. G. 2001. *Lakeshore Bank: e-business strategy and business performance measurement assurance services*. Case No. 2000-01. AICPA Case Development Program.
This case focuses on issues related to internet banking.

These cases provide a valuable resource for addressing BSC usage in the financial services arena. However, the current case adds to these resources by dealing with issues specific to the HR function and providing a rich set of details for in-depth discussions of BSC implementation issues, which are not present in the previous cases. In addition, employee survey data is available for analyzing the differences between divisions that are using the BSC and those that are not.

Learning Objectives

This case exposes students to a thorough discussion of implementation issues related to BSC implementation. The knowledge gained by the students can be applied to the implementation process of many different management innovations. In addition, the case enables students to become familiar with the BSC concept, the advantages and disadvantages of incentive compensation based on BSC results, and the specific issues faced by HR in demonstrating the value it adds to an organization.

Intended Courses and Levels

This case is recommended for advanced undergraduate courses or graduate-level courses that include the following topics: strategy, performance measurement systems, implementation issues, and behavioral considerations.

Background Readings

A list of recommended background readings is provided. These readings should be assigned and read by students prior to the beginning of the case discussion. The case analysis

can be assigned to groups of 3-4 for a written or oral presentation of results, as well as in-class discussion. The case was class-tested with MBA students, many of which work in the financial services industry. So, the students were able to discuss the current challenges facing the industry from first-hand knowledge. For students unfamiliar with the industry, readings about the issues facing that industry would enrich the discussion.

Suggested Use of Class Time

If the case will be assigned for class discussion, questions 1 and 2 should be assigned to students as a written assignment prior to class. This assignment ensures that students have attained the background information necessary to fully participate during the discussion. The instructor can cover the case using several different methods. First, the case can be completed as a written, group assignment outside of class and reviewed in an open discussion during class time. Second, a group can be chosen to present the case with other groups responsible for additional contributions to the discussion. Third, the various requirements of the case can be assigned to different groups for presentation.

Discussion of Requirements

- 1. Discuss the structural changes that the financial services industry has undergone.**
- 2. Describe the strategy of FSC's HR Division.**
- 3. The case describes several implementation issues faced by the HR Division. Discuss the strengths and weaknesses of FSC's implementation efforts.**

Several articles have listed principles for successful implementations. The following list discusses some of the stated recommendations and their application for FSC.

1. Organizational culture (Young 1997; Shields & Young 1989)
 - FSC has traditionally focused on expense control, which suggests an additional hurdle for accomplishing buy-in for the BSC concept.
 - The HR Division has faced frequent change to its organizational structure. So, the organization appears to be receptive to change.
2. Adopt innovations that are consistent with strategies (Young 1997)

The HR Division has traditionally "evolved with industry trends in HR management." While keeping up-to-date with trends can be beneficial, the danger lies in continually adopting the newest fad. If the organization is not selective in its adoption of management innovations, the employees may view the innovation as the "flavor of the month" and decide to "wait out" management's decision to move onto the next fad.
3. Don't attempt innovation during downsizing (Young 1997)

Young (1997) notes that implementation is difficult if employees believe that the change, and their participation in making it successful, will innovate them into unemployment. FSC has not directly investigated the connection, if any, between its downsizing and the BSC implementation. However, the issue is relevant to the case discussion. An open dialogue and commitment from the company to the employees will promote cooperation.
4. Spend time/resources on the human side of change (Young 1997)

Many innovations involve a huge emphasis on technology, as the BSC does with its data system. Organizations must be careful during implementation to realize the human/behavioral impact of change. Young (1997) recommends that an organization should spend as much time on the behavioral aspects of change as it does on the technological side.
5. Educate and train employees at all levels (Young 1997)

Literature typically recognizes that an organization's success depends on the actions of individuals (Schiemann & Lingle, 1999; Otley, 1999; de Haas & Kleingeld, 1999). Kaplan and Norton (1996) describe the BSC as a system that should be communicated down through all levels of the organization. The organization cannot

expect the BSC, which is an organization-wide innovation, to be successful if employees do not understand what it is trying to accomplish or what it is measuring.

6. Generate useful and understandable reports (Young 1997)
A report that is not “seen” by the employee as useful and understandable is just a waste of time. One note of caution with the BSC is that organizations often try to implement the system using Kaplan and Norton’s perspective framework. While the four categories of perspectives can be useful for many companies, the system does not HAVE to be structured with those perspectives—either the number or the titles. One department at the organization commented that she was incurring difficulty getting members of their Leadership Team to accept the BSC framework they were using. After much probing, the issue can down to a lack of acceptance for the “Internal Process Perspective.” Ultimately, the issue was that the member of the team was having difficulty connecting “financial services” to the “internal business process” terminology. So, students should recognize that a simple matter of renaming the perspectives can aid in the acceptance of the system.
7. Champion (Shields & Young 1989)
In the beginning, the Measurement Coordinator was the person responsible for developing the BSC. In latter iterations, a Leadership Team was established to take the lead.
8. Commitment (Shields & Young 1989)
The HR Division made a decision to design and implement a BSC, but did not roll the innovation out throughout the division. The pros and cons of not fully implementing the innovation can be an interesting discussion. The reasoning to develop “model” implementations for the less-measurement oriented departments is intuitive and sound. The opposite argument might be advanced that without a commitment to fully integrate the BSC, employees may interpret this action as communicating that management is not fully committed to the innovation. My MBA students often comment that in their experience these innovations typically are thought of as “letting the organization focus on this fad for now—it will eventually pass.” Deciding to piece-meal the implementation may reinforce this thinking and limit the employee commitment and buy-in.
9. Top-down or Bottom-up implementation (Shields & Young 1989)
Top management in the HR Division decided to implement a BSC. A Measurement Coordinator was hired and given the primary responsibility for designing the system. This individual was also responsible for “selling” the idea to various departments within the HR Division, since the use of the BSC was not required. While forced implementation does not lead to buy-in, the departments had no incentive to proceed with the implementation.
10. Compensation (Shields & Young 1989)
The complex issues related to tying the innovation to compensation are outlined in the Question 6 discussion.

11. Respond immediately to changes in the environment (Gooderham 2001)
The HR Division has changed many times in the recent past to keep pace with industry trends. So, the organization seems responsive to change. However, the frequency and magnitude of changes that HR has faced create an additional obstacle to the success of the BSC. Since the BSC itself is a major undertaking in terms of resources and time, the need to continually change to meet current conditions in such a volatile environment is monumental.
12. Start at the top—with the strategy (Gooderham 2001)
At first, the Measurement Coordinator was given the task of accumulating the measures that were being gathered at that time. The first BSC included this set of measures, instead of identifying the strategy first. The organization spent a great deal of start-up time by trying to form a BSC around the current measurement system when the process should begin with the strategy.
13. Encourage discussion of priorities (assign weights) (Gooderham 2001)
The HR Division's BSC has not reached to maturity to assign weights for emphasis. Once the structure of the BSC is more settled, FSC needs to give employees guidance regarding priorities, which is typically done by assigning weights to the various measures.
14. Departmental scorecards can reinforce organizational silos (Gooderham 2001)
While the case does not address HR's relationship with other organizational divisions, the system that FSC has undertaken to develop and implement its BSC has not leveraged the knowledge already obtained in different divisions. Since the merger, the organization has decided to implement a BSC throughout all divisions. However, discussions with individuals who are responsible for that task in different divisions reveal that the experiences and knowledge gained by HR have not been accessed as a resource.
15. Work from an implementation plan (Smith & Mourier 1999)
During the first iteration, FSC found itself without a clear path for developing the scorecard and the process was not being productive. Before the next series of scorecards were developed, the Leadership Team developed the "path to success" plan that has been followed in the BSC development process.
16. Think small (Smith & Mourier 1999)
The decision to implement a BSC is a monumental undertaking. FSC employees in another department discussed the initial plan to have the BSC designed and implemented in a short time frame (about 6 months) and the topic of developing a time-line for the project. At the time of our discussion, they were getting discouraged because their view of the process was the end product of a successfully implemented BSC. An important point for students to understand is that, just like a 20-page term paper, if you look at the task as its final result, the job can seem overwhelming and often, the project (unlike the term paper) is dropped due to morale issues. An organization that decides to implement a BSC must recognize that the process is time-consuming and long-term. In order to maintain the morale and enthusiasm needed to bring the project to fruition, the process must be broken

down into smaller, short-term steps so that people involved in the process can feel some sense of accomplishment.

17. Communicate partial successes (Smith & Mourier 1999)

To address morale issues presented in the last item, communicate partial successes. By making employees aware that success has been achieved, the organization can keep the process on task and progressing.

4. Discuss the strengths and weaknesses of FSC's BSC system.

Strengths:

- clarity of the "path to success" process in building the scorecard
- generous collection of data across the majority of the HR Division's business units
- methodology of tying the HR Scorecard to HR's strategic priorities was sound and insured performance metrics related to strategy
- the internal HR Communication Network is an excellent tool for communicating results to employees
- the HR Division is a pioneer in FSC Corporation in creating a BSC. This leadership is beneficial, as the firm has recently decided to adopt a BSC for the entire organization.

Weaknesses:

- the lack of a formal review of metrics by the Leadership Team and employees
The absence of this review inhibits the capability of leaders to really understand and have dialogue around performance improvement. Without a formal review process, the ability to continuously improve processes in response to fact-based data results is minimized. A formal scorecard review could help to facilitate dialogue around metrics and the HR Division's performance. This deficit may be attributed to HR professionals who are not as accustomed to viewing their work as a "business," as for example, a Retailing Banking area may.
- the current communication plan around the scorecard is one of a "pull" messaging strategy (where employees must go out and seek information), rather than a proactive push communication strategy (that is delivered to the employee).
- the reduced number of published metrics in the scorecard made it easier to read; however, this simplification was done at the cost of fluidity of strategic questions. Perhaps two versions of the scorecard can be provided, a high-level scorecard and a comprehensive scorecard that ties more specifically to the strategic priorities of HR.
- distinguishing between human capital enterprise-wide metrics (such as overall turnover for FSC Corporation), and HR Division-specific measures. Distinguishing between these two metrics can add value to the Corporation's goal of better understanding human performance across the organization.

5. Discuss the unique issues faced by an HR Division in demonstrating its value to the organization.

HR organizations have historically been challenged with quantitatively and qualitatively expressing value creation of the HR function and systems, as well as "human capital" resources throughout an organization. The HR Scorecard has emerged as a solution to

illustrate this value creation. The need to understand value creation with respect to HR is definitely no stranger to FSC's HR Division.

6. Discuss the advantages and disadvantages to FSC's of not using the BSC as a performance tool.

The discussion should stress the benefits of goal congruence and extrinsic motivation that would be obtained by linking performance evaluation to BSC results. However, issues related to the encouragement of suboptimal behavior, transference of risk to the employee, and motivation could negatively impact productivity. A discussion of expectancy and agency theories will provide a foundation for various viewpoints on the topic. In addition, a review of the psychology literature provides a unique view on compensation issues.

7. A major obstacle for implementation success is resistance to change. While not a focus of the case details, many factors contribute to the resistance to change within an organization. Discuss some factors and recommendations for overcoming that resistance.

Shields and Young (1989) –

- *effects of implementation on short-term profits.
- *changes in performance measures
- *changes in profile of the work force
- *deskilling, alienation and sabotage
- *union relations

8. Shields & Young (1989) discuss three strategic considerations for implementing a cost management system. Discuss and describe FSC's process in comparison to these considerations.

The three strategies describe by Shields and Young are as follows:

- a. revolutionary strategy – all areas of organization change simultaneously
- b. evolutionary strategy – “domino pattern” – one department changes after another
- c. greenfield strategy – use one department as a model for other areas

In additional, the article provides some discussion of the advantages and disadvantages of each strategy.

FSC followed the Greenfield strategy.

9. Minor topics of interest for this case:

- Spreading the BSC implementation to the organization as a whole during a merger
- Frequent changes to organizational structure of HR during the BSC process.
- Reliance on individual HR departments to input their own data into the measurement system, which is then accessed by the Measurement Coordinator.

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