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**Balanced Scorecard as a tool for human resources
management in financial organizations**

Balanced Scorecard jako nástroj řízení lidských zdrojů
ve finančních organizacích

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LIST OF ABBREVIATIONS

ROI	Return on Investment
ROE	Return on Equity
BSC	Balanced Scorecard
ROCE	Return on Capital Employed
EVA	Economic Added Value
MBO	Management by Objectives
HR	Human Resources
VAP	Value Added per Person
ACP	Average Costs per Person
RAROC	Risk adjusted return on capital
SWOT	Strengths, Weaknesses, Opportunities, Threats
HRM	Human Resources Management
L&G	Learn & Growth
PM	Plant manager
IT	Information Technology
PR	Public relations
P	Profit
EC	External customer
IC	Internal customer
C	Customer
S	System
T	Team
CEO	Chief executive officer

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ABSTRACT

Management of human resources with its requirements has become in recent years the center of attention of each individual employer in any organization. The orientation of the company on human resources developed into one of the key tasks of strategic management and human resources play important role in all strategic decisions. Managers of human resources ask for more strategic position of their department within the organization more intensively with the aim to get to the core of the problem in order to resolve how to manage and to motivate human capital in organizations not only in the business sector but also in financial sector.

This dissertation work focuses on application of the Balanced Scorecard on the level of human resources management in financial sector with aim to fulfill HR goals i. e. within organization's strategy. Main topic of the presented dissertation work is concentrated more specifically on the perspective of learning and growth which is focused on the area of the employees' care.

Basic assumption for fulfillment of the main goal is to identify factors in financial sector which influence management of human resources and at the same time to explore implemented BSC scorecard on HR level in a production company and financial organization.

The HR supporting activities, such as strategy map and related key performance indicators are proposed for human resources management and are based upon analyses and experience that are linked to a long-term goals within personnel management.

One of helping tools of empiric research was to perform survey of the employees' opinions and structured interviews with managers of the chosen financial organizations.

ABSTRAKT

Riadenie ľudských zdrojov a ich potrieb sa v poslednej dobe stáva stredobodom pozornosti každého jednotlivého zamestnávateľa v každej organizácii. Orientácia spoločnosti na ľudské zdroje sa stala jedna z kľúčových úloh strategického riadenia a ľudské zdroje hrajú významnú úlohu vo všetkých strategických rozhodnutiach. Manažéri ľudských zdrojov sa čoraz viac intenzívnejšie zasadujú za strategickejšiu pozíciu ich oddelenia v rámci organizácie, s cieľom preniknúť k podstate problému ako riadiť, motivovať a zvýšiť výkonnosť organizácie nielen v priemyselnej oblasti, ale aj vo finančnom sektore.

Dizertačná práca sa zameriava na metódu BSC vo finančnom sektore s cieľom splniť strategické ciele v oblasti ľudských zdrojov resp. organizácie. V práci je sústredená pozornosť na princíp BSC, konkrétne na perspektívu učenia a rastu, ktorá je zameraná na oblasť starostlivosti o zamestnancov.

Základným predpokladom pre splnenie cieľa bude identifikovať faktory vo finančnom sektore, ktoré ovplyvňujú riadenie ľudských zdrojov a zároveň popísať úroveň implementovania metódy BSC v oblasti ľudských zdrojov vo finančnom a podnikateľskom sektore. Na základe analýz a skúseností bude navrhnutá pre oblasť personalistiky strategická mapa, podporné activity v oblasti personálneho manažmetu a kľúčové ukazovatele výkonnosti, ktoré budú prepojené na meranie stanovených dlhodobých strategických cieľov v oblasti personálneho riadenia.

Jedným z pomocných nástrojov empirického výskumu bola aj realizácia prieskumu názorov zamestnancov a štruktúrovaných rozhovorov s riadiacimi pracovníkmi organizácie vo finančnom sektore.

INTRODUCTION

At present, enterprises act in a difficult, demanding and competitive environment. We live in times full of economic, political, sociological and technological changes and future is more often unforeseeable. Organizations must face not only more demanding conditions but in the current period decreasing demand for goods and services as well.

In this situation, it is inevitable for enterprises to define their goals and methods clearly in order to reach competitive advantage to distinguish themselves from other companies subjects on the market.

Development and implementation of a successful strategy and systems of management represent important aspect in increasing the potential of enterprise in the business environment. The aim is focused on improvement of results, discovery of such solutions which improve performance, prosperity and stability of company in the long term. It is essential to transfer the mission and strategy of company into comprehensible package of performance indicators which enable to improve the efficiency of processes not only by decreasing costs but also by increasing effectivity; improved management of workforce, distinguish requirements and preferences of customers.

It is a common practice to evaluate performance of company by profit in today's quickly developing world. The company must make profit continuously in order to survive. In fact, relative criteria of performance as profit margin, ROI, ROE, earnings per share, etc. comprise only part of results which reflect company's efficiency. It is not only the profit that keeps the company going.

It is said, what cannot be measured can not be managed, thus one of the features of leading organizations in the market is a successful application of performance measurement process which helps to identify the profitability and efficiency of programs, processes and used sources.

Therefore in practice managers should learn to put emphasis not only on the financial results of organization but even on the **non-financial indicators – people** as e.g. trainings and support of career growth of employees.

Many companies have implemented various tools for measuring their performance on HR level in order to stay in business and come in contact with tough competition.

One of the efficient tools which help to achieve desired development in human resources management represents the concept of BSC. The method takes into account financial and non-financial indicators (human capital) of performance. It is a modern method which enables to monitor and show significant number of data from various areas of company's management.

Kaplan and Norton (2007, p. 3) state that *“Balanced Scorecard is not just only the operation system of benchmarking; innovative enterprises applies it like a strategic management system, i.e. to manage long-term strategy and to execute critical management’s processes.”*

At the same time implemented method can sustain human resources to become a strategic partner of the top management because the tool can help correctly lead and manage own employees.

Balanced Scorecard has been a concept mainly applied in business sector since 90’s but on the other hand less in organizations in financial sector.

Due to this reason and increasing importance of human capital, objective of the dissertation work is to **analyze possibilities of using BSC for human resources management in financial organizations and to propose methodology for its application.**

By implementing BSC on HR level financial organizations can not only strengthen their position in the financial market but can improve the performance of own employees as well.

Moreover human resources manager has opportunity to decide about strategic targets on human resources level in cooperation with top leaders of the organization.

The implementation of BSC on human resources level can make the reporting in the financial organization more complex and thus the company can become more transparent and attractive not only for potential employees but even for possible investors.

In other words there is a need to apply effective methods such as BSC in human resources management in order to stay competitive in the financial markets.

1 CURRENT STATUS OF SOLVED PROBLEMATICS

1.1 Definition of the human capital

In this chapter of the dissertation work author pays attention to the importance of the human capital in the human resources management. Further, section of this chapter focuses on the concept of BSC in general as well as on HR level based upon the study of domestic and foreign literature. Firstly, author describes the origin and reasons of BSC method and benefit of BSC principle in today's demanding environment and simultaneously author also introduces the possibilities and experience of the principle application in financial sphere.

Next this section brings theoretical information about using KPIs and method HR scorecard.

As it was mentioned in the introduction, organizations try to measure performance according to the financial drivers but top leaders should attempt to find new performance indicators which would take the "wind from sail" from their rivals in the market. And just one of these competitive advantages is **human capital**.

According to authors Becker, Huselid and Ulrich (2001), human capital is the most important asset in company.

Simultaneously, it is possible to assume that it is a future factor which influences significantly reaching strategic targets of the company in all areas. Ulrich et.al (2005, p.205) specify that the origin of the word capital which is derived from a Latin word caput, means "head". Further they clarify that *"in business, it refers to the head – chief or primary – assets of a firm (traditionally, its money). Increasingly, people are recognized as critical assets, and HR professional manage this human capital: developing the workforce, emphasizing individual employees more than organization processes."* Next, as Boudreau and Ramstad (2007, p.4) present: *"Whether it is called "people," "labor," "intellectual capital," "human capital," "human resources," "talent," or some other term, the resource that lies within employees and how they are organized is increasingly recognized as critical to strategic success and competitive advantage. DiVanna and Rogers (2005) specify human capital structure, as outlined in figure 1.*

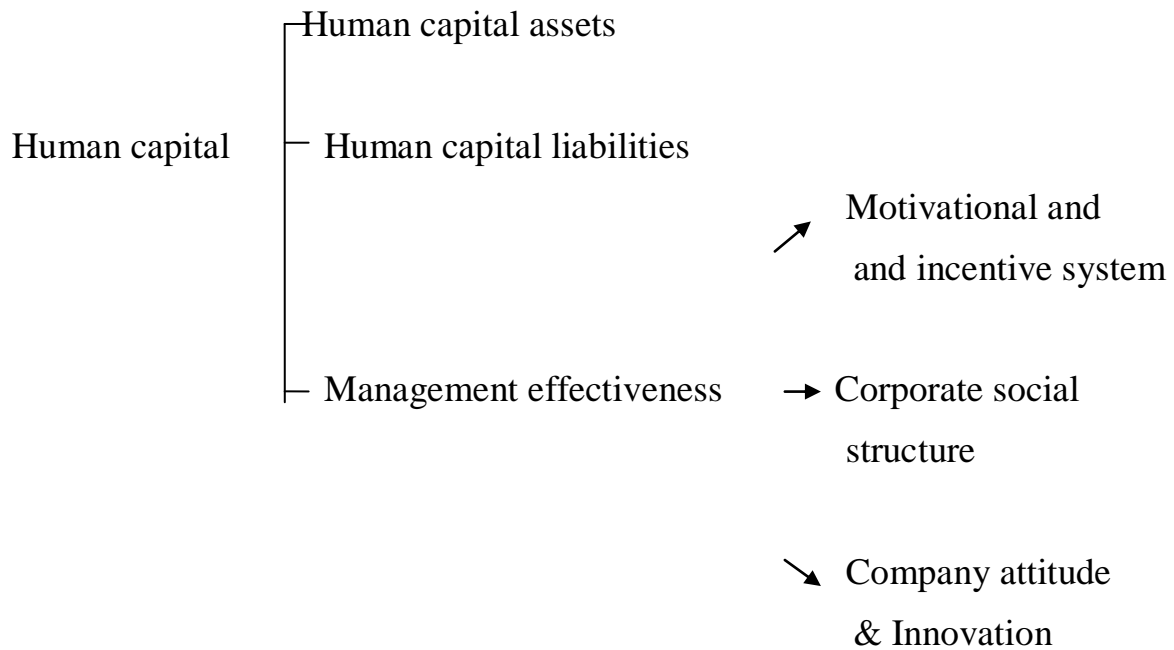


Fig. 1 Human capital structure

Source: DiVanna, Rogers (2005)

Further Armenta (2000) presents the evidence which suggests that human capital development contributes to the stability of the organizations. Huang et.al (2010) show that according to research the human capital value category has the greatest affect on the generation of intellectual capital at a value 37,7 %. This is followed by organizational capital value at 31,4 % and then the lowest value of relations capital at 30,9 %. Of the respondents categories, human capital value is the most important to the managers interviewed at 58,83 %.

Thurow (1999) points out that staff in an organization will be critical to corporate success in the future. Moreover Bonits et.al (2009) and El-Bannany (2008) present the recent studies about the intellectual capital efficiencies for organizations emphasis on human capital.

Outreville (1999) presents that due to the development of the knowledge economy era, exploring the core competitiveness of enterprise is considered increasingly important. However, financial business accounting polices allow enterprises to claim intangible assets in their book value due to the increasing need for intellectual capital. Bharathi (2010) in his study publishes that intangible assets that create value for the organization are quickly gaining importance. The share of intangibles as a proportion of the total assets also

shows a tremendous increase in the recent years. As a result, every organization now finds logic in measuring, valuing and reporting its intangibles, as they also have become one of the most important performance indicators in a strategy to gain competitive advantage. But if the employees contributed with added value, the top leaders should “deal” with human capital more sensitively.

As Vodák and Kucharčíková (2007) state, companies of knowledge economics are successful if they invest into intellectual capital and are able to manage it. Further, the authors explain that if company does not improve skills of its employees, systems and processes, it does not discover negative consequences immediately but when they are discovered, usually it is too late. According to Koubek (2004) company’s training is focused on formation of the skills in broader sense, thus including formation of social competencies and creation of interpersonal relations. It enables companies to increase their competitiveness in the labour market on their own costs. Support of employees contributes to the improvement and effectiveness of internal processes and to the development or more specifically to the growth of employees’ skills. Moreover, author emphasizes that training should not be coincidental but must be systematic and comes out of the total company’s strategy in order to be effective and guarantees the company return on investment. Further, authors Foot and Hook (2005) add that development of employees contributes significantly to the company’s effectiveness but as it sometimes happens; it is perceived as an expensive luxury.

In the past, the training of employees was judged as useless expense and not as an integral part of organization effectiveness. Armstrong (2002) defines a basic goal of employees’ training how to develop skills and competencies and improve their performance. Author understands the training goals only from the company’s point of view. However, even personal development of employees, increase of their satisfaction and their competitiveness in internal and external labour market becomes more often the goal of training. Buckley and Caple (2004) suppose that if activities in training area influence individual organization’s variables, it is necessary to regard them as one of the strategy’s aspects. The relation among organization variables is shown in the figure 2.

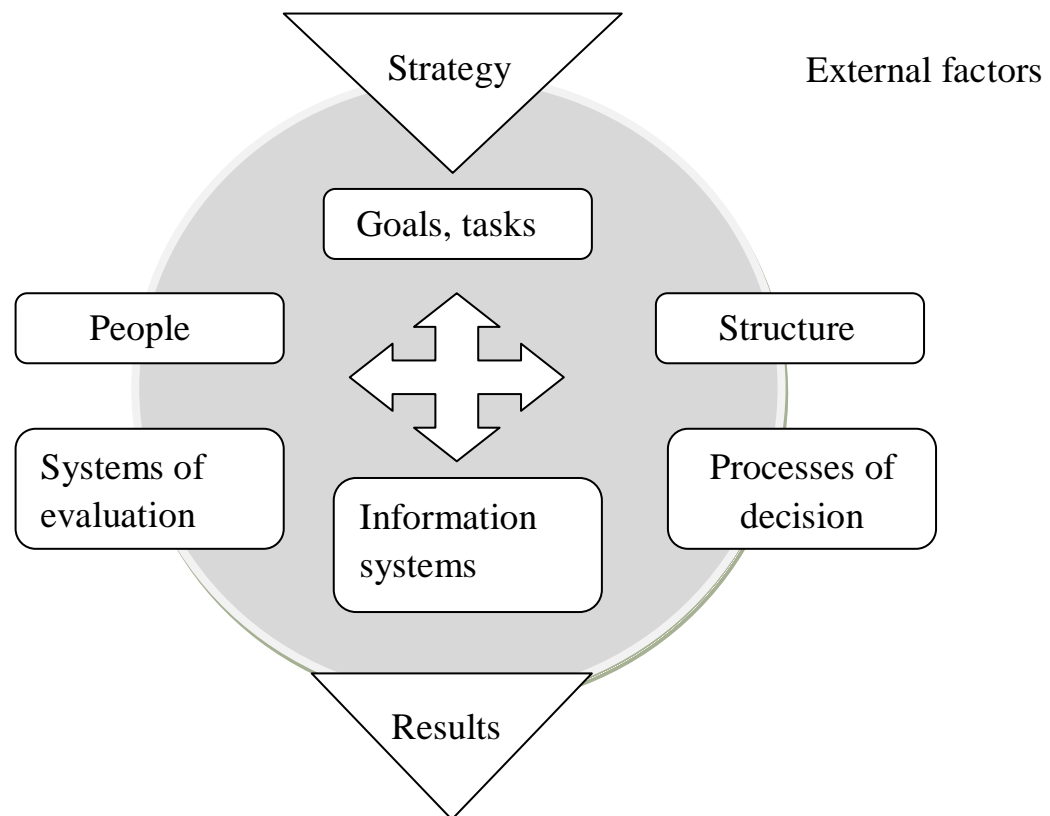


Fig. 2 Organization variables and strategy and company's environment
 Source: Buckley, Caple (2004)

From the above mentioned factors, the result is to follow the necessary development and training in company that must be accepted as tool of strategy implementation and as one form of non-motivation of the employees.

In present days, motivation, and delegation of authorities receives increased importance as well. It seems that certain values' scales of employee where the need of self-realization is considered to represent the top of this scale and serves as a part human resources strategy.

Authors Foot and Hook (2005), Armstrong (2002), Wagnerová (2008) and Koubek (2004) agree unanimously that performance management is a process by means of which the performance of organization, team and individuals is improved and is applied by managers for executive management control. Scientists attempt to find dependence between working performance and motivation. However, response is not unequivocal in all cases. Porvazník (2007) emphasizes that motivation profile of each employer differs. Some people's motivation is based upon external needs and others are motivated by internal ones. Regardless of their background, humans are best motivated if external and internal motives are in balance. The level of motivation or stimulation of workers is in practice often judged according to the rate and number of satisfied employees in organizations, that also implies fluctuation rate

and not according to its results. Wagnerová (2008) in her publication states that motivation research in its beginning led to the finding that employees with approximately same working skills can have similar incomes but still rather different motivation and performance. In the 50's, the task of working performance as a tool of motivation and development started to be identified in the USA. Armstrong (2002) published an interesting opinion that there is no significantly positive relation between satisfaction and performance based upon the research. The assumption that rather good performance brings the satisfaction than the satisfaction brings a good performance has not been confirmed. Wagnerová (2008) presents certain optimum applies for the performance. In accordance with the law Yerkes – Dodson on the dependence of motivation and performance, it can be said, that this relation is not linear but it has shape of turned “U“. Optimum motivation leads to maximum performance. Working performance management is closely related to the evaluation of workers. As it is stated by Koubek (2004) evaluation represents certain background of the scene of work performance management which serves and helps the action on the scene to be in progress successfully. According to Emans and Kersten (2001) it is not real to assume that implementation of “pay for performance“ approach will change each employee to high performance and motivated one during one night. Moreover, some studies prove that motivation effects of this system can be on the contrary negative while the justice in the system of evaluation is not guaranteed. Herzberg et. al (1957) also expressed hesitation regarding the effectiveness of money because as its lack leads to dissatisfaction, their abundance does not lead to long-term satisfaction.

According to Borsíková (2008) the situation is very similar in our conditions because this matter is complicated by unfavourable economic situation with high rate of unemployment and low rate of salaries. All these circumstances narrow the area motivation to only one ”motivation factor“ - wage. Author partially agrees with Borsíková (2008) opinion; it is always possible to find a way and solution to motivate employees so that the financial means are not the only one stimulus for higher performance. Pursuant to late research on the topic “Ideal employer for 2009“ Švecová (2009) mentions that main factor of satisfaction (but no motivation factor) is salary, direct financial evaluation of candidate (84 %). Second place is surprisingly occupied by job content (74 %) then follows possibility of learning and constant development on the third place (63 %). Direct superior and team are on the fourth place and then follow benefits on the fifth place.

Labour performance management represents the connection of labour performance, training and remuneration of workers. Labour performance management in organization, its content and processes are influenced by series of other factors and determinants, among other things even culture of

organization and management style and structure of organization related therewith. Interesting opinion is represented by Porvazník (2007), who states that even relation to work influences performance qualities of managements' subjects to a great extent. The sense of work is not only to earn money for living but to create values. Author shares opinion with Porvazník (2007), who further summarizes that company, should try to identify the reasons of employees' stress and consequently eliminate them. Dissatisfaction of employees, excessive fluctuation of employees in the department, low productivity and errors in the outputs are signs of work issues in the departments' teams, which usually indicates that employees work in stress and this can eventually seriously endanger company's performance in nowadays turbulent environment. In conclusion, he emphasizes that organizations should take care of environment where their employees work and working processes should be implemented according to which they work and simultaneously even checking of these processes. As Furnham and Gunter (1993, p.75) say: *"Culture is commonly declared persuasions, attitudes and values which exist in the organization. Simply uttered culture is a way we do something."* Culture represents "sealant of the company" and brings us the feeling "this is what we are" what affects against processes and differences which are inevitable part of organization's life. Next relatively spread view on the firm's culture is from human resources management viewpoint. Marques and Jirásek (2000, p.53) write that *"Company's culture is a collection of value imaginations and behavior's standards which is a product of the company's management and influence basic attitudes of employees towards the company. Company's culture depends on the company itself, how it is defined by the company, how the company broadens and checks the behavior of employees and every day's standards which are considered to be required."* Armstrong (2002) underlines its benefit for execution of the mission and organization's strategy. Simultaneously, he points out that company's culture can cause counter-productivity providing its form and content are not created with respect to the specific goals and strategy of each organization. Interesting opinion is presented by Massaki Imai (2008), who says that if managers manage their employees to never ending road of improvement they are building up company's culture. Important constituent part of company's culture is internal communication and its importance which is often underestimated. The web page of CASPER media (2007) states that if communication flow is only unidirectional, the feeling of mistrust towards the management comes into being. If employees do not have possibility to express their opinions and participate in the decision making processes, their levels of satisfaction, initiative and performance is falling. Morality of employees is influenced whether they have sufficient amount of information required for performance of their function, and whether they are informed on time and truly

on the processes in company and its position in the market. By means of communication, company's employees create and clarify opinions and attitudes towards all processes which are being implemented in the company. Thus, internal communication is an essential tool that shapes company's culture and a tool for values clarification. At the same time, it applies – that if the employee does not spread a good name about the company in the industry that it operates, whatever communication campaign will be ineffective.

Importance of human capital for company increases proportionally along with the speed of changes the company undergoes, as the employee represents a basic quantitative dimension of the success of whatever changes. Due to this reason, human resources management must try to reach competitiveness of company in the field of human resources by means of constant training and personal development of employees. Simultaneously, it must be mentioned that even if the employee himself gains significantly by this way as far as it is concerned the level of his/her personal development as well as his/her bigger value and perspective in the labour market expressed even by the sum of achieved financial evaluation.

Human resources department plays a key role in human capital management. Next Foot and Hook (2005) as one of main characteristics of human resources management state that organizational policies must be integrated and must show compactness so it is possible to better suggest and support central values and goals of organization. Armstrong (2002) considers the general goal of human resources management for organization to be able to fulfill its goals is to successfully secure their workforce. Šigut (2004) states that many West European experts e.g. Dr. Gross-Oetringhaus from Siemens emphasizes that qualitative human resources management in the company can “take the wind out of the trade unions and organizations' sails”. Further Šigut (2004) in his publication adds that personal management includes even management of workers whose core is the stimulation and motivation of workers. Vodák and Kucharčíková (2007) perceive human resources management as tool for reaching competitive advantage of company just right by means of people. Fink (2006) publishes that many companies realize that human capital and its use can provide them with one of the last advantages in today's competitive environment. However, benefit of human resources for company's strategy and its value is not easily provable on the other hand. Human resources managers perform much work connected with use of human capital and increase of productivity as personal development of workers, or their training, however, all these activities do not have to always support strategy of the company. As Ulrich and Brockbank (2005) add that HR professionals must grasp and master the concept of value. HR professionals add value when their work helps someone reach their goals.

On the other hand Schuler and Buller (1996) state that human resources department must change approach in thinking in the first case. It must be orientated on strategy and customers. Indisputably, it has to support communication between employees and managers to delete communication gap. Last but not least, strategic tasks must be identified within the frame of their competences to support strategic goals and competitiveness of company. According to author's view, human resources department must also fulfill the role of "service department" within the company.

Due to the fact that human resources department i. e. human capital is a unique indicator which is becoming the most important asset in the company at the present time the organizations are forced to measure the employee's performance and therefore they contribute to the stability of the organization in today's competitive environment.

That is why BSC method is one of the tools which are implemented in the organizations for leading and evaluating the employee's performance.

1.2 BSC as a concept for performance management

Professor Robert S. Kaplan (2007) and president of multinational consulting company David P. Norton (2007) are dealing with the idea of company's management and present management strategic system to measure company's performance in their book. As the authors state, the main stimulus to develop new method was insufficient reporting feature of basic accounting statements to measure company's performance. Financial indicators, e. g. ROCE or EVA are completed with non-financial indicators e.g. number of key employees' departure. At the same time, BSC also shows strategy of the business unit. BSC's aim is to transfer a mission and strategy of the company into effective plans and benchmarks. Benchmarks represent balance between external benchmarks – for shareholders and customers – and internal benchmarks of critical processes, innovations, learning and growth. It means that a starting point of BSC comprises of four perspectives, i.e. financial, customer, internal processes and innovative perspective, i.e. perspective of learning and growth. Furthermore, Horváth (2002) states that application of benchmarks has to bring a specific strategy anchored in BSC system and thus it enables its own measurement. However, benchmarks can be identified only when the agreement on goals is reached. However, Burger (2001) states that all perspectives should be perceived as a certain routine. There is no mathematical statement which would prove that only four perspectives are sufficient. There are companies which apply more or less than four perspectives depending on the circumstances in the given business area and their strategies. Fibírová and Šoljaková (2005)

present that aim of BSC is to reach a complex balance in several directions: between short-term and long-term goals, value and natural indicators, between late indicators and driving forces, between internal and external factors of the performance. It is mastership to set goals within BSC. Kaplan and Norton (2007) introduce that basic goals do not belong to BSC. Reaching of basic goals is inevitable in order to manage ordinary business activities but they themselves are not satisfactory for own and principal determination towards competitors. Interesting opinion is presented by Horváth (2002, p.32), *“who thinks that too many goals lead to chaos than to transparency and comprehensibility.”*

Case study of Rozhan et al. (2006) prove that principle of BSC has its own theoretical foundation in the method Management by Objectives. On the other hand, Bessire and Baker (2006) confirm that BSC is probably inspired by the Tableau De Bord which has been applied by organizations in France since 1950. Though Vysušil (2004) admits interconnection of both systems on one side, however, on the other side, he declares unanimously that MBO includes all described goals; BSC method includes only strategic ones.

Next, Kaplan and Norton (2006, p.17), creators of management concept of Balanced Scorecard try to find the answer on the question: *“By what form of integrated management of organization individual parts reach higher final value of organization outputs as one unit than at the usual independent management of company’s parts?”* Kaplan and Norton (2006) in their publication emphasize the idea that additional synergic effect of mutually coordinated cooperation is created by means of centrally secured coordination and indicative planning of individual departments in company. Authors are persuaded that when organization is able to tune up the activities of various business and supportive units, thus additional sources are created, which are called value, whose source is the organization as one unit. Company can employ e.g. new sale channel which supports cross sale of products and services which are offered by various business units. It can reach savings based upon sharing of expensive and critical sources such as production capacities, common information system or research and development system. According to authors, synergy is one way how to optimize costs gradually. Authors suggest that one of the ways how to reach synergic effect is that strategic goals are formulated in such way that they strengthen relations and coordination among individual business units. Strategic goals are marked on a strategic map and in the whole company’s system of BSC. In author’s view, synergies in organization do not have to bring required effect in case that conditions, consequences and final effect of synergic decisions are not explored. One of the problems may be that methods of implementations are wrongly set.

Horváth et. al (2002, p. 64) in the book *Balanced Scorecard in the practice* state that BSC is an instrument of management and not an instrument of controlling. Furthermore, they declare that *"BSC is not only the system of controlling but this system is an important part of BSC."* Author Horváth (2002) tries to fulfill and develop his intention: to unify former controlling, procedural management and strategic management. One of the main goals of the author is to apply the method which leads to strengthening of company's performance.

Interesting opinion is presented by Horváth (2002) and Vysušil (2004) who tried to explain ordinary application of BSC method, system of BSC reporting, roll-out methods of BSC as well as mutual interconnection of BSC with concept of Shareholder Value. Jiří Vysušil (2004) in his book except for others enables us to understand connections with implementation of modern method into company's management. Jiří Vysušil as one of few authors mentions even limitations and barriers of BSC at its implementation. For example, if the company is not able to transfer its vision of company's future into comprehensible and practicable actions. Other stated obstacles or recommendation can serve as a good key for successful implementation of BSC method. Pandley (2005) by study of BSC method describes inevitable conditions for successful implementation, that starts by support of top management, defining critical factors up to the linking of BSC with strategic planning and budget process. Simultaneously, even Vysušil (2004) points out that BSC is the method of top management i.e. the implementation of instrument must be fully supported by company's management. Kaplan and Norton (2007) emphasize that some presidents of companies perceive BSC as a method how to improve measurement of company's performance, not as a new method of management. Management of company must be in a certain sense of word developed, competent for the implementation of BSC principle, because its implementation into the practice is not simple. As Porvazník states (2007) in his book, competency of management's subjects in organizations is reached not only by acquirement and application of special knowledge and practical skills, but what matters is also social maturity of man and human attitude. According to Porvazník (2007) it is not easy to define social maturity of management's subject or employee in general.

Opinions of people on what is moral, human, ethic, cultural, good and so on differ substantially. The process of implementation can take some time; it depends mainly on specific conditions of the company. As it is introduced by founder of BSC Kaplan (2007) implementation time of BSC depends mainly on the company's size. Kisseloff (2006) states that process can last even 2 years in bigger companies.

Several problems can occur at the implementation of BSC's strategic principle. Almost all problems are connected with reluctance and misapprehension of BSC's method principle. Companies operating in various management's system face the troubles with the communication. However, lack of interest is serious and it is a key problem. Similar problems are introduced by Báča (2004) however from long-term view:

- around 20 % of new projects of BSC is completed,
- most of the projects of BSC fail in second or third year of implementation
- approximately 80% of completed projects do not fulfill main purpose of BSC. BSC as a system of indicators on one side and as a tool of management on the other side.

Many authors as Kaplan and Norton (2007), Horváth (2002) and Báča (2004) show several main instruments to support successful implementation of BSC principle:

- communication and trainings,
- workshops,
- instruments of informative technology,
- BSC indicators fulfillment connected with awarding.

However, successful implementation of BSC tool does not automatically refer to the end of this method in the company. The application of BSC method in the practice means that management must follow if selected activities lead to the fulfillment of benchmarks and if defined benchmarks really lead to the completion of strategic goals. In case of discrepancies, the company's management is responsible for adequate change of benchmarks or selected activities. Component part of this method application is even collecting determinative information that contributes to the improvement of the company's reporting. More complex reporting brings higher transparency in the organization. Indubitable benefit of this method is that strategy is delegated to the lowest levels of employees.

Kaplan and Norton (2007) emphasize that final award of BSC application as a strategic system is that the company starts to properly judge the strategy and not the operation.

Moreover it has been proven that BSC is perceived as the best approach for transformation of company's vision into the specific, measurable activities which take into consideration all factors forming long-term values.

Gavurová (2007) specifies that effective application of BSC in the management requires inevitable interconnection of individual perspectives by

defining relations among individual indicators what represents not an easy task. Implementation of BSC system into company's management fulfills its aim when company's management is forced to define goals clearly and find paths in order to reach them so that long-term effective existence of company is guaranteed.

Additionally, BSC concept can support reaching defined strategy goals not only for companies in service/production sector but even by implementing BSC's framework organizations in financial sector can manage today's uncertainty in financial markets i. e. consequences of the global financial crisis that can hit the world anytime.

1.3 Financial organization and BSC

In the financial organization's efficiency using resources plays an important role in determining the strength of the organization and the BSC method becomes more important than in the past because efficiency measured purely on financial variables do not give the true picture especially in sectors which are intellectual capital intensive.

Smith (2012) presents that the financial sector is the component of a nation's economy created by the ebb and flow of capital in the financial industry. Financial services include everything from personal banking to the insurance industry, and they can make up a sizable portion of a nation's economy. Financial institutions like banks, insurance companies, brokerage houses, investment firms, and so forth are all part of the financial sector.

Institutions acting e.g. in a financial sector must measure, check and manage risks to prevent from loss. Risk management belongs to the standard process in financial sector. As it is published by Zhang and Li (2009) financial institutions face an increased competitiveness due to sharp development of financial markets. Traditional measurement of overall financial institution's performance based upon financial indicators is not sufficient nowadays because financial indicators reflect only financial institution's performance in the past and do not reflect future operational conditions. Thus, it is essential to analyze even internal operational conditions not only external factors due to exact analysis of strong and weak areas of an institution. Total tangible assets of financial institutions are important but orientation on customer, internal processes, human capital and other non-measurable values of the financial institutions are more important. Purohit and Mazumder (2006) state, that general performance of financial institutions is measured by implementation of quantitative approaches of financial measurement. However, to get a real picture of financial institution's performance, it is necessary to take into consideration quantitative and also

qualitative aspects of performance measurement. And the correct tool of BSC includes both areas of institutions effectiveness measurement in the financial sector. Purohit et.al (2006) say that many studies prove that the performance of financial institutions cannot be only measured based upon the indicators such as EVA, RAROC or ROI. The attention besides the financial indicators has to also focus on the non-financial performance indicators of the organizations in the financial sector.

Subsequently, institutions in a financial sector must measure, check and manage risks to avoid losses. The risk management ranks among standard processes in the financial sector with their stable position and long-term history. Financial institutions face an increased competitiveness due to the rapid development of financial markets. Traditional measurement of overall performance of the organization based upon the financial indicators is not satisfactory anymore at present days because financial indicators reflect only their performance in the past period and do not reflect future operational conditions. Thus it is essential to analyze even internal operational conditions, not only external factors due to the exact analysis of strong and weak aspects of the institution. Zhang et.al (2009) confirm that total tangible property of the financial institution represents an important entity but the orientation on the customer, internal processes, human capital and other non-measurable values of the financial institutions are more important. In past period financial institutions focused only on financial perspective and didn't take into consideration the customer satisfaction. Zafar et.al (2010) prove that a satisfied customer today may be lost in the days to come if his changing requirements are not met. Thus in order to be competitive, an organization should ensure that it is innovative enough to satisfy the changing requirements of the customers. It simply means that innovation leads to the customer satisfaction which finally results in financial strength.

BSC presents the principle which can support the transfer of customer interest into the products of financial institutions. Performance of financial institution is measured by application of quantitative procedures of financial measurement.

Moreover to get a real picture of organization performance in the financial sector, it is necessary to take into consideration quantitative and qualitative aspects of performance measurement as well.

The author agrees with the above mentioned opinions and simultaneously according to the author's opinion BSC is a dynamic method which interacts effectively not only with the budgeting system but makes communicative process more effective not only internally but even externally. At the same time, it supports a narrow cooperation between management of the company and its employees which can help the organization in the times of uncertainty during

global crisis which can effect any organization e.g. to avoid forced fluctuation of employees.

In the author's view, the benefits of the BSC implementation on human resources level can even lead to the decrease of overtimes or to sustain internal communication as a result of correctly set human resources processes in the organizations.

Thus BSC method has raised interest not only among companies in the business sector but even between organizations in the financial sphere as a tool for successful implementation of strategy.

BSC principle was implemented successfully in many financial institutions in the world and proved to be not only a useful tool of management but at the same time it serves as an effective communication means between management and employees. Littler et al. (2000) based upon the experiences in one of the main financial institution in the Great Britain confirm that BSC can express even reversed flow of information. Moreover, the financial organizations modified and expanded the conventional four-perspective Balanced Scorecard framework into the following five: customer, financial outcomes, franchise growth and operational development and risk management.

Furthermore, they state that clearly defined strategy of the financial organization must take into consideration constantly changing conditions of financial institutions.

Ye et al. (2008) declare that financial organizations have used a manageable number of objectives and metrics to measure performance at both individual and business-unit level.

But defining and measuring the non-financial key performance indicators within BSC framework i. e. HR scorecard is not facile.

Moreover, Barkley (2000) says that a recent survey shows that 88% of the organizations feel that the BSC on human resources level has improved the performance of the employees. HR scorecard is considered motivating, measuring and rewarding to the people and also innovates the strategies.

1.4 HR Scorecard

As Tootell et al. (2009, p. 20) state *“since 1980s there has been an increasing emphasis on the importance of HR measurement.”* Yeung and Berman (1997, p. 65) declared that *“HR measures should be impact rather than activity orientated, forward looking than backward looking, and should focus on the entire HR system not just on individual practices.”*

Becker, Huselid and Ulrich (2001, p.28) state that if managers are to create system to measure effectiveness of human resources, they must know the answer to the question: *"What task can be performed by human resources at the implementation of strategic goals?"* Managers of company can understand what kind of value is created by people and how to measure economic effectiveness of human resources with thoroughly developed system of human resources. Mishra (2008) publishes in his review that HR system should also secure provision of a reliable base either by potential of employees or their substitutability.

Toulson and Dawe (2004) identified three obstacles in measuring HR: lack of HR experience and precision and difficulties in measurement.

There were defined tools by various authors for measuring the human capital. Srimannarayana (2010) brought brief overview of invented methods to evaluate HR capital:

- multiple constituency approach suggested by Tsui,
- human resources accounting system proposed by Flamholtz,
- McConnel identified 16 categories to be measured in HR,
- return of investment methodology investigated by Fitz-Enz,
- Ulrich has showed how HR practices relate to BSC through productivity, people and process indicators,
- methodology of behavioral costing to measure the financial impact to HR activities proposed by Cascio and Boundrenau,
- BSC in which strategic goals i.e. operational objectives are transferred into 4 perspectives.

And just BSC is one of the tools which helped many organizations with human resources management or rather with effective employment of human capital. Fourth and last perspective of BSC develops goals and benchmarks which support **learning and growth of company**.

As it is stated by Vodák and Kucharčíková (2007), the goals in that perspective creates support which enables company to reach goals in other three perspectives and head towards fulfillment of its mission. It can be confirmed by following example - the importance of training can be represented by the picture: increase of knowledge and skills of employees (perspective of learning and growth) by investing into their education can lead to improvement of internal processes (perspective of internal processes), which heads towards higher employees' satisfaction (customer's perspective) based upon

improvement of delivery time and/or lower price lead to higher profits (financial perspective).

Horváth (2002) in his publication mentions that significant changes happened in understanding of the needs of employees and their management or rather the evaluation of their performance in the past years. More important are employees from the perspective of strategy implementation, more significant is connection of BSC with the system of employees management or rather with evaluation of their performance.

As Krauszová and Janeková (2008) state, the system of employee performance evaluation should be directly linked to the strategic goals of company or more precisely to the individual perspective of BSC tool, which represents effective management of employees performance so that overall company's performance is reached. The advantage is connection of total performance with performance of individuals and teams, while the emphasis is put on such performance of the employer who contributes to the fulfillment of the goals of the organization the most. The principle of working performance management in relation to total enterprise performance is the knowledge of relation between labour's benchmark of a given employee and his/her influence on the overall company's performance. Important is also relation between indicators of working performance and company's strategy. This one should be apparent not only to top management but even to employee who is able to identify his/her contribution to the fulfillment of company's performance. Authors Becker, Huselid and Ulrich (2001, p. 13) clearly define that *"If contemporary methods in the accounting cannot provide managers of human resources with instruments for measurement which they need then they must develop own methods to prove benefit of human capital on increase of company's performance."* At present, strategic importance of human resources gains its good reasons.

Based upon the model of BSC introduced by Kaplan and Norton (2007) and consequently its application in the area of the human resources, a new *HR scorecard* tool for the management and measurement of the human capital was established. Becker, Huselid and Ulrich (2001) who have outlined HR scorecard, added that it does two important things:

- manages HR as a strategic asset,
- demonstrates HR's contribution to firm's financial success.

Further Armstrong (2003) states that in the times of a sharp development of global economy, human capital has become a critical indicator for organization. HR scorecard fulfills two important tasks:

- HR plays the role of a strategic partner,

- confirms benefit of human resources to the overall performance of the company.

Huselid, Becker and Beatty (2005) confirm that HR scorecard is designed to manage activities of human resources but components in HR scorecard are key indicators for employee’s success. Norton (1998, p. 14-15) made a key point about what differentiates the scorecard from other business performance measurement frameworks in the marketplace: *“Many people prepare a list of non-financial measures and they think that they have a balanced scorecard, but in author’s view scorecard must represent strategy of the company. The biggest mistake performed by organizations is that they think that scorecard is about measurement.”*

Huselid, Becker and Beatty (2005) also confirmed that the HR scorecard is designed to guide management of the HR function. The essential part of the HR scorecard is the strategy map. Kaplan and Norton (2004) declared that strategy map provides a framework to illustrate how strategy links intangible assets to value-creating processes. Moreover, Kaplan and Norton (1996) called the strategy map to represent the firm’s value chain. These are diagrams of the value chain, such as those shown in figure 3.

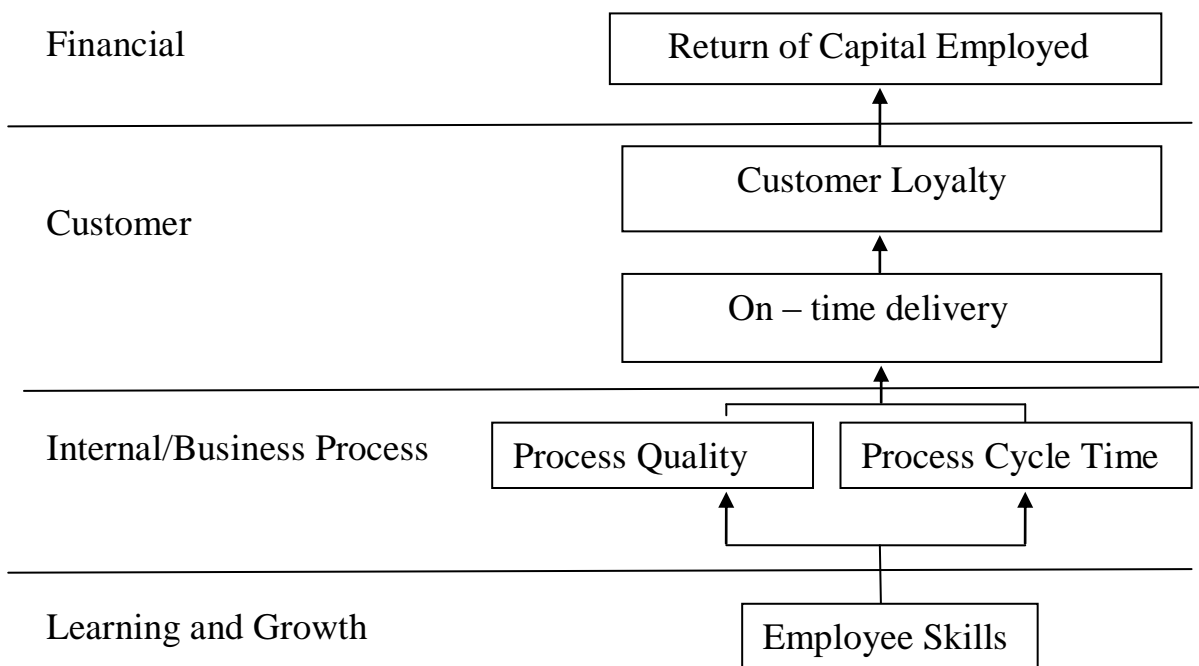


Fig. 3 – A simple illustration of value creation

Source: Kaplan and Norton (1996)

For the last ten years Huselid, Becker and Beatty (2005) have identified series of categories that define human capital measurement – Five key elements of HR

scorecard which are to be followed by human resources managers in order to help them to be successful in managing employees and fulfilling company's strategy.

Five key elements of HR scorecard:

- employee's success,
- correct operation of human resources and costs management on employees,
- correct implementation of HR processes,
- correct procedures, directives in area of human resources
- directives in human resources,
- qualified human resources managers.

There are also other views on this matter. Very interesting, in the sense of including human resources into the perspective of learning and growth of BSC methodology is a controversial approach of former managing director of Institute of Personal Development Geoff Armstrong (2003, p.145) who argues that understanding of human resources is principally wrong and he says: *"I cannot accept thought that there is a logic and complex approach to management of people under the umbrella of human resources management which is sufficiently clear in order to create a model or specimen based upon which it would be possible to judge management's performance. That is a part of answers not the whole picture. Managers are focused on their main priorities to decrease costs, orientation on basic activities, separation of all out of the company and in expectations' satisfaction of investment organizations before other participants. In pursuit of permanent improvement usually entails less of vacancies. Then such ideals of human resources management, like strengthening of powers, involvement of people and personal growth are dedicated to termination."*

Kaplan and Norton (2007) suggest three basic measures to reach goals within the frame of fourth perspective:

- employees' satisfaction which is tightly connected with employees' success,
- employees' productivity which is consecutively linked with proper managing of human resources i. e. labour costs,
- retain of employees which is associated with correct implementation of HR processes.

According to Vysušil (2004) there are three areas which create perspective of learning and growth from ordinary human resources management.

- employees' skills growth,
- growth of skills to use information system,
- growth of importance, engagement and delegation motivation.

Vodák and Kucharčíková (2007) complete areas of J.Vysušil with a business culture and working environment.

Based upon the defined goals in learn and growth perspective within HR scorecard framework the key performance indicators are defined for respective period in order to reach strategy goals not only in human resources management but also on corporate level.

1.5 Key performance indicators

Huselid, Becker and Beatty (2005) declared that the elements in the BSC i. e. HR scorecard tool are key leading indicators for workforce success.

Classic financial indicators which judge company's performance based upon the financial perspective render only partial picture on human assets performance in the company. Babel'ová (2006) presents that quantity and type of invested human labour is a factor influencing economic performance of company and creation of its economic result. In practice, net capital view still dominates the evaluation of performance and concept of human resources does not manifest in any noticeable way. However, the higher personal costs are in comparison to capital ones, then more apparent is requirement to broaden traditional systems of indicators with indicators showing human resources performance. As published by Babel'ová (2006) possible solution is presented by company Boston Consulting Group which worked out human orientated indicators as a variant of capital indicators:

- VAP (Value Added per Person) – responds to the capital indicator ROI.
- ACP (Average Costs per Person) – average personal costs respond to the costs of capital.

Above mentioned indicators serve just as an example how company can increase its economic analysis. Implemented system of key performance drivers orientated on the capital is not replaced this way, but it is broadened with a part which is decisive for human resources management.

More detailed split of KPIs defines Parmenter (2010) who divided KPIs on financial and non-financial as a set of measures focusing on factors that are most

critical for the success of the organization. Relation between non-financial drivers which directly influenced financial KPIs is confirmed by following example: one of the financial target on human resources level, which is straightforwardly connected to human resources strategic target – decreasing of costs, can be **decreasing total fluctuation rate**. Increased fluctuation rate influences the higher costs directly e. g. employer branding costs, hiring or further training costs i. e. KPI: *Labour costs*. One of the decreasing tools is annual employees' dialogues whose aim is not only dialogue on labor performance and discipline of employee but even feedback on goals fulfillment for the previous period and possible career growth of the employee. This tool is also used not only as a motivation tool but as a method to increase performance. Non-financial KPI for measuring it is *% of performed yearly employee dialogue*.

By using this HR tool – employee dialogue – it influences decreasing of fluctuation rate and thus it is possible to support and reach one of the strategic goals of the company and that is cost efficiency (linked to lower turnover rate).

Key performance indicators are assigned to each perspective in strategy map and lately KPIs on HR level became significant benchmark in the business sector. Bean and Gerathy (2003) presented that according to their experience; KPIs are valid and effective when applied in a consistent and comprehensive manner. Further, they declare that financial performance must be respected as the critical measure of the success for every business but financial KPIs are closely related set of operational metrics i. e. on HR level as well. Bauer (2005) stated that once KPIs have been identified, defined and formalized, business leaders may feel that KPI battle is won. Where possible, KPI targets must be based on concrete data and non-manipulative formulas. Griffin (2004) pointed out that there should be a direct link from KPIs to goals, from goals to objectives and from objectives to strategies. Skibniewski and Ghosh (2009) defined that all KPIs should impact a business decision at some point of time, depending on the window of time available. That makes the decision process difficult from the decisions made under no time constraint. Organizations should identify areas of business processes that are the most critical to the financial success of the organization. Further, KPIs can be divided into lagging and leading. Kaplan and Norton (2007) explained the difference between them. Leading indicator is a metric that mainly refers to future developments and drivers/causes. Lagging indicator is a metric that mainly refers to past developments and effects/results, e.g. reflects history and outcomes of certain actions and processes.

Bauer (2004) emphasized that one of the key concerns during implementation of KPIs is the ability to differentiate more important strategy-driven metrics from the plain vanilla metrics. Selection of the wrong metrics for KPIs can significantly damage or even undermine a performance management initiative.

Eckerson (2007) in his paper claimed that metrics are powerful force that can drive change in an organization – but only if the right metrics are developed and applied. The wrong metrics can bring havoc into an organization processes and demoralize employees.

Further Eckerson (2007) described what characterizes “good” KPIs. According to his study effective KPIs are:

- Sparse: The fewer KPIs the better.
- Drillable: Users can drill into detail.
- Simple: Users understand the KPI.
- Actionable: Users know how to affect outcomes.
- Owned: KPIs have an owner.
- Referenced: Users can view origins and context.
- Correlated: KPIs drive desired outcomes.
- Balanced: KPIs consist of both financial and non-financial metrics.
- Aligned: KPIs don't undermine each other.
- Validated: Workers can't circumvent the KPIs.

On the other hand, Hursman (2010) defined next five criteria for effective KPIs:

- Specific
- Measurable
- Attainable
- Relevant
- Time bound

“S-M-A-R-T” is a fine way to spell KPIs, as this is a solid framework for making decisions about KPI selection. Anderson (2011) quoted Weller in his paper who presents the importance of KPIs uniquely: “If you don't measure and benchmark, you won't know how you are doing now, which areas of your process need the most attention, and how well your changes are working down the road.”

Hursman (2010) briefly characterized a process about establishing KPIs: Determine your corporate goals. Identify metrics to grade progress against those goals. Capture actual data for those metrics. Jam metrics into scorecards. Jam scorecards down throats of employees.

Parmenter (2010) published 7 characteristics of KPIs:

- Are nonfinancial measures (e.g. not expressed in euros, pounds,...).
- Are measured frequently.

- Are acted on by the CEO and senior management team.
- Clearly indicate what action is required by staff.
- Are measures that tie responsibility down to a team.
- Have a significant impact.
- They encourage appropriate action.

Slover (2007) introduces in his case study various definitions of KPIs:

- Crandall (2002) – KPIs are planning and performance measures that provide physical as well as financial measures, can be used at all levels of the organization, can be adapted for use across the organization, are easy to understand and report.
- Callahan (2003) – KPIs are used to measure both an organization's performance and the relationship between an organization's performance and its own historical data or to other organizations' data.
- Parmenter (2010) - KPIs represent set of measures focusing on those aspects of organizational performance that are the most critical for the current and future success of the organization.
- Skogstad (2004) – KPIs are metrics deemed essential for understanding operational health. They serve as a way for organizational leaders to attain a summary of financial and non-financial business performance.
- Wyatt (2004) – KPIs supply management with immediate access so they can make adjustments to ensure achievement of target goals.
- Gjerde and Hughes (2009) believed that lists of published KPIs in the past often focus on one industry and assume a generic business strategy.
- Smith (2001) – KPIs break down all areas of business into single bite-sized chunks that are much easier to manage.

Cronin (2007) declared other important issue regarding the KPIs. KPIs, both financial and non-financial, are critical element of effective communication of a company's progress towards its goals. Choosing relevant KPIs requires thinking to be aligned with the strategies and objectives; once this is done, the choice of measures of success is often obvious one. Further Cronin (2007) explained that it is inappropriate to specify how many KPIs company should have – but his experience suggests that there is a key for most organizations between four and ten measures. Harvey (2000) confirmed that no matter which KPIs are used, they should mirror the business strategy and be reformulated periodically to adapt to the changing business environment. The priority for organizations is to use KPIs in a business context at all times, to measure customer and service margins, make effective business decisions and offer exciting customer propositions to drive business forward.

But Gjerde and Hughes (2009) stated that top leaders need to develop meaningful metrics for their own business, not use generic KPIs. Further they

mentioned that relying on financial measures that focus on past outcomes is not an answer. Instead, attention needs to shift to non-financial measures that drive financial performance. Smith (2001) pointed out that most people do not work with KPIs every single day because of the fact that they need a simple and effective reminder of their meanings so that they can correctly interpret dealership information. Moreover Parmenter (2010) presented that many companies are working with wrong measures, many of which are incorrectly KPIs. There are four types of performance measures depicted in figure 4:

1. Key results indicators (KRIs) tell you how you have done in a perspective or critical success factor.
2. Result indicators (RIs) tell you what you have done.
3. Performance indicators (PIs) tell you what to do.
4. KPIs tell you what to do to increase performance dramatically.

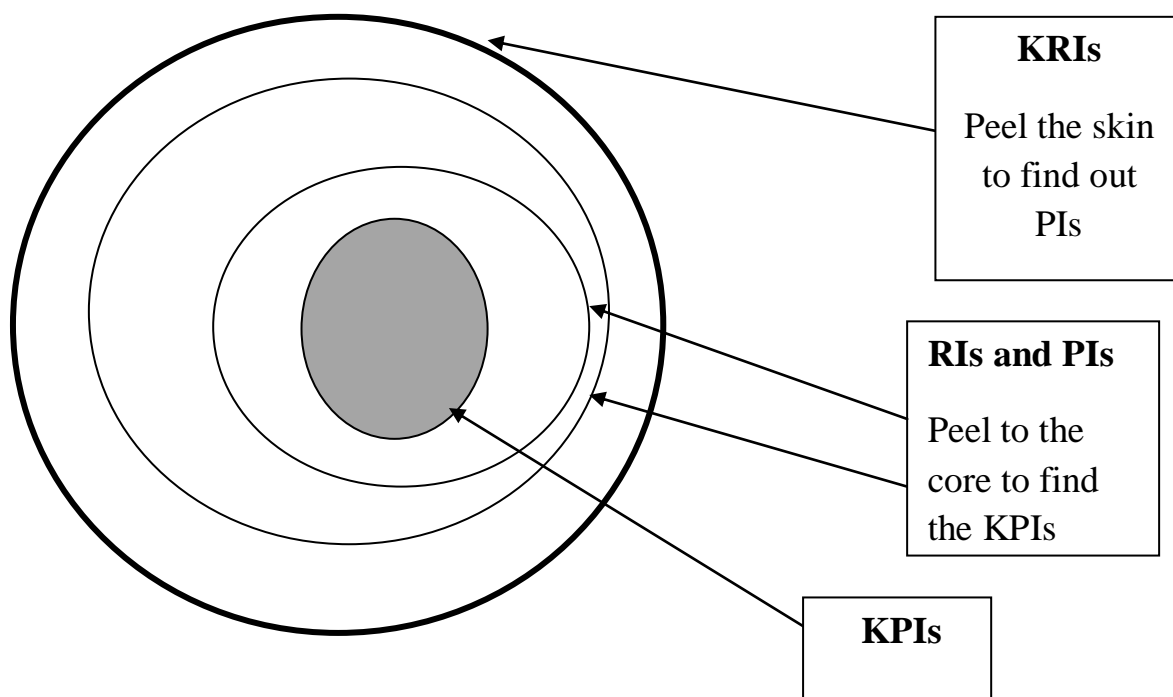


Fig. 4 Four types of performance measures

Source: Parmenter (2010)

Based upon the critical literary research it can be stated that there is lack of using BSC as a tool for performance management in human resources management in financial sector.

In present time financial organizations apply BSC concept mostly in origin format which was introduced by Kaplan and Norton. Moreover, financial

organizations keep an eye on mainly in financial results and top leaders pay little attention to important factor – **own employees**.

Successful implementation of BSC system which is deeper focused on L&G perspective can bring not only defined organization's target value but even to align own employees to the vision and strategy of financial organizations.

According to performed critical literary research the main goal of dissertation work was figured i. e. BSC on HR level application within financial sector.

2 GOALS OF THE DISSERTATION WORK

Main objective of the dissertation work is to **analyze possibilities of using BSC for human resources management in financial organizations and to propose methodology for its application.**

These partial goals are to be met in order to fulfill main objectives:

1. Evaluate potential of BSC concept for human resources management and to judge possibility of this method application in organizations of financial sector based upon critical literary research.
2. Analyze of the organization in entrepreneurial area which implemented concept BSC in the human resources management.
3. Identify factors contributing to the effective human resources management in financial sector organizations.
4. Identify KPIs on human resources level by studying literature and also according to professional HR experience of the author.
5. Propose the methodology of the BSC application in the financial sector.
6. Describe the process of the implementation of BSC i. e. HR scorecard in the organization in financial sector by using case study.
7. Summarize the results of performed research with an aim to fulfill main objectives of this dissertation work.

A core objective of solving this dissertation work will result in proposal of the methodology of the HR scorecard principle application i. e. suggestion of strategy map, HR activities and KPIs on human resources level which will be directly connected to organization's strategy in financial sector.

HR scorecard is considered as a vital source in the leadership of human capital. But nowadays, an organization is using this tool mainly in the original form e. g. strategy map is divided into classical fourth perspectives. Thus the approach of this dissertation work is to conduct the research to find out new possibilities of BSC application on HR level.

The findings will be obtained from study performed on a basis of critical literary research, practical research in financial organization as well as by using author's HR experience in a production plant. In order to achieve and defined the main objective the following research questions are formulated within this dissertation work:

Q1: "Whether BSC principle on the level of human resources management can be also applied in organizations of financial sector?"

Q2: “Is it possible to identify factors in organizations of financial sector which influence human resources management?”

Q3: “Is it possible to identify specific key performance indicators within human resources management in financial organization?”

Research questions are closely connected with main and partial goals of dissertation work. Goals of this work are chosen owing to fact that human resources should act as an equal partner in each organization and at the same time they should have fully-fledged participation for fulfilling of defined strategic goals.

Another reason to solve a given topic is that benefit of human resources management is not sufficiently evaluated in many nowadays organizations . The task of human resources management should not be undervalued because it can significantly contribute to the fulfillment of strategic goals by means of balanced setting of principles in area of personal management and creating system of benchmarks to measure performance of human resources management.

Simultaneously, set indicators of company’s performance in area of human resources management should be linked with company’s strategic goals to fulfill function in area of human capital management.

2.1 Research process of dissertation work

Dissertation work process is divided into following parts:

1. Critical literary research of BSC and HR scorecard based upon the study of literature.
2. Analysis of selected organization in business sphere which applied BSC method for human resource management using case study.
3. Identification factors in organizations of financial sector which do influence human resources management.
4. Identification KPIs on human resources level by studying literature and according to professional HR experience of the author.
5. Proposing of methodology of the BSC application in the financial sector.
6. Describing the process of the implementation of BSC on HR level in the selected financial organization using case studies.
7. Summarizing the results of performed research with an aim to fulfill main objectives of this dissertation work.

Detailed analysis precedes the fulfillment of main goal of the dissertation work. Analysis shall comprise of research on theoretical and practical approach too. Theoretical approach includes critical research of given topic based upon the study of literature. Research is focuses on reasons of the BSC method origination, benefits of the principle or more precisely obstacles and risks of the implementation. Perspective of learning and growth and its meaning in area of human resources management or more precisely advantages of non financial benchmarks i. e. KPIs on HR level at reaching company's competitiveness is to be described in detail. Moreover, process of human resources management in chosen organization in business sphere and in financial sector which apply BSC method on HR level is described.

Research of implemented processes in selected organizations in area of human resources even key benchmarks indicators of performance are to be identified. Results will serve as a one of the basic support to find out possibilities to research BSC on HR level application in financial sector.

Analysis of human resources management i. e. influencing factors the HR processes in financial sector is worked out based upon questionnaires of employees' opinions and structured interviews with managers of selected financial organizations.

Results of analysis are to be transferred into the proposal the methodology of BSC application in area of human resources which is to be connected with long-term goals of organization.

Implementation of proposed procedures in area of human resources management should lead not only to increase of financial organization performance but methodology should support productivity and motivation of employees or more precisely reinforce company's culture in organization. Strategy map serves as basis for proposal and setting of HR measures and indicators' system of performance for organizations in financial sector.

The process of solving the dissertation work is depicted in the following scheme (Fig. 5).

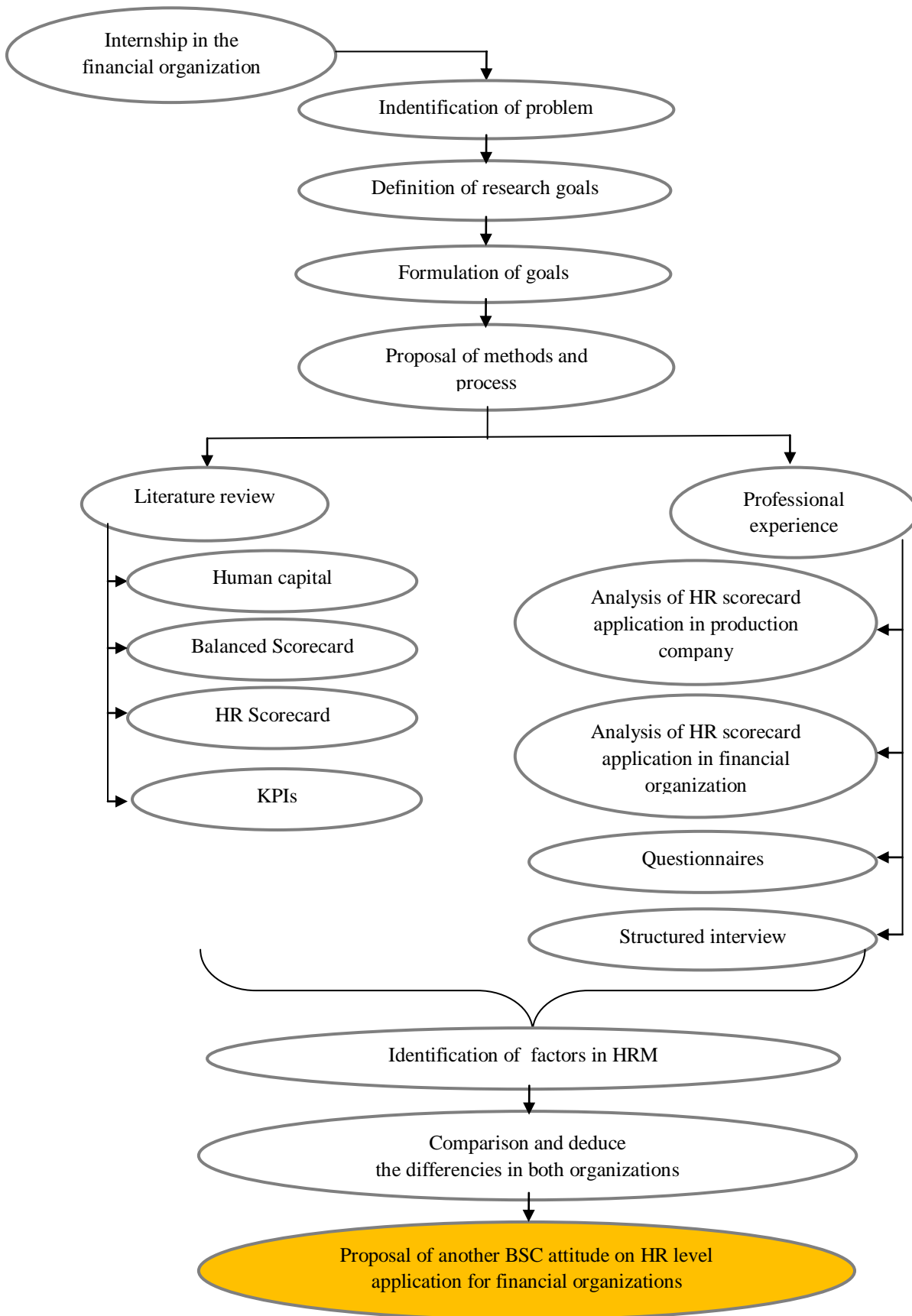


Fig. 5 Process of solving the dissertation work
 Source: Own development

3 METHODOLOGY

To fulfill and confirm given researched questions require applying of various methodological approaches.

In order to reach defined goal, it is inevitable to use different methods of scientific research. **The method of direct observation** is applied to compare possibilities of BSC application in business and financial sphere. This method is focused on research and consequent analysis of processes in human resources management in practice in defined areas. Author expresses opinion that correctly set systems in human resources management contribute to proper leading of human capital based upon the comparison by **deductive method** and referring to **professional HR experience** in business practice. One of the assisting tools to support researched questions is **collection of primary data** by means of own empiric research carried out by questionnaires for employees and by structured interviews with managers in financial organizations. Questions in questionnaire are formulated to fulfill criteria of validity, information value so that the results can significantly contribute to achievement of defined intention within the empiric research. Results analysis of employees' questionnaires and structured interviews require using **quantitative approach** due to analysis of causal relations among individual variables. At the same time **qualitative research** is applied to understand and interpret results. The goal of employees' questionnaires is analysis of contemporary status of human resources management perception by employees and managers of organizations. Results of the questionnaire should serve as a supportive pillar for the determination the KPIs in area of human resources management.

Next **analysis of variance** was applied in order to discover the impact of the factors on the human resources management.

Simultaneously, **structured interviews** with managers of financial organizations were carried out with aim to identify the factors which significantly influence the human resources management in order to take into consideration BSC on HR level application.

Theoretical research requires applying of **comparison method** or more precisely approaching of theoretical solutions and opinions of experienced scientists in researched area. Moreover, **methods of analysis, induction and deduction** are applied within the frame of **logic methods**. Induction is understood as summary of all partial methodological procedures which lead from evaluation of basic scientific data up to the general scientific conclusions, theories and laws. Deduction represents such logic procedure at which same or less general, possibly partial conclusions relating to individual cases are inferred from general assumptions. Application of these methods relates mainly to

formation and processing of researched phenomena and generalization of gained knowledge based upon which synthesis is carried out and conclusions are deduced. **Abstraction** and **concretization** refer to relation of substance and phenomena. Abstraction means ignoring less important features (from view of solved problem) and separation of essence which is considered to be important at the given moment and for given requirements. Concretization means reverse composing into conditions which have not been considered originally.

Abstraction and concretization is applied for identification of essential factors in financial sector which influence human resources management.

4 MAIN RESULTS OF THE DISSERTATION WORK

It is widely known that organizations implement various tools for increasing their performance i.e. employee's performance worldwide. It means that organization focuses not only on tangible assets but also on intangible assets. Methods for improving company's achievement are applied in various types of organizations e.g. production plants, financial organizations or in public sphere.

Thus **the result** of this dissertation work is a proposal of methodology of BSC concept application on HR level with respecting the HR strategy of the financial organizations. From HR scorecard perspective, the dissertation work is mainly focused on the strategy map and possibility to modify the strategy map and to explore supporting activities within HR department as well. Moreover the result of this work is to provide overview KPIs on HR level which is applied in human resources management.

This chapter presents the main results of this dissertation work and is divided into four sections with the aim to achieve defined partial goals of the research.

In section 4.1 the process of HR scorecard implementation in **production plant** is described and formulated on the basis of author's professional experience. This section is divided into two parts. The essential part of the first section is describing of strategy map and relating HR activities and in second section KPIs on HR level are depicted. Further, the gradual steps of HR scorecard implementation are outlined.

The case study of production plant helped to explain process of implementation of HR scorecard in company of business sector in order to discover and analyze possible differences in financial and business sector related to HR scorecard application.

According to performed analyses section 4.2 the focus is on the factors which remarkably influenced human resources management in financial sector. Next, section 4.3 is concentrated on the proposal of methodology of BSC application on HR level for financial sector according to conducted research.

Chapter 4.4 provides register of used key performance indicators on HR level. In order to fulfill defined main goal section 5 characterizes process of implementation of HR scorecard in **financial sphere** and provides modified strategy map, activities and KPIs on HR level based upon the research and author's HR professional experience.

The final section gives answers on research questions presented within this dissertation work and summary of the results with the aim to presents better possibilities of the human capital usage by the modern method of BSC in financial organizations.

4.1 Process of the HR scorecard implementation in production plant

The goal of the following section is to identify the gradual process of HR scorecard application in manufacturing company of business sector. Case study should help to demonstrate the differences between BSC on HR level application in entrepreneurial and in financial sector.

The implementation of HR scorecard in the production plant with a foreign stakeholder, accepted country's local specifics but need to be aligned with overall corporate strategy. *Need to implement corporate strategy – yes or no?* That's the question which is handled by the local top management of the production plant in daily work. From author's point of view when corporate top managers create strategy without respecting what local leaders think and sometimes approved decisions are not practical and useful for all daughters' companies. Local management considers corporate mission, vision and guidelines as an essential part of the corporate policy as every employee should be aware of the fact why we are here, where we are going, what is our target, how we want to get there and what road leads to the goals. Corporate colleagues define what has to be reached in the scope of the corporate strategy and specify a required result of the key performance indicators – it means same target for each company. Sometimes it is hard to attain needed results of key performance indicators, because companies perform in different environment e. g. situation in labour market in Slovakia is distinctly different in comparison to conditions in Romania's labour market. Further, in order to reach the synergies and consecutively to reach decreasing costs, headquarter insists on completing all projects with this goal. However their strategic decisions can tie down local companies into one uniform and they do not respect local conditions and local requirements. Headquarter requires to be flexible, to be low cost company or to have productivity per one employee on the lowest level but it sometimes happens that their requirements cannot pass due to local law conditions. And no one of the managers affords to break local law rules in order to fulfill corporate strategy. In generally, corporate strategy should determine the direction where we are going or what company's objectives are, but corporate top leaders should give "free hands" to local management to reach planned goals. This basic rule in the implementation of corporate strategy is visibly demonstrated in the time of

worldwide crisis. Production plant has to react flexibly on the big deviation in the market in order to avoid restructuring processes or in worse case closing the factory. Based on author's experience an immediate local flexible concept of the plant is the most effective tool to prevent consequences of the crisis.

The plant accepted a corporate strategy during HR scorecard implementation but local top leaders took into the consideration local conditions as well in order to set the principle in proper and required level.

The creation and implementation of BSC on HR level in the production company is based upon competitive advantages of organization as flexibility in case of undertrained time, employer's reliability, values of organization and corporate culture.

Before company started with gradual implementation of BSC on HR level, responsible person i. e. project leader for implementation was defined by plant manager. In this case it was a person from Human resources department.

HR generalist in cooperation with plant manager and HR manager organized kick – off meeting i. e. workshop in cooperation with external expert for all top leaders from the plant. The aim of the meeting was to introduce and present tool for leading human capital to all managers on one hand and on the other hand to inform company's management about the intention of the organization to implement new management system to measure human resources. Further, the business leaders were educated how this method can help to improve results in their area of responsibility e. g. in production or quality management.

One point of the meeting's agenda was to define responsible core team for implementation.

Responsible persons were divided into three groups:

- 1) steering committee – HR manager and Plant manager
- 2) project leader – HR generalist
- 3) project team members e.g. Production specialist, ESH manager or Quality expert

The task of steering committee was to strongly support the whole process of implementation, to have clear idea what they want to reach by implementing the tool.

The task of the project leader was not only to coordinate team but perform hard work within the process of implementation as well. Project leader was in deep touch with all members of the team, collected strategic information and had comprehensive understanding of the BSC implementation. Project team members served as advisors because they had detailed information about their

area of responsibility and knew how this method can sustain their processes e. g. Production manager. Management also assented with executives that team accountable to implementation for HR scorecard will also include a person who monitors the whole process of the implementation. For this purpose “the controller” for monitoring the implementation of method was assistant to plant manager. At the end of two days’ workshop, managers determined required result of the implementation, it means to have implemented HR scorecard with KPIs on HR level according to defined work packages and timetable. All tasks needed for implementing Balanced Scorecard on human resources level are recorded in the table.

All tasks needed for implementing BSC on human resources level were recorded in the table 1. Work packages marked *in italics* and with “x” were identified as the critical tasks during implementation of the method.

5.0		Tasks for HR scorecard "controller"		monthly																			
5.1		Documentation and reporting		monthly																			
5.2		Monitoring and status		monthly																			
5.3		Identify and monitor time-critical interactions to other projects. Implement countermeasures where necessary		monthly																			

After kick-off meeting with managers, project leader got together with own core team where he kept informed other members of the team about the intention of management and results of the senior executive team workshop. Simultaneously, all team members were informed about HR strategic and operational goals and its impact on human resources management and company's performance. Further, they came to agreement and decided who will be the designated owner of individual work packages.

Useful aids for completing the tasks was to summarize all information on the vision of market and organization for a defined period, on its mission and preparation of SWOT analysis, i.e. analysis of strengths, weakness, opportunities and threats of the organization on HR level with the aim defined strategy within human resources management.

During the creation of strategy, the important role is played by the management which took into the account even the cultural identity which is deeply rooted in each of us and under no circumstances should be underestimated. The concept of a new HR strategy included even the components supporting the company's culture which was transferred into the new rules and directives.

According to HR, strategy management made agreement and defined four strategic goals in area of human resources management as follows:

1) Preferred Employer.

The background of this HR goal is to be employer of the first choice and to develop established employer's value for potentials employees. The reason why this targets are chosen is to attract and to retain the young potential with technical e.g. chemical, engineering or electrotechnical specialization which are necessary for further company's development not only for core business but for research and development as well. The HR measures reaching the attractiveness of the employer are:

- Employer branding
- Recruiting process for graduates
- Great place to work

These three forwarding activities are tightly interconnected and include binding program for students, close cooperation with key universities, fostering the ambassador program, innovation of the online recruiting tools – eRecruiting. Binding activity is focused on establishing the internship for students and ambassador program is a project in which employees – top leaders or experts in given area e.g. in quality management or in industrial engineering – perform active workshops with students or lecture at the key universities and organize

plant tours in order to spread theoretical knowledge of students. The aim of the ambassador program is firstly, strengthen the brand of employer and secondly, to motivate students to employ i.e. to increase awareness of possible job opportunities in the organization.

2) *Leadership & High Performance Culture.*

The way how managers lead their own team is becoming important part not only in company's culture but at the same time it steers higher employee's performance. Quality leadership of top leaders is significant "component" of non-financial motivation of the employees. Actions need to be taken to support leadership and high performance culture:

- 1) Human Resources Development
- 2) Learning Factory

Human Resources Development presents managing, tracking and developing of human capital i. e. human potential on each level, employee's growth. The tool involves: yearly employee dialogue and planning of individual yearly goals. Yearly employee dialogue is not only an annual discussion about employee's performance in respective year but it serves as a career planning tool that helps the executives to manage the personal development and path career of employee. The tool provides all necessary information about individual succession planning of employee, next development measures and review of the potential, which means that the manager has opportunity to evaluate the capabilities and competences of each employee. By reviewing employee's potential, manager can find out who can be an internal lector or mentor in internal "company academy." One part of the employee dialogue is to define the most suitable successor for each position. All information gained from employees dialogues serve as a solid structured base for further HR purposes e.g. to define high potentials, experts or successor for managerial position. Next vital part of the tool is agreement of individual goals between employee and supervisor which are directly connected to a business target. This is also connected to the fact that companies use determination of individual goals for employees in the full range in order to reach strategic company goals.

HRD is directly connected to Learning Factory which includes the employee's training, further personnel development i.e. employee's growth.

3) *Cost effectiveness.*

4) *"Automatization" of HR operational work.*

Defined HR strategic goals influence, support and help to reach defined long-term goals of organization. Defined areas also have impact on the financial

goals i. e. strategy targets of organization and have to be respected during the creation of strategy map.

4.1.1 Strategy map on HR level

According to defined strategic goals on HR level the strategy map was created by core team. Members of team translated defined HR strategic goals into the strategy map in order to become strategic partner of the executive board. To fulfill this aim it was needed to define HR activities which support and develop flexibility of HR processes, it means to react properly in possible changes in production. The strategy map is divided into four perspectives of Balanced Scorecard tool; however, it is concentrated only on human resources area. At the same time, a strategy map shows even individual mutual interconnections among individual supportive HR activities which are directed to reaching HR strategic goals of organization. Further the strategy map was created based upon the company's business strategy and mission – **“Quality without compromise”**, HR mission statement **“To catch, to engage and to retain the uni que key factor – HUMAN CAPITAL”** and on the several following plant's principles:

- 1) *Team work*. Everyone of us contributes to target the fulfillment of our team i. e. organization by professional approach.
- 2) *Decreasing of the costs*. By professional approach employees effectively use materials and machines.
- 3) *Excellent processes*. Employees are responsible for processes set and organized optimally. We continuously support idea management.
- 4) *High – quality of products*. The customer will come back, not the products.

According to defined principles which served as core stone for building the strategy map there are defined HR measures from *learning & growth perspective* focused on following areas:

- 1) **talent management,**
- 2) **sickness,**
- 3) **accident,**
- 4) **multiprofession** and
- 5) **recruitment and retention of talents.**

All defined activities are considered as key drivers within HR strategy. Talents recruitment and high performance employees' retention play one of key roles in increase of the organization's performance. Proper setting of talent management policy and tightly connected multiprofession support high-

performance culture of company. At the same time, decreasing of sickness and accident rate are not only for supporting cost effectiveness but employees also benefit from it by implementing the supporting tool within social framework.

The *internal perspective* includes projects on HR level which support leading of employees:

- 1) **online HR tools,**
- 2) **employee survey,**
- 3) **internal flexibility,**
- 4) **safety personal data,**
- 5) **health and work environment.**

At the same time, activities provide support not only to employees but also to management. By establishing these projects within internal perspective it had make sense what can be confirmed by the following example: health and work environment motivates employees to higher performance and by accomplishing this tool, the organization decreases the costs for implementing the innovation in health and safety area.

In the strategy map employee represents a customer within *customer perspective*. It means that HR department play two key roles:

1) **quality services to core department,** in this case to production department e. g. if it is possible to avoid typically HR paperwork necessary to fulfill tasks required by HR staffs.

2) **quality service to all employees** in order to satisfy employee's requirements and to become service department within organization.

Historically *financial perspective* introduces the most watched item in HR scorecard. To fulfill required and defined results, it is inevitable not only to reach required level of work costs by HR activities implementation within the frame of other perspectives but simultaneously change mindset of employees in company, if it is necessary. Philosophy also includes an idea that investing to employees' education and supporting of innovations will bring required results in financial sector.

According to HR strategic objectives and all HR activities in each perspective the strategy map in the production plant was built up and is presented in the next figure 6.

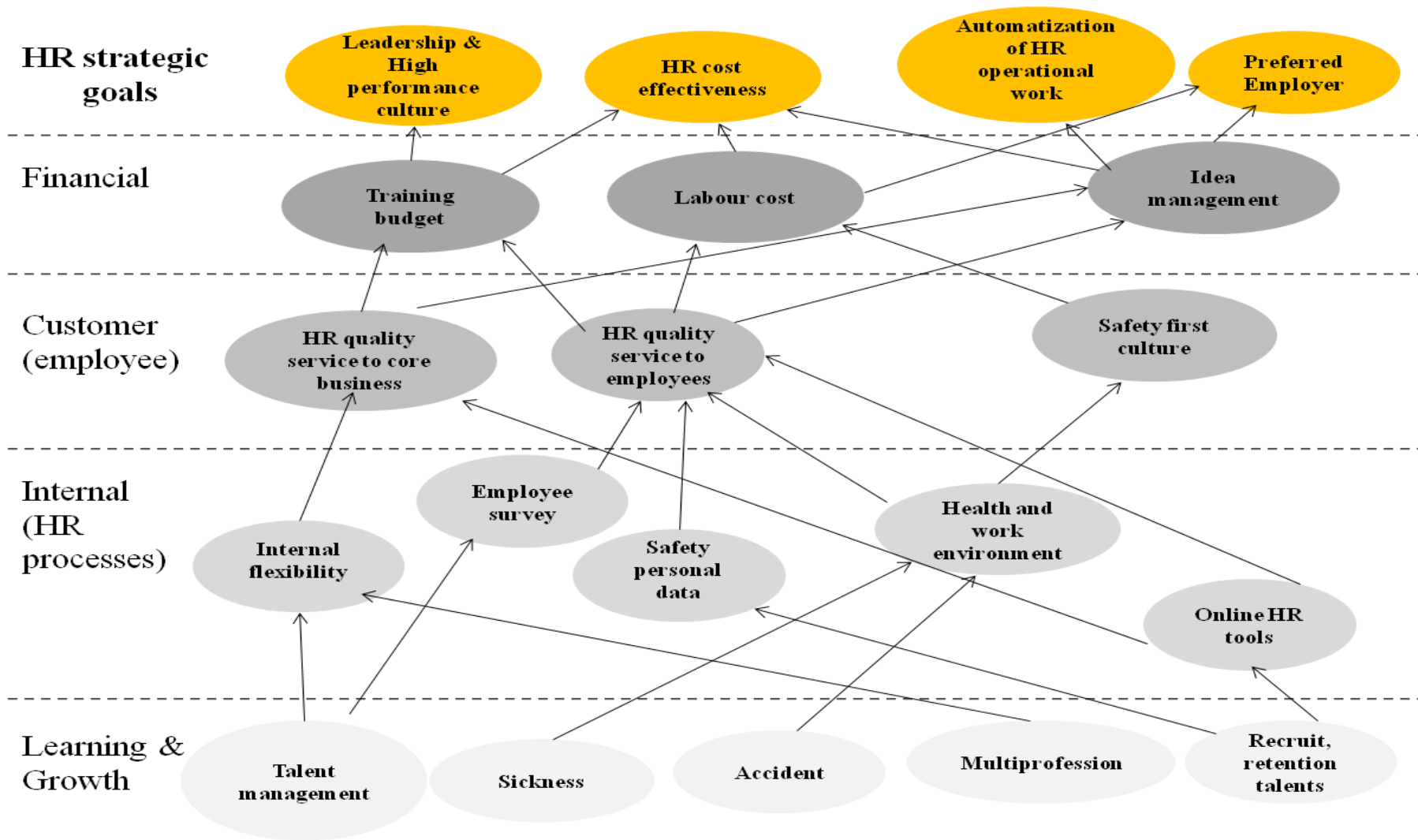


Fig. 6 Strategy map on HR level in the production company
 Source: Plant documentation

The strategy map was proposed and constructed according to study in company. Also author's HR professional experience were used to judge well-founded manager's opinion and review if it is possible to apply it in HRM. All supported targets defined in the L&G perspective are directly linked to the next partial HR goals in each perspective.

Strategy map in L&G perspective is divided into two parts. First part i. e. talent management, multiprofession, recruit and retention talents is tightly connected to knowledge orientated organization and support process of continuous training on the one hand and it brings other benefits as effective leadership on the other hand. All above mentioned partial targets are directly linked to the training system in the organization. Total training process in organization should serve as an individual motivation tool for employees as part of retention system and should be adjusted to the organization needs, mission, and strategy. Simultaneously, it should respect following area:

- Customer orientation
- Communication and promotion of sharing the organization values
- Strengthen of the internal relations
- Internal communication
- Teamwork

Second part of the strategy map is focused not only on the decreasing the labour costs but also on programs with aim to prevent employees' health. There are also further business benefits:

- Healthier and more motivated workforce
- Improved productivity
- Enhanced reputation as a good employer (recruiting)
- Raised profile among clients and stakeholders (retention)
- Contribute to the health of the wider community (Corporate social responsibility)

Every partial goal i.e. projects in each perspective should involve the action measures which sustain HR processes and thus enable to reach the strategic goals. Table 2 depicts necessary steps to do and perform to define strategic targets.

Table 2 Overview of support HR activities for reaching HR targets in production plant

Source: Plant documentation

Perspectives	Strategic topic	Partial goals	Support HR activities
LEARNING AND GROWTH	To build up qualified and skilled leaders	Talent management	<ul style="list-style-type: none"> • yearly employee dialogue • cooperation with key universities • internal “company academy” • evaluation of training activity (qualification index) • continuous education of the business leaders by providing training programs • international assignments
		Sickness and Accident	<ul style="list-style-type: none"> • health’s week • mental health program • recovery stays • financial contribution
		Multiprofession	<ul style="list-style-type: none"> • determination of key posts • talent project • yearly employee dialogue • job rotation project
		Recruitment, retention of talents	<ul style="list-style-type: none"> • cooperation with key universities • ambassadors program • job fairs • using social media • trainee program • cross-moves program

INTERNAL (HR PROCESSES)	To implement systems supporting higher performance of employees	Internal flexibility	<ul style="list-style-type: none"> • job rotation within company • internal lectures
		Employee survey	<ul style="list-style-type: none"> • to place online version • “branding of the survey”
		Safety personal data	<ul style="list-style-type: none"> • implementation of the system
		Health and work environment	<ul style="list-style-type: none"> • implementation of Mental Health Program • implementation of Stress Control Program • implementation of hotline
		Online HR tools	<ul style="list-style-type: none"> • to research the possibilities to use the HR online tools • to verify the “speed” of the tools
CUSTOMER (EMPLOYEE)	To build up more qualified HR services	HR quality service to core department	<ul style="list-style-type: none"> • to implement “flexible” HR systems
		HR quality service to employees	<ul style="list-style-type: none"> • to implement “flexible” HR systems
		Safety first culture	<ul style="list-style-type: none"> • to implement system supporting safety in the organization
FINANCIAL	To be more competitive in financial - cost area	Training budget	<ul style="list-style-type: none"> • keeping the approved budget
		Labour cost	<ul style="list-style-type: none"> • keeping the approved budget
		Idea management	<ul style="list-style-type: none"> • achieving defined goals • non-monetary system

4.1.2 Key performance indicators in production company

KPIs in company production are defined according to HR strategic goals and HR strategy map with aim to contribute to overall targets of the plant on one hand and to strengthen and enhance i. e. to develop the human capital on the other hand.

During the implementation core team assigned to each HR targets respective KPIs. Each driver has different reporting and specifying target for each year depending on HR strategy. When a KPI is not achieved, consequently “Root Cause Analysis” is worked out in order to determine the root cause of the deviation with the aim to answer the question: “What are the main reasons for not achieving the KPI target?”

For strategic goal **Preferred Employer** company applies these KPIs:

- 1) *Hiring indicator*
- 2) *Recruiting Cycle Time*
- 3) *Unforced Fluctuation Index*
- 4) *Great place to work*

Part of labor cost is formed from costs which are linked to the fluctuation of employees. To manage these costs it is necessary to measure 1) *Unforced Fluctuation Rate* which indicates the retention of human capital and demonstrates working environment, the leadership capability or the company’s culture. The goal of HR strategy is to become attractive and preferred employer for potential employees. In order to measure effectiveness of invested funds, HR KPI Scorecard should cover below mentioned indicators. 2) *Hiring indicator* provides information whether company recruits competent and qualified people and whether the qualification match required job description given by a company. Next important KPI is 3) *Recruiting Cycle Time* which presents how long does it take to fill the job position in organization. The indicator 4) *Great place to work* provides information how is organization ranked by external people (potential employees).

To keep **High performance in a trusting Culture and Leadership** on required and competitive level, company applies following KPIs:

- 1) *Performed Employee Dialogue*
- 2) *Number of qualified successors on key positions*
- 3) *Diversity index*

Performed Employee Dialogue presents ratio of completed employee dialogues for all employees. Next to this KPI is deeply linked with *Number of qualified successor* because manager and employee accountable to evaluate performance and capabilities associated with tasks, goal and development during

dialogue. *Diversity* is an important success factor for company's future and involves many areas of actions, such as developing, motivating and retaining people in the globalization era.

HR managers take into account the optimization of labor cost i. e. to keep **Cost Competitiveness** globally and locally. To fulfill this target company uses **1) Labor Cost Indicator** which measures labor cost per employee in order to maintain a competitive cost structure. Second indicator which reduces labor cost is **2) Sickness Rate** and **3) Accident Rate** which are directly connected to employees' absence. The results of the above mentioned indicators show in which period of the year the employees got ill and thus it creates the possibility for employer to take precautionary measures to keep employees fit. (e.g. providing the vitamins for employees,...). In nowadays, trend in multinational companies is to lease employees for certain period. The reason why plants use this form of employment is to stay flexible and competitive in this time of uncertainty e.g. when customer's demand for products is rapidly decreasing. For this purpose company includes in their HR scorecard **4) Leasing Index** as an indicator for flexibility of the workforce.

Besides all HR activities necessary part of HR strategy is to provide quality HR service what means to deliver the most efficient HR services which support core business of organization. Further, it covers administrative HR processes for the most effective delivery of HR operational work i. e. required time, quality and cost. HR should be presented not only as a strategic partner but also as quickly adaptable and flexible for immediate task to remain competitive.

Further, HR department should "serve" as an efficient service in order to achieve business targets. HR quality service is deeply linked to last HR strategy goal "**Automatization**" of **HR Operational Work** and using the information technology in HR management.

To measure organization's intention within strategic goal Automatic HR Operational Work, these KPIs are introduced to the practice:

- 1) Average response time for routine HR inquiries,**
- 2) Cost savings for HR IT tools,**
- 3) Improving the quality of the work.**

The setting of appropriate KPIs on HR level is not so easy and sometimes it can take longer as the management presents. Top leaders should take into account all organization aspects it means financial situation, market position and also the vision of the company. The base for setting proper KPIs is formulating the strategy map and understanding the consequences between human resources management and significant company's targets.

4.2 Factors influencing human resources management in financial organizations

On the basis of described case study in production plant, human resources management focuses, besides HR cost management, mainly on leadership capabilities and multiprofession of own employees.

In order to explore what plays key role within HR processes in financial organizations one of the goals of the research was to explore **the factors** which significantly influence the human resources management in financial sector.

Furthermore, results from research will be taken into consideration when proposal of BSC implementation on HR level will be created.

During the research the author applied the combination of two methods to fulfill the partial goal of the research, i.e. structured interview and questionnaire. The structured one-on-one interview provided a direct contact with a respondent, the highest returnability and the possibility to get closer to the researched area. The interviews were performed during Q1 of 2011 in the organizations of the financial sector in the Czech Republic. Before starting the interview process each manager was contacted by telephone with the aim to present detailed information about prepared survey and to schedule the date of. The interviews were carried out with thirty managers from the financial organizations which employ 45 plus employees and at the same time managers who had willingness to conduct the interview. The average time of structured interview duration was about 45 minutes. The goal of the interview was to identify factors that influence human resources management, possibility of sustaining and implementing the Balanced Scorecard on human resources level in the financial organizations. The sample of selected top leaders i. e. the name and contact information was chosen according to organization's web pages. The target group of the respondents included many areas of responsibilities with the view on the human resources management from different perspectives. The professional qualifications of the interviewed managers were financial loans, mortgage, financial deposit, public relations and last but not least human resources (Fig. 7). The author did not take into consideration variables as; age, sex, education as it did not play any significant role regarding the goal of the research.

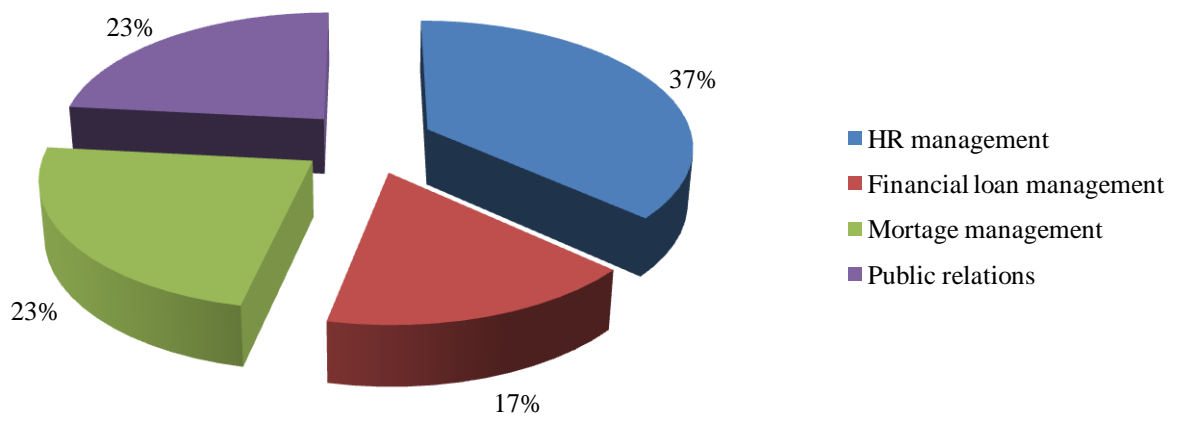


Fig. 7 Overview of respondent's responsibility area

Source: Own development

The process of performing interview is illustrated in the figure 8.

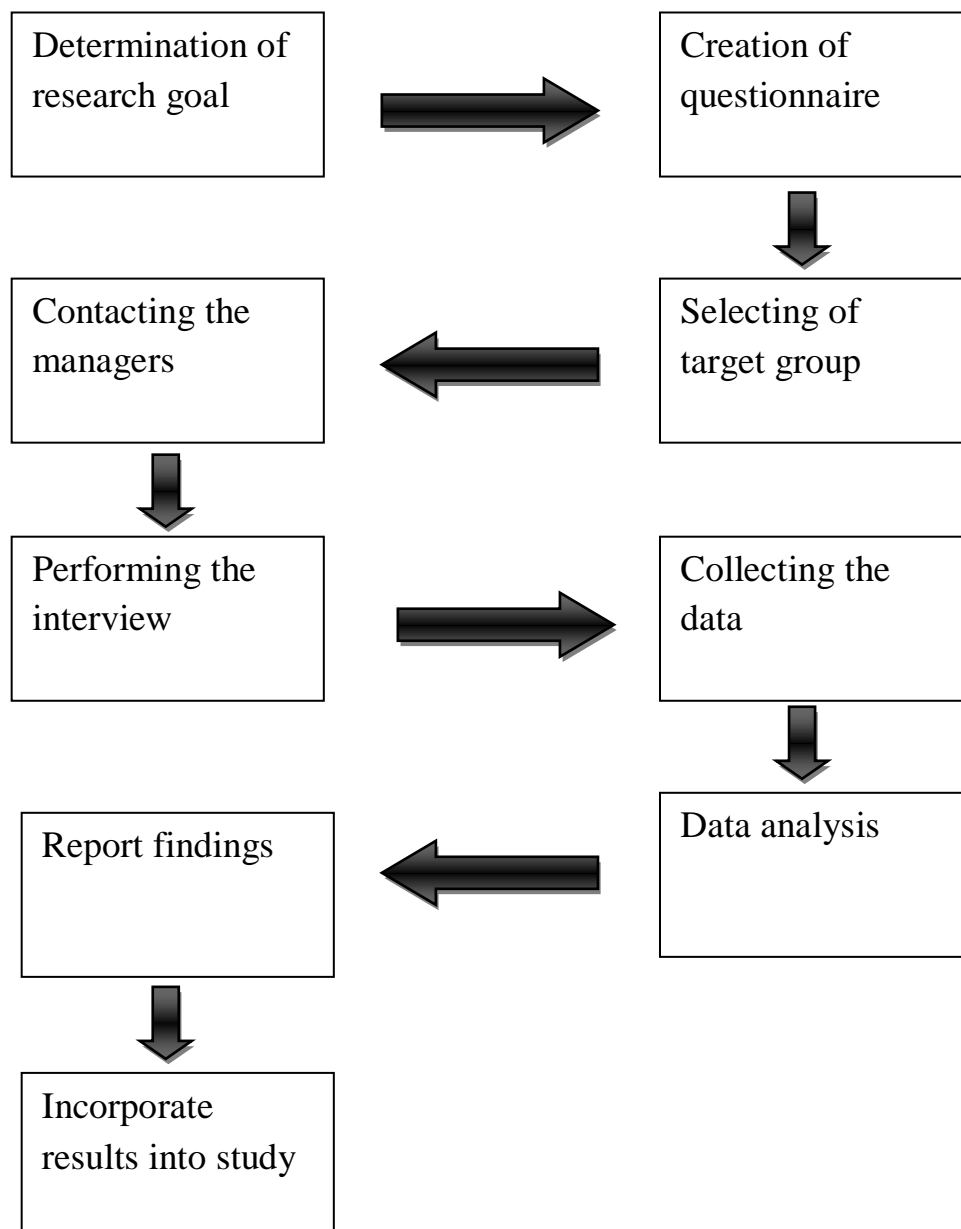


Fig. 8 Step by step process for performing interviews

Source: Own development

Before the creation of the questionnaire itself, the author clearly defined a basic and principal idea of research: **“Human resources management and Balanced Scorecard in human resources level in the financial sector”**.

The definition of the goal was a basic condition to create questionnaire for a structured interview. The questions in the questionnaire prepared for a structured interview were formulated in order to provide validity, information value and thus contributed to the accomplishment of the defined goal. The questions were prepared with the aim to find out exact and complete findings of the information relating to the given researched questions. The author respected clear principles

for the creation of the questions as: simplicity, clarity, structure and clear arrangement. There were two types of the questions in the questionnaire: questions with given answers to be selected and questions of open type.

Questionnaire and related questions were divided into these two areas:

- 1) **Factors which mainly influence human resources management in the financial sector.** Factors in the questionnaire were formulated based on the author's professional experience in the human resources area in the entrepreneurial sector and were divided into two groups: external factors and internal ones. External and internal factors are shown in table 3.

Table 3 Overview of factors influencing on HRM in financial organizations

Source: Own development

External factors
Financial markets development
Current situation in labour market
Change of legislation
Demographical development
Development of macroeconomic indicators
Possible changes in demand for services
Internal factors
Human resources policy
Internal communication
Personal development
HR as a strategic partner
Knowledge of strategic goals
Qualification structure of employees
Idea management in HR area
Measurement and improving of processes in HR
Commitment and leadership abilities of managers
Trainings
Corporate culture
Employee's commitment
Wage policy

2) **BSC in human resources management in financial organizations.** The questions in this area concerned the level of HR scorecard method implementation and strategic goals in the individual perspectives on the level of the human resources. This results help to demonstrate and get the picture about HR scorecard application in financial organizations and are presented in section 4.3. Next, the answers from managers serve as a crucial point for suggestion of methodology of BSC application for financial sector.

During the structured interviews managers evaluated given factors and assigned to the each factors value on the scale 0 – 5 where 5 means influences HRM in financial organizations the most.

In the following part of the section, the results of performed research relating to influencing factors within financial organizations are presented and illustrated with the aim to fulfill defined partial goal of dissertation work.

Based on the method of **descriptive statistics**, basic features of the collection data – external and internal factors are described (table 4 and table 5).

Meaningful features for further researching are highlighted in orange colour.

For example researched factor *financial market development* was evaluated by mean value **2,5** with standard deviation 0,7 it means that majority values were in intervals between figures **1,8** and **3,2**. Minimum value of evaluation was 1 and maximum 4.

Table 4 Basic description of external factors

Source: Own development

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Financial_markets_development	30	2.5167	.72497	.13236	2.2460	2.7874	1.00	4.00
Development_of_macro-economic_indicators	30	4.5123	1.22990	.22455	3.6074	4.5259	1.00	5.00
Change_of_legislation	30	4.3333	1.46059	.26667	2.6879	3.7787	1.00	4.50
Current_situation_in_labour_market	30	3.5500	.92242	.16841	3.2056	3.8944	2.00	5.00
Demographical_development	30	4.2533	1.42444	.26007	2.8514	3.9152	1.00	5.00
Possible_changes_in_demand_for_services	30	4.9246	.85836	.15671	4.2461	4.8872	2.00	5.00
Total	180	4.0150	1.29621	.09661	3.3621	3.7434	1.00	5.00

Table 5 Basic description of internal factors

Source: Own development

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Knowledge_of_strategic_goals	30	4.1167	.69087	.12613	3.8587	4.3746	2.00	4.50
Measurement_and_improving_of_processes_in_HR	30	2.5333	.93218	.17019	2.2519	2.9481	2.00	5.00
Internal_communication	30	1.8933	1.29679	.23676	1.4358	2.4042	1.00	5.00
Corporate_culture	30	2.8500	.44978	.08212	2.7654	3.1013	2.00	4.00
HR_as_a_strategic_partner	30	1.9211	1.04219	.19028	1.5042	2.2825	1.00	5.00
Idea_management_in_HR_area	30	2.3333	1.60459	.29296	1.7342	2.9325	.00	5.00
Employee's_commitment	30	2.9333	1.04345	.19051	2.4604	3.2396	1.00	3.50
Commitment_and_leadership_abilities_of_managers	30	2.5833	1.02498	.18713	2.1506	2.9161	1.00	5.00
Human_resources_policy	30	1.8501	1.28888	.23532	1.5687	2.5313	1.00	5.00
Wage_policy	30	3.6667	.88409	.16141	3.3365	3.9968	2.00	5.00
Trainings	30	2.6002	.55837	.10194	2.3748	2.7918	2.00	5.00
Personal_development	30	4.1500	1.21165	.22122	3.6976	4.6024	2.00	5.00
Qualification_structure_of_employees	30	2.0511	.82158	.15000	1.5432	2.1568	1.00	4.00
Total	390	2.7294	1.27756	.06469	2.6020	2.8564	.00	5.00

For further analyzing of researched data the **analysis of variance (ANOVA)** was applied for further evaluation whether given external and internal factors have influence on human resources management in the financial sector. In hypothesis testing, the significance level was $\alpha=0,05$.

The analysis of results was based on evaluation the external factors i. e. internal factors as two independent groups.

The value of test statistic was reached by creating tables 6 and 7 in the following way:

Sum of Squares between groups was calculated as a sum of differences of group average from whole mean.

$$S_A = \sum (M_i - M_{..})$$

Sum of Squares within groups was calculated as a sum of differences concrete scores and means relating to them.

$$S_E = \sum_{i=1}^r \sum_{j=1}^{n_i} (X_{ij} - M_i.)$$

where “r” represents count of choices and “ni” represents count of respondents (ni =30).

Sum of Squares Total is sum of *Sum of Squares between groups* and *Sum of Squares within groups*

The values in second column represent:

- a) *df Between Groups* means number of influencing external factors (6) deducted by number 1 which is given by algorithm of calculation.
- b) *df Within Groups* is a result of deduction number of external factors (6) from total number of values i. e. 180 (30 managers x 6 external factors).

Next phase of analysis was to define hypothesis in order to reach partial target of dissertation work.

The hypotheses were stated as follows:

H0: Each evaluated factor within group **has not impact** on human resources management in financial sector.

H1: Each evaluated factor within group **has impact** on human resources management in financial sector.

Hypotheses are valid for external and internal group and evaluated separately.

After the performed calculation the following results were explored

The results are outlined in tables 6 and 7, **column Sig.**

Table 6 Impact of external factors on human resources area

Source: Own development

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	74.890	5	14.978	11.539	.000
Within Groups	225.858	174	1.298		
Total	300.749	179			

Table 7 Impact of internal factors on human resources area

Source: Own development

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	230.990	12	19.249	17.966	.000
Within Groups	403.917	377	1.071		
Total	634.907	389			

For validation purposes the hypothesis's result in column **Sig.** is significant for research because according to p-value (Sig.) which is lower than the significance level (0,05), the hypothesis H0 is rejected with 95 % probability -

it means all external factors and internal factors impact the human resources processes in financial sector.

To evaluate the extent of an influence of each external i. e. internal factors within human resources management in financial sector the statistics method **Mean** was used.

The results are outlined in table 4 and 5, column Mean. On the basis of tables the figures 9 and 10 were drawn. It depicts the level of impact the external and internal factors on the human resources processes.

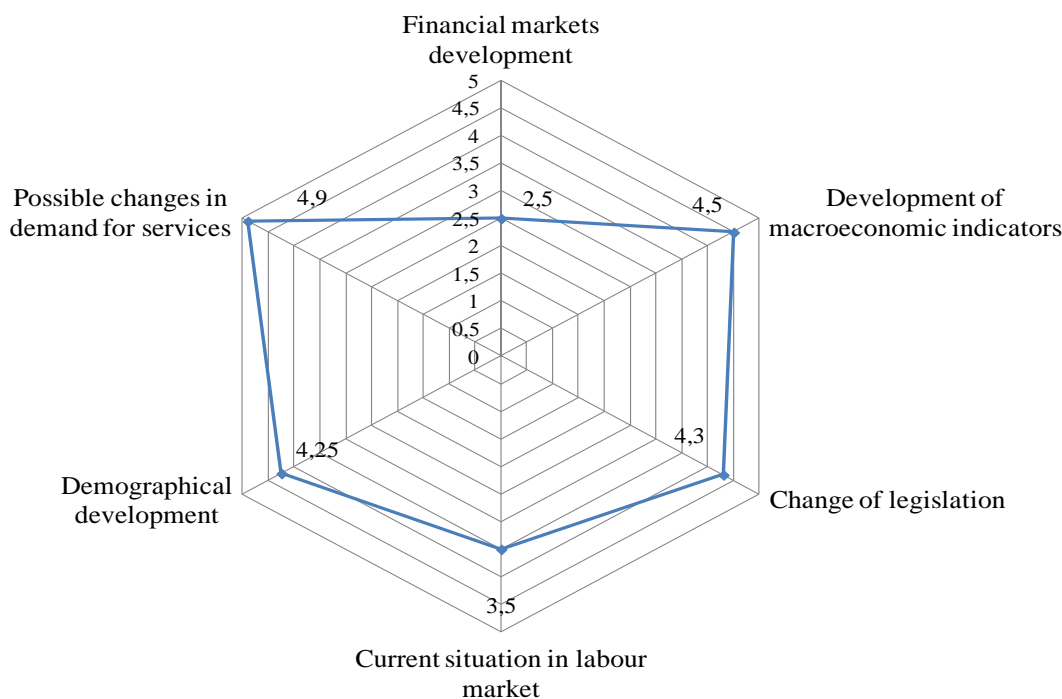


Fig. 9 External factors influencing human resources management
Source: Own development

External factors (Fig. 9) influence the organization as one whole and only in the exceptional cases they can be influenced by the organization. There can appear various types of external factors; it depends on the fact in which region the organization is located (e. g. wage level or yearly wage increasing in the region). The graph displays that possible changes in demand for services of the financial institution have the biggest influence on the human resources management in the financial sector and development of the macroeconomic indicators within the country. In case that the demand for the services falls down in the organization either in the form of decreasing number of the clients or non-use of credit services what is directly linked to the financial turnover of the organization, it can lead to restructuring i. e. decreasing the number of the

employees. Simultaneously, it can even have a negative impact on the financial motivation of the employees and decreased performance of the employees or more precisely of the whole company. Please note, organization cannot support the personal development i. e. continuous training of employees what can lead to non completion of defined targets in human resources management but on the corporate level as well.

External factor development of macroeconomic indicators as e.g. increased unemployment can have impact on the human resources management in positive or in negative way and depending on the fact if there are applicants for a new job position in the market of labour and work force with a required qualification and professional skills suitable for given organization or not. Following author's own experience in the area of human resources, the employers try to keep highly-qualified professionals in the company even for the price of their over motivation. Furthermore, development of indicators such as inflation rate or average salary have impact on wage policy because they should be taken into consideration during the reevaluating of the salary tariffs in the beginning of the year. As the research confirms, development in the financial markets has not the biggest impact on human resources area. In author's point of view this factor plays significance role in possible human resources changes because investment into financial operations is decreasing in the times of uncertainty. The side effect can lead to implement either temporary work or employees are redundant due to decreasing demand for financial services and this is tightly connected with two previous factors. Financial institutions should react on this situation flexibly by setting up human policy in proper way, which means with an aim to avoid cutting the headcount.

The unemployment, one of the macroeconomic indicators, where organization is located, is closely related to another external factor, i.e. current situation in the market of labour and workforce which is considered to be one of the important external factors by the managers. As it is mentioned above, it is important to know the distribution of the labour market for human resources manager, it means what kind of professional background the unemployed has. The management of the human resources is significantly influenced by demographical development as foreign migration, age structure of men and women, % men and women in productive age in long – term planning of workforce. All these factors should be taken into consideration by managers of human resources not only for succession planning but for the organization of personal policy itself. One more external factor - change of legislation either in the form of Labour Code amendment or the acts in the area of social insurance is in the author's opinion deemed to have bigger impact on the financial perspective (increasing of labour costs) of the organization than on the area of personal management itself e.g. in the case of increase of social contributions or

the sum of redundancy payment from the employer's side. Regarding this factor, the author points out a narrow connection among external factors relating to the legislation amendment, development in the financial market and decrease of demand for financial services and restructuring of the company connected with it.

On the other hand, internal factors, depicted in Fig. 10, impact on running of the organization in all areas. Alongside with this, management of the company can steer the influence of internal factors to the benefit of the organization. Organization can include internal factors into its overall strategy and thus support the development of organization in a desired direction. According to the answers of managers, personal development of the employee is influenced by the human resources management the most due to many reasons: personal development as one of the non-financial motivations of the employee not only supports its performance but simultaneously it can even influence reaching of strategic goals of the company. The graph also shows that second factor which is considered to be important by the managers is the knowledge of the strategic goals. There is an observed mutual interconnection between these two factors. One tool for supporting the employee's growth and informing employee on strategic goals of organization is employee dialogue. It should be conducted minimum once per year. Direct superior and employee should evaluate not only the performance of employee during the dialogue but should focus on trainings necessary for performing the job and to set partial individual goals directly linked to strategic targets in human resources area. Based upon the experience from human resources it is possible to assume that wage policy or loyalty of the employees is significantly influenced by personal management in the area of the financial sector. Wage policy directly influences financial part of human resources budget and personal manager should take into account two perspectives during budget planning. Firstly, to keep defined budget limit by senior executive manager in order to stay competitive in the financial market. Secondly, budget should include the items which support financial and non – financial motivation of employees and it is tightly linked to employees' commitment. It is surprising that company's culture and internal communication connected with it and rules of the personal policy or managing skills of the managers are the factors which influence the personal policy the most in the financial sector because in the author's opinion, company's culture is one of the basic pillars of the organization which supports not only human resources management but even the running of the company as a whole because correctly set company culture represents one of the competitive advantages in the market of labour and work force and can help in the time of crisis e. g. when it is necessary to communicate with employees in case of unpopular decision by senior executives management. The improvement of the processes e.g.

implementing of HR online tools and their consequent measurement in the area of human resources are considered to be important by the managers because continual process of the improvement in the human resources area is comprehended by the managers as not only the help to the internal customers i.e. other departments but simultaneously it is also perceived as a supportive pillar of the core business of the organization. From an author's point of view, financial organizations should pay attention to implementing and measuring the HR online systems which support services for external customer and thus make the work for clients easier during the handling of common issues and also the organizations are more available to the wider community.

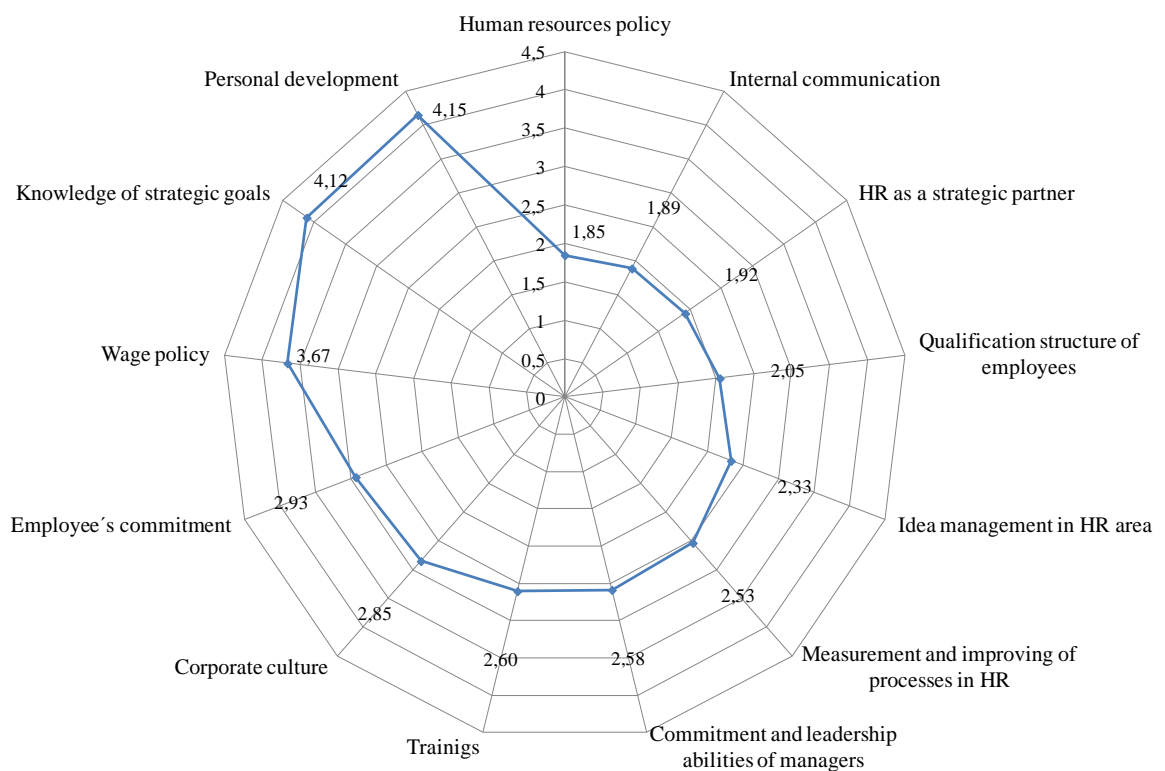


Fig. 10 Internal factors influencing human resources management

Source: Own development

4.3 Proposal of methodology of BSC application for the financial sector

This chapter focuses on presenting the proposal of methodology of BSC application in the financial sector with the aim to lead human capital in right way and to fulfill strategic targets of the organizations as a result of performed research. Suggested methodology comes out from performed researches in financial organizations and author’s experience was applied too.

According to structured interviews with managers of financial organization the process of HR scorecard implementation is **very similar** in comparison to an introduction of this tool to a business sector.

Following table 8 presents major sequences of the BSC implementation on the human resources level in financial sector.

Table 8 Display of sequences for BSC implementation

Source: Own development

1 st step	Information campaign Research of financial market, customers SWOT analysis
2 nd step	Definition of mission, strategy, values Definition of strategic targets Definition of targets in each BSC perspective
3 rd step	Preparation of strategy map Evaluation of strategy map Definition of KPI and required values
4 th step	Continuous reporting and monitoring

Due to the fact that BSC application is very alike to leaders **remarked** that financial organization should keep an eye on it and more focus on the following two areas more precisely during the implementation this concept:

- 1) *Customer orientation,*
- 2) *Personal data protection.*

Customer orientation means all human resources activities focus on employees which sustain client’s requirements in order to perform win-win situation. It’s a group of actions defined in customer orientation strategy and necessary taken by human resources manager e. g. in area of training with the

aim to support client service. From author's point of view the satisfied customer behaves as a satisfied employee. It means **customer satisfaction = customer commitment and customer retention**.

Financial organizations daily handle sensitive personal data of customers and information leak can cause loss of customer's trust, which has an impact on overall financial organization's performance i. e. on financial results as well.

Moreover according to the structured interviews with top leaders for successful management of the human capital with the aim to reach defined strategic goals in the financial sector, managers recommend to split customer perspective on **external** and **internal customer** with aim to strengthen mutual cooperation among individual departments with target to satisfy external client who plays a key role for further development of the company in the area of the financial services.

An excellent service to external client directly depends on excellent internal collaboration. However, implementation of these two perspectives require support by each manager not only HR manager i. e. senior executive. From author's point of view core stone of successful internal customer application is sharing the information within organization.

Further, taking care of internal customer i. e. employee should be included in individual goals of HR director. Moreover, set HR processes within internal perspective framework in an appropriate way should reflect in external perspective i. e. in customer satisfaction what can be proven by customer retention.

4.4 Key performance indicators on human resources level

Each company i. e. organization needs to measure and evaluate organization's performance. In order to find out level of human capital leading executive team develops, implements and applies winning performance drivers in human resources management.

Therefore the core of this chapter is to bring overview of used key performance indicators in human resources area. At the same time researched list of performance measures helps to demonstrate whether some specifics exist within KPIs framework between business and financial sector.

There are available various sources e. g. web servers or literary¹ which publish registers of sample KPIs in human resources area.

According to study of the literature and author's experience there was a list of KPIs created on HR level **which can be applied in the business or in financial sector** because companies in business sector as well as organizations in financial sector **have similar** HR vision and mission presented an overall umbrella for each HR processes and reflect i. e. influence daily HR work which should be evaluated, analyzed and reported to senior executive team according to KPIs on HR level.

Created list of KPIs are enclosed in appendix of this dissertation work.

KPIs are divided into twelve groups:

- 1) Human resources development
- 2) Human resources service
- 3) Human resources costs
- 4) Internal public relation
- 5) Employer branding
- 6) Retirement
- 7) Salary policy
- 8) Commuting
- 9) Training
- 10) Employee's compensation
- 11) Labour management
- 12) Working environment

1) Human resources development

These KPIs present results about employee's growth, diversity, performance and evaluation. KPIs serve as a good tool for Human resources development process to set the rules how to lead human capital. Also it provides results how employee's career and growth develops and helps to identify employee's potential and satisfaction. The results improve understanding of the role of human resources development within organization on one hand and present one of the critical and crucial point relating to reaching strategic goals on the other hand. For this reason Human resources manager should pay proper and precise attention to developing human capital and its strategy as only Human resources development process can sustain it.

¹ SMITH, J., *The KPI book*. . Stourbridge: Insight Training & Development Limited. ISBN 0-9540259-0-3.

HR experience in business sector.

WWW: <http://kpilibrary.com/categories/hrm>.

WWW: <http://www.smartkpis.com/blog/category/kpis/>.

WWW: <http://www.epmreview.com/KPI-Library.html>.

2) Human resources service

KPIs show the information about HR cost and level of implementation of the operational HR works in general i. e. workload or qualification of HR staffs. There are many responsibilities and roles within HR department that require appropriate qualification and professional experience. By providing HR service on excellent level can lead to decrease of HR cost and support the flexibility of HR processes which are appreciated in the time of uncertainty.

3) Human resources costs

Provide to HR manager status i. e. information about labour costs and main reason for their increasing. Labour costs are usually the most costly part of business running. Tracking these KPIs is very important due to manage the strategic goal – cost effectiveness. Results can help HR manager to set the criteria and measures for establishing competitive level of HR costs what can present one of key advantages of the company on the market.

4) Internal public relation

KPIs serve as an indicator how employees are informed about future strategy or company's results on one hand and results indicate culture within organization on the other hand. It makes up one of the significant parts of the corporate culture because internal communication presents tool for effective business communication towards employees and external customers. At the same time right understanding of the company strategy leads to not only higher performance of employees but it brings required fulfillment of individual tasks as well.

5) Employer branding

Recruitment refers to the process of finding possible candidates for job or function. Organization can benefit from appropriate establishment of recruitment process because it helps to find desirable, right and fitting candidate just in time for right position.

KPIs inform about recruiting of talents, young professional or recruit on shop floor level. Further it provides information how internal flexibility is set and used within company and partly makes a foundation for calculation of the fluctuation rate. These KPIs are part of HR budget for prediction of the cost for Employer Branding.

6) Retirement

KPIs provide information about retirement of employees and also serve as a prediction for next human resources development i. e. planning of the successors. Also results serve as a tool not only for forecasting the salary costs

relating to retirement e.g. severance pay but recruiting costs for finding adequate successor or for using flexible method of employment e. g. part – time job or external provider, if job position allows it as well.

7) Wage policy

Results provide information about wage policy and salary system within company i. e. financial motivation. These results are inherent part during preparing of HR budget, forecasting and wage strategy. Also it serves for evaluating the level of wage within company.

8) Commuting

This group of KPIs presents results how employees commute to the work, their satisfaction i. e. costs and can assist as a base for setting the rules i. e. providing social benefit within social policy of the employer.

9) Training

Training relates to level of the knowledge, skills, and competencies as a result of providing the vocational training to employees. These KPIs are very significant not only for human resources development but give information about employee's satisfaction with level of training as well. By providing the additional training, employees' motivation increases.

10) Employee's compensation

It presents organization's level for compensation in case of e.g. illness of employee. It is a form of social benefit for employees when they are injured or have an accident. KPIs also provide information about amount of the costs which is necessary not only for controlling the costs but also for future forecasting HR costs.

11) Labour management

Workforce management is a tool which helps to lead corporate management by supporting productivity, stability of employees or their commitment. KPIs relate to employee; their performance, vacancy, satisfaction or absence.

12) Working environment

It presents results about environment at the workplace in general as well as the rate of employer by employees. At the same time KPIs present results about level of organization management, corporate social responsibility or outspokenness.

Measurement of human capital value in company is an important constituent part whose results can create total picture on application and effectiveness of invested financial means.

Also Ulrich and Brockbank (2005) appended that strategic contribution accounts for almost half of HR's total influence on business performance.

5 PROCESS OF IMPLEMENTATION BSC SCORECARD ON HR LEVEL IN FINANCIAL ORGANIZATION ABC

The core of this section is to present case study carried out in financial organization **ABC** which significantly helps to fulfill the main objectives of this dissertation work.

Moreover, next chapters within section 5 present results from conducted study related to BSC on HR level application in financial organizations i. e. in area of strategy map, HR measures and KPIs on HR level.

The organization **ABC** was set up in 1996 and it comprises of two organizations units. Headquarters is in the region of Zlin and the branch is located in the capital city Prague. Legal form is cooperative. The organization **ABC** has 117 employees as of May 31, 2102 and mean age is **36 years**. There are working **69 % women** in presented financial organization. **ABC** is entitled within the scope of its business activities to perform activities like: acceptance of deposits from members, credits providing to members, financial leasing for members, payment order, guarantee for credits and loans to members and others. The company has much strength by means of which it is able not only to attract new members but to keep them as well. At present, financial organization has got around seven thousand members and thanks to the above-standard approach for solving the needs of clients, its numbers are increasing. Strengths are mainly qualitative deposit products whose key advantage lies in the high interest accrual and zero fees. Principle based on individual approach to clients and at the same time flexibility of workers which characterized by quick response on various requirements of clients significantly strengthens the position of cooperative in the market. Weaknesses of the cooperative are mainly high costs on deposits and decreasing ability to increase volume of active trades. Products' portfolio is missing standard products and services, which client expects automatically and that can cause a problem with acquiring new clients in the future.

With the aim to provide quality services to clients, senior executive management decided to apply gradually the BSC principle.

During the implementation of BSC on HR level, organization proceeded according to general process of implementation in order to improve not only human resources management but employee's performance as well. Firstly, organization defined clear vision and mission. The vision of organization in HR level is **“excellent leaders, excellent teams and excellent results“**. Organization **ABC** develops the team of HR professionals and experts and

ambassadors of company’s culture. The target of the HR manager is to become strategic adviser, coacher of leaders and employees in area of leadership, motivation and retention of the staffs. The HR mission of financial organization ABC is determined as follows: **“We provide counseling to Leadership team and we help to build up excellent and motivating team with aim to constant development of financial organization with excellent services to clients.”** By fulfilling this mission we support to reach one of the strategic goals: **to provide the best services to our clients and to gain banking license and become bank.** Next, financial organization created own successful business model for reaching all strategic targets depicted in figure 11.

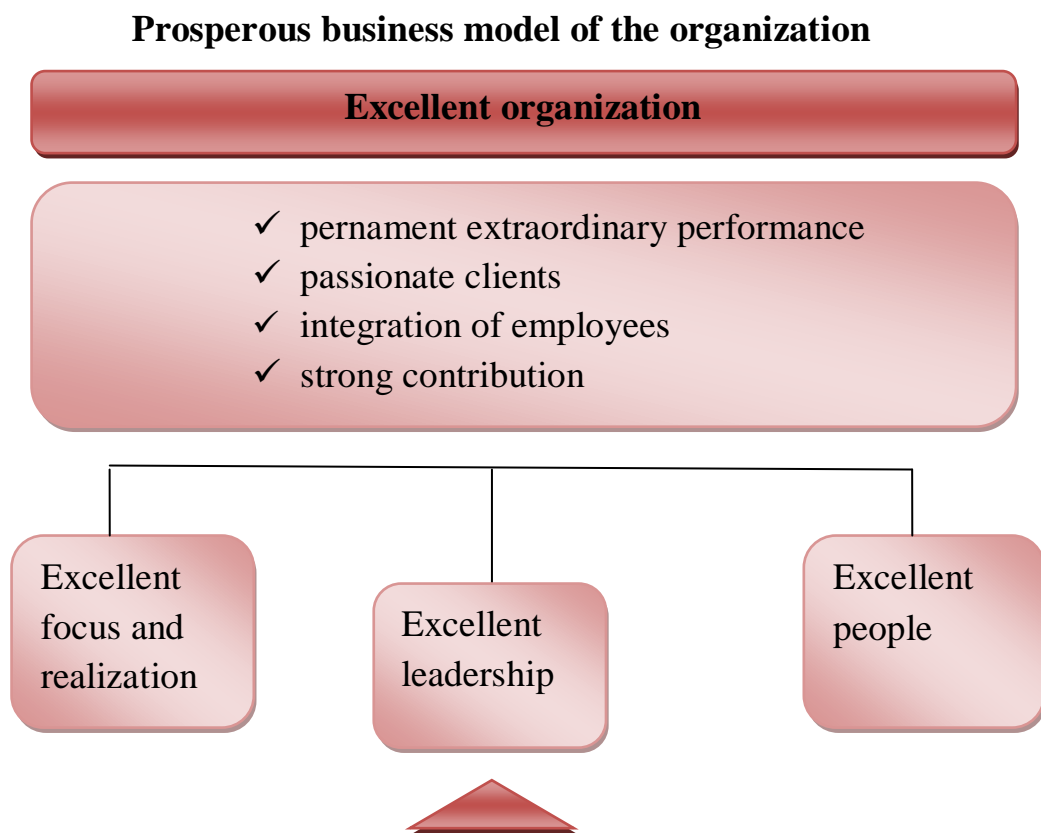


Fig. 11 Prosperous business model of financial organization ABC
Source: Organization documentation

Next, values which draw human resources strategy were defined as follows:

- 1) *I know, I want, I deliver,*
- 2) *Internal communication.*

By sticking to outlined values, organization ABC wants to achieve **efficiency, quality, responsibility and innovation** in all processes (Fig. 12) and also to sustain human resources strategy (Fig. 13).

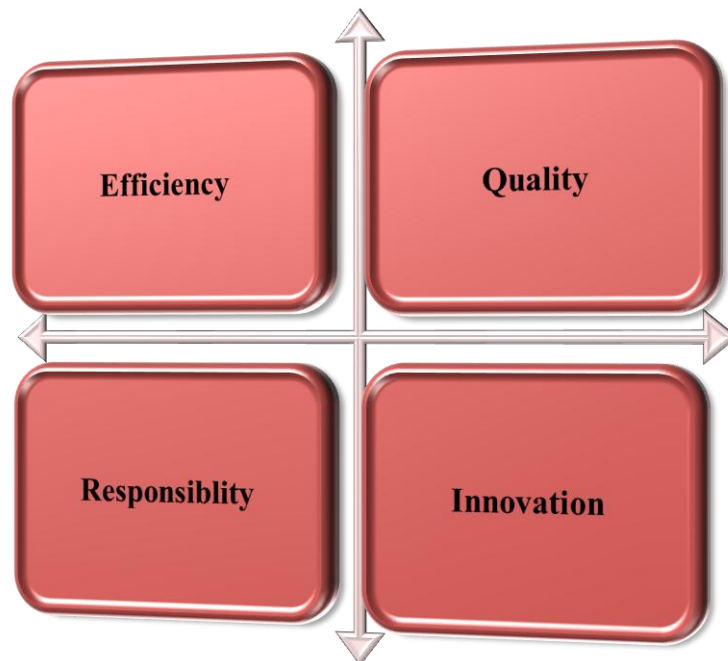


Fig. 12 Strategy principle of financial organization ABC

Source: Organization documentation



Fig. 13 Human resources strategy of researched financial organization

Source: Organization documentation

All the defined standards and principles within HR strategy of ABC organization which consequently supports integration of employees and external clients make the organization to perform highly in respect to the formation of strategic targets.

Top leaders have declared strategic targets for year 2012:

- 1) **To become a bank – to gain the bank license,**
- 2) **To reach the profit in amount of 4 mil. €,**
- 3) **To reach stable organization's growth,**
- 4) **To recruit, retain and develop excellent team,**
- 5) **To set and harmonize the excellent processes across departments and within organization.**

In order to reach the strategic target for 2012, human resources manager as a strategic partner of top management made an agreement and defined following human resources goals:

- 1) *Agenda*
- 2) *Talent hiring*
- 3) *Academy*
- 4) *Excellent HR processes*
- 5) *Risk management*

The goal *Agenda* includes following human resources activities:

- 1) to finish motivation system of remuneration i. e. total reward concept:
 - to set the range of fixed components for each job position
 - to evaluate the variable components for front officers
 - to set the systems of variable components for back officers
 - revision of benefits

The target *Hiring* should sustain expansion and stable growth of the organization:

- recruiting of qualified employees, excellent leaders, experts according to Headcount
- recruiting of employees for branches in Ostrava and in Brno
- improving the recruiting process
 - to train the management in field “How to proceed the interview”
 - Knowledge test, assessment centre and case studies
 - Mandatory control of the referral
- Trainee program: training of the talents i. e. participation of the students in the process within organization by providing the projects, internship or diploma work,...)

The goal *Academy* should sustain development of the leaders according to systematically process of development and coach culture. It should ensure excellent results of organization through the team of excellent people who respect core values of the organization. It includes following human resources measures:

- to set personal development system i. e. clear rules for identification, realization and evaluation of measures and requirements
 - providing the trainings for improving the “hard skills”
 - development of “soft skills” – cross department program
 - leadership program (top management, middle management)
 - language and PC trainings

The objective *Excellent HR processes* present employee cycle which should sustain excellent results of the organization through excellent HR processes. The employee cycle is depicted in figure 14.

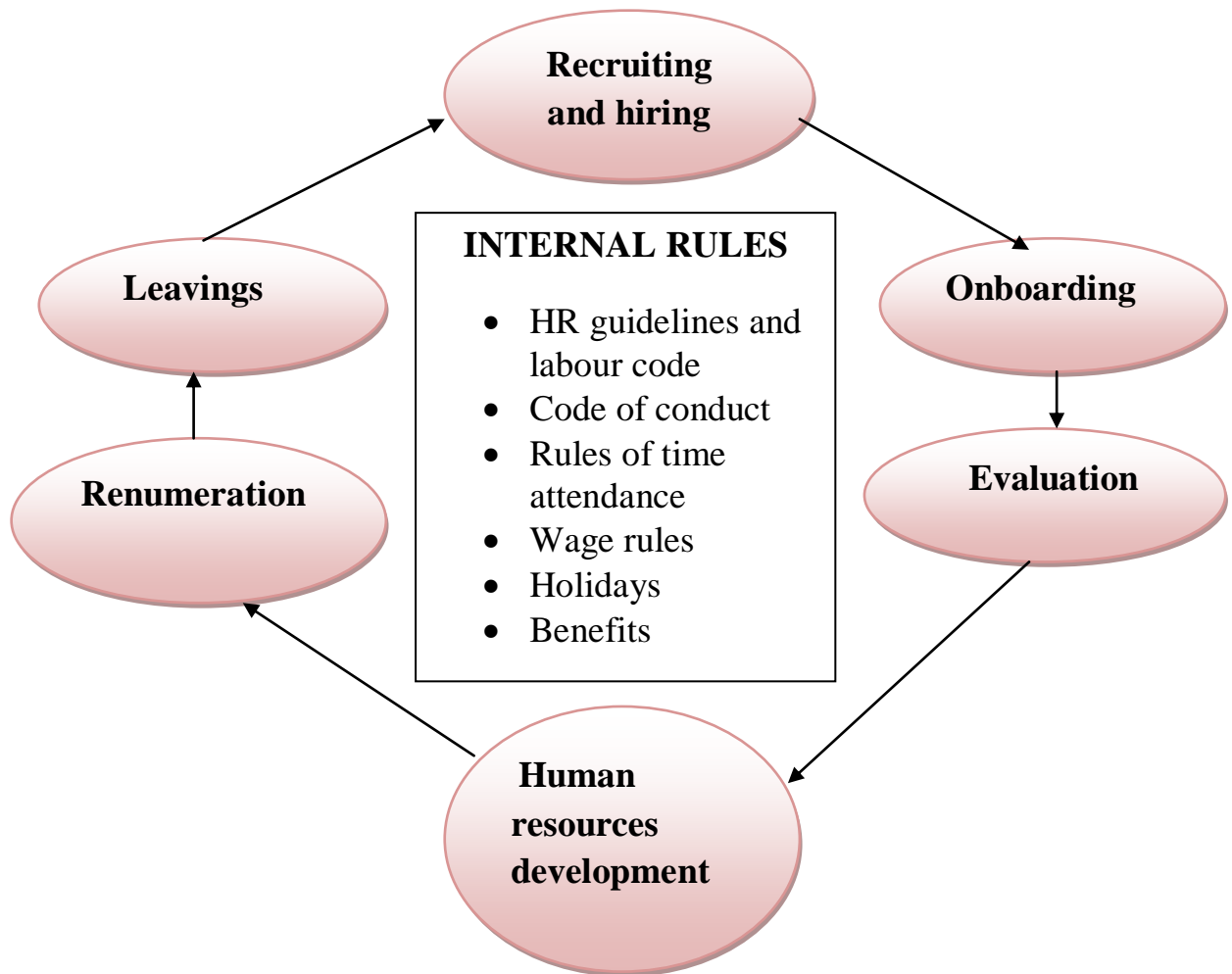


Fig. 14 Employee cycle within human resources strategy of organization ABC
 Source: Organization documentation

The target *Risk management* involves mainly ensuring the harmonization with legislative requirements i. e. Labour code, internal audit, working rules,...)

Further, top management also defined long-term for period 2013 – 2015 targets in area of human resources. Three goals: recruiting of talents, academy and agenda remained same but there is added one new strategic goal i. e. core value of the organization – **employer of the first choice**. This objective includes building of brand of the organization as a preferred employer supported by external and internal HR marketing.

Determination of the factors in financial organization which influence personal management and reviewing the HR strategy in financial organization **ABC** serves as basic pillar for building the strategy map, describing HR activities and defining KPIs on HR level.

5.1 Strategy map and HR activities in the financial organization ABC

BSC method presented by the authors Kaplan and Norton and consequently HR scorecard tool differentiates four basic perspectives: financial, customer, internal and learning and growth perspective which are also used in researched organization **ABC** as well but they use another title of each perspectives – **team, system, customer** and **profit** as it is illustrated in figure 15. The presented strategy map includes partial HR measures in each perspective in order to reach HR strategic goals. Strategy map is featured according to prosperous business model of organization **ABC** and human resources strategy. All defined plans and goals within HR framework are included in presented strategy map.

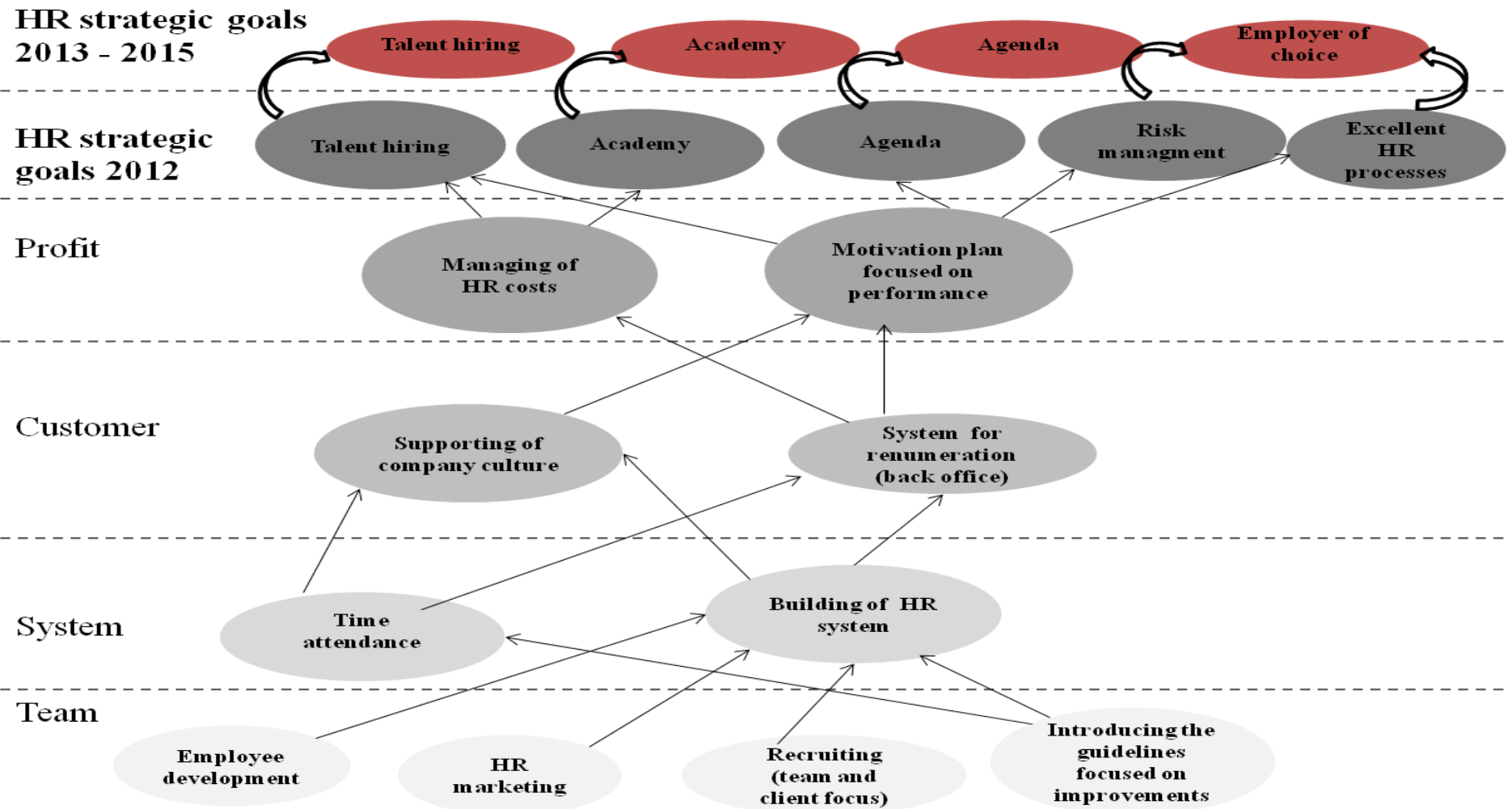


Fig. 15 Strategy map of researched financial organization ABC
 Source: Organization documentation

In order to create value for the financial organization **ABC** in area of human resources and completely the HR scorecard application, it is necessary to perform human resources activities. The table 9 presents supporting HR activities according to defined strategy map used in organization **ABC**.

Table 9 Supporting HR activities in each perspective according to strategy map

Source: Organization documentation

Perspectives	Strategic topics	Partial goals	Support HR activities
TEAM	To build up and develop quality team	Employee development	<ul style="list-style-type: none"> • to implement professional and individual employee development • individual and organization plan of development • to implement coach culture • employee survey
		HR marketing	<ul style="list-style-type: none"> • to implement HR marketing plan and Employer of choice • branding of the organization as an Employer of choice • cooperation with key universities, lectures, WS,... • internship program
		Recruiting (team and client focus)	<ul style="list-style-type: none"> • training for management about recruiting and hiring system • advertisements • direct contact • cooperation with personal agency
		Introducing the guidelines focused on improvements	<ul style="list-style-type: none"> • performing the survey with the motto: "What we need to improve for developing."
SYSTEM	To implement process management	Time attendance	<ul style="list-style-type: none"> • control of reports from time attendance system • monthly evaluation
		Building HR system	<ul style="list-style-type: none"> • HR system: implementing till June 2012/running till December 2012

CUSTOMER	To increase quality of service by unique attitude and to develop client's portfolio	Supporting of company culture	<ul style="list-style-type: none"> • implementing of Code of conduct • supporting of organization's values
		System for remuneration (back office)	<ul style="list-style-type: none"> • implementing of internal rules for remuneration • non-financial remuneration system
PROFIT	To increase the values of the organization	Managing of HR costs	<ul style="list-style-type: none"> • keeping of the approved budget
		Motivation plan focused on performance	<ul style="list-style-type: none"> • keeping of the approved budget • implementation of motivation system in order to fulfill plan – required performance and long term prosperity of the organization

Based upon the conducted research with managers in financial organizations and author's HR experience in business sector the modified strategy map were constructed (Fig. 16).

Author adjusted applied strategy map of organization **ABC** and suggest following proposal: **team, system, internal customer perspective, external customer and profit perspective**; strategy map was modified by another perspective and further, researched factors which within HRM are outlined too.

When the strategy map was suggested two areas – **Customer orientation** and **Personal data protection** – were taking account. Customer orientation is reflected into HR partial goals of internal i. e. external customer. Project personal data protection is included in HR measure building of HR system.

According to manager's in financial organizations opinion, each perspective gives more truthful picture of human resources which are more precisely connected to human resources strategy activities in the financial organizations. At the same time researched external and internal factors and their impact on each perspective are taking into account too.

Defined partial goals on HR level have impact on the financial goals of the organization and consequently, a strategy map is created in connection to the strategic goals of the organization and offers "total picture" L&G perspective integrating financial reporting, HR guidelines, culture or employee's education with the aim to stay ahead competition. Presented system model on HR level represents plans within HRM focused not only on human capital but even on

external customer. At the same time it presents inseparable part of overall organization's strategy map.

Strategy map is divided into five perspectives of Balanced Scorecard tool; however, *it is only concentrated on human resources area in order to sustain and develop human capital on the one hand and reach the company's targets on the other hand.*

Simultaneously, a strategy map even shows individual mutual interconnections among individual partial targets which are directed to reaching strategic goals of the organization and researched influencing internal factors. All five perspectives have partial human resources objectives which are mutually associated and create one completed tool for reaching business strategy. The significance of the HR scorecard i. e. modified HR strategy map for the organization is given by following example.

In the financial sector one of the strategic goals on human resources level is to be an employer of the first choice. One of the tools to reach the goal is recruiting of employees in team perspective with the focus on team spirit and client orientation. Human resources policy, as one of the researched internal factor, if it is set properly sustains not only the hiring of excellent leaders, highly motivated employees or high potentials but even the it has impact on employee's performance because it supports recruiting just in time. Together with it, hiring process in the system perspective has to be clearly defined and during the implementation of this guideline strategic goals have to be understood and HR online tools can be developed in order to improve human resources processes. Consecutively it supports internal customer orientation i.e. strengthening the employee cycle and interpersonal relations.

Based upon the results of the questionnaire, managers expressed that criterion for a successful implementation of internal customer perspective is correctly accomplishing the rules within internal communication and corporate policy which emphasize e. g. regular performing of employees' survey. Simultaneously, managers state that employees' survey is one of the tools which serve as a basic pillar to support internal communication. In the managers' opinions, the interval to execute employees' survey is each two years. In the author's view, it is not suitable to perform employee survey each two years because it is not only short time to implement proposed action measures which result from the questionnaire (e.g. change of wage system) but employees can be tired of filling the questionnaires frequently. In the author's opinion it is adequate to execute employee survey each three years. Human resources tool – employees' cycle is also influenced by personal development i.e. by providing effective trainings by employer what sustain e. g. multiprofession of employees.

Successfully implemented internal customer perspective influences external one, it means employees orientated on customer. What concerns external perspective, based upon the research, especially communication skills of the employees are the most influential for solving the problems e.g. critical situations what impacts on “win – win” situation between client and employee. Furthermore, their professional knowledge from given area to render information to the clients. Finally, in profit perspective it supports motivation plan which is focused on employee’s performance e.g. the higher number of successful financial deals the higher premium (financial or non-financial) the employee will get. This perspective is directly influenced by wage policy and employee’s commitment. Finally according to previous statements, the organization can reach one of the HR long-term strategic goals of the company and that is **employer of the first choice**.

Moreover figure 17 presents **extract** of overall modified strategy map in detail with the aim to clarify the impact HR processes including factors on **employee’s performance** in each perspective as well.

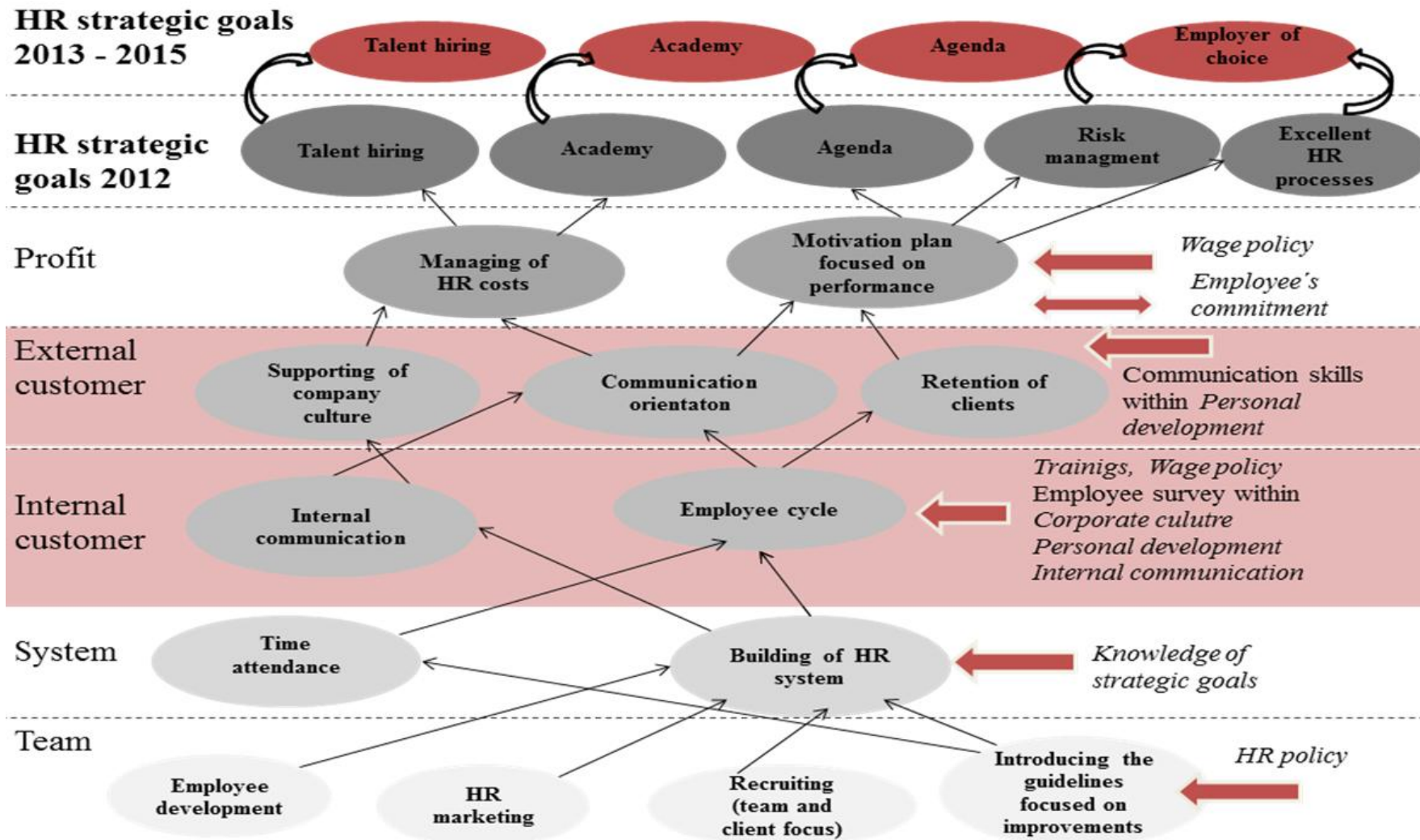


Fig. 16 Proposal of modified strategy map with HR partial targets and influencing researched factors in each perspective
 Source: Own development

Perspectives of strategy map *Factors on HR level* *Employee's performance* *Activities on HR level* *HR long – term strategic goals*

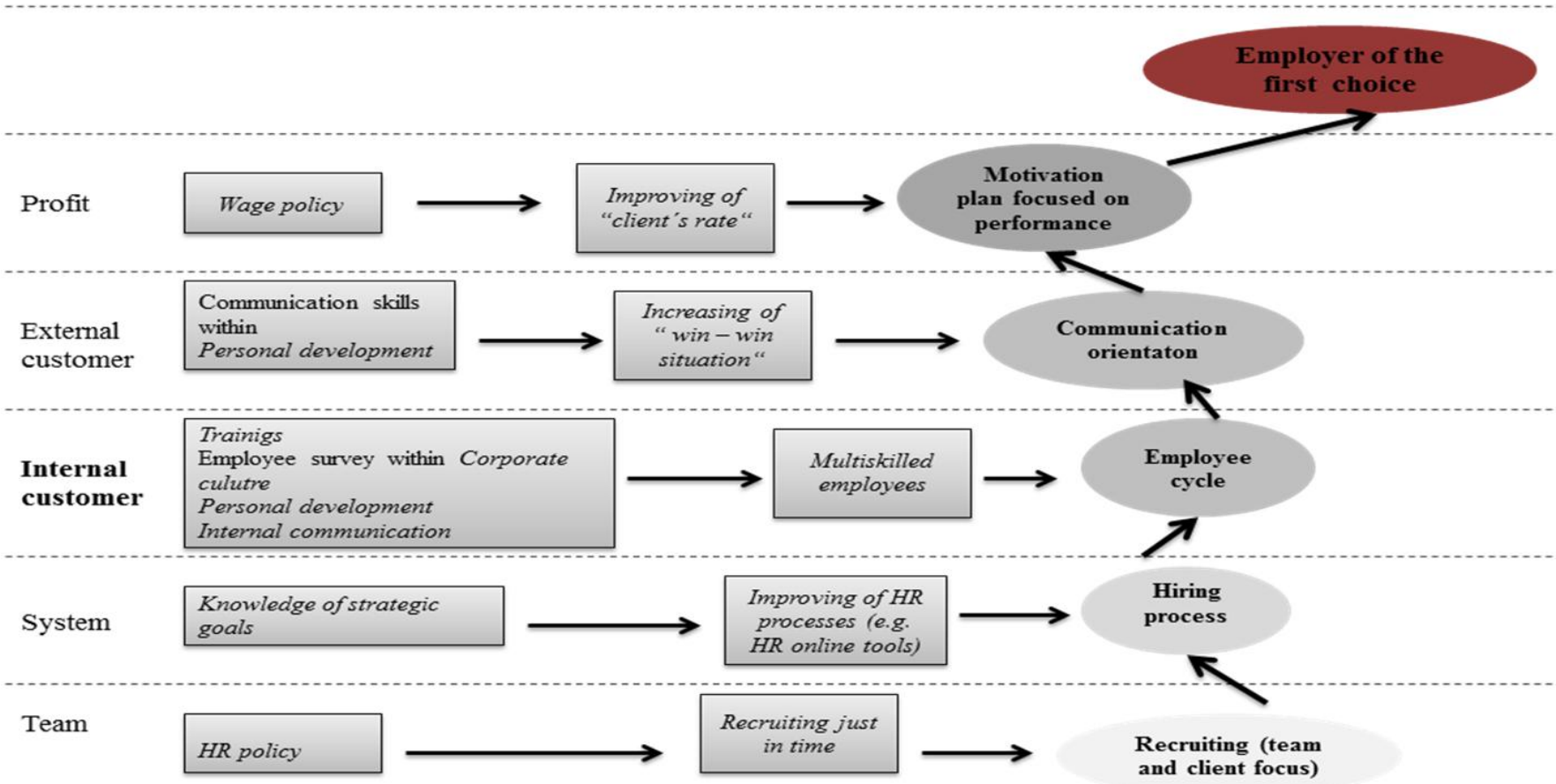


Fig. 17 Extract from overall modified strategy map with HR partial targets and influencing researched factors i. e. impact on employee's performance in each perspective

Source: Own development

Following proposal of modified strategy map, table 10 presents supporting HR activities in each perspective on HR level with the aim to reach sustainable competitive advantage based upon the conducted research. At the same time author's professional experience were applied too.

Table 10 Supporting HR activities in each perspective according to modified strategy map on HR level

Source: Own development

Perspectives	Strategic topics	Partial goals	Support HR activities
TEAM	To build up and develop quality team	Employee development	<ul style="list-style-type: none"> • to implement professional and individual employee development • individual and organization plan of development • to implement coach culture • employee survey
		HR marketing	<ul style="list-style-type: none"> • to implement HR marketing plan and become Employer of choice • branding of the organization as an Employer of choice • cooperation with key universities, lectures, WS,... • internship program
		Recruiting (team and client focus)	<ul style="list-style-type: none"> • training for management about recruiting and hiring system • advertisements • direct contact • cooperation with personal agency
		Introducing the guidelines focused on improvements	<ul style="list-style-type: none"> • performing the survey with the motto: "What we need to improve for developing."

SYSTEM	To implement process management	Time attendance	<ul style="list-style-type: none"> • control of reports from time attendance system • monthly evaluation
		Building HR system	<ul style="list-style-type: none"> • HR system: implementing till June 2012/running till December 2012
INTERNAL CUSTOMER	To strengthen a mutual cooperation among individual departments	Internal communication	<ul style="list-style-type: none"> • individual trainings • team building activities
		Employee cycle	<ul style="list-style-type: none"> • recruiting and hiring • adaptation and evaluation • human resources development • remuneration • leavings
EXTERNAL CUSTOMER	To improve quality of provided services by excellent attitude and to develop client's portfolio	Supporting of company culture	<ul style="list-style-type: none"> • support of the organization's values • implementation of Code of Conduct • internal and external PR services
		Communication orientation	<ul style="list-style-type: none"> • implementation of communication standards
		Retention of clients	<ul style="list-style-type: none"> • implementation of communication standards • trainings of hard skills
PROFIT	To increase the values of the organization	Managing of HR costs	<ul style="list-style-type: none"> • keeping of the approved budget
		Motivation plan focused on performance	<ul style="list-style-type: none"> • keeping of the approved budget • implementation of motivation system in order to fulfill plan – required performance and long term prosperity of the organization

5.2 Key performance indicators in financial organization ABC

Determination of KPIs as one of the last phases of implementation of HR scorecard and has to be linked to all partial goals within the strategy map.

Table 11 points out overview of **lagging** and **leading** KPIs applied on human resources level in financial organization ABC according to used strategy map. KPIs relate to the objectives from strategy map and are designed in order to reach the organization's long term approach. Splitting the KPIs on lagging and leading are based on the impact on HR key processes in the organization.

Table 11 Overview of KPIs used in organization ABC

Source: Organization documentation

Objectives	Lagging KPIs	Leading KPIs
P1 – Managing of HR costs	<ul style="list-style-type: none"> • Salary costs of all organization • Department salary costs • Sickness 	
P2 – Motivation plan		• Status of implementation the system
C1 – Supporting of company culture	• % of positive feedback from	
C2 – System for remuneration (back office)	survey	• Status of implementation the system
S1 – Time attendance	• % of employees who record the time attendance in proper way	
S2 – Building HR system		• Status of implementation the system

T1 – Employee development	<ul style="list-style-type: none"> • % of performed employee dialogue • % of completed development plan 	<ul style="list-style-type: none"> • Status of implementation the system • Status of fulfillment the plan of development in all departments • Status of fulfillment the plan of branding the organization as a Employer of choice • Status of fulfillment of headcount
T2 – HR marketing	<ul style="list-style-type: none"> • % of accepted job offers 	<ul style="list-style-type: none"> plan • Average time to fulfill the position • The most effective sources of
T3 – Recruiting (team and client focus)		<ul style="list-style-type: none"> successful applicants • Status of implementation the system and connecting to the evaluation
T4 – Introducing the guidelines focused on improvements		<ul style="list-style-type: none"> (improving of the team) • % fulfillment the action measures

The measurement of the chosen KPIs has own importance which can be proved by results of the performed research within financial organization **ABC**.

One of the tools to verify the relevance of KPIs evaluation was the collection of primary data by means of own empiric research carried out by questionnaire for the employees of the organization **ABC** in the financial sector. The start-up of online questionnaire research required meeting with the employees of a personal department. The goal of the meeting is to rearrange a questionnaire into the required form so it corresponds to the requirements of scientific research on one hand and to reach a defined goal on the other hand. The consultation with personal managers brings many benefits as it leads to the elimination or more precisely to the addition of some questions which are relevant from the point of defined goal.

The employees' survey was performed in period starting 14th June 2010 and ending 28th June 2010 in the financial organization **ABC** in Czech Republic and the goal of the employees' survey was the analysis of a contemporary status of perception of human resources management by the employees in the organization of the financial sector. At the same time, the research was intended to find out problem areas of human resources management in the financial sector. In order to reach a defined goal, the processing of questionnaire research required the application of several methods of scientific research. The return of the questionnaire was 88,35 % and the questionnaires were delivered to all employees of the organization in the financial sector. The research also included managers of the organization on all levels.

Questionnaire was divided into the areas as follows:

- Cooperation with my direct superior – questions from this area referred to the direct supervisor and mutual collaboration between superior and employees.
- Employee's growth – questions from this area related to possibilities of career growth, trainings and improving qualification.
- Strategy of our department – questions that related to the long-term goals and orientation of employee's department.
- Cooperation and working performance of the department – questions related to department where employees work, working environment, handling with the problems, teamwork.
- Cooperation with other department – questions referred to all departments the employees cooperate with on a regular basis in the course of your daily tasks.
- Human resources management – questions related to level of personal policy of organization, corporate culture.
- Wages – questions referred to salary policy, performance rewarding, bonuses.
- Commitment to the company – questions referred to employee's commitment to organization.
- Company's management – questions related to level of managing of the organization, corporate social responsibility, outspokenness.

Processing and evaluation of the results based upon the on-line survey research is carried out by means of spreadsheet. Following sample of selected graphs presents and proves the importance of measuring selected KPIs by senior executive management in financial organization **ABC**.

One area of questions included questions orientated on the team cooperation within the department and among departments. The aim of the questions was to confirm or contradict if team work is supported within organization. Figure 18 presents that the cooperation in the department plays key role (72,7 %).

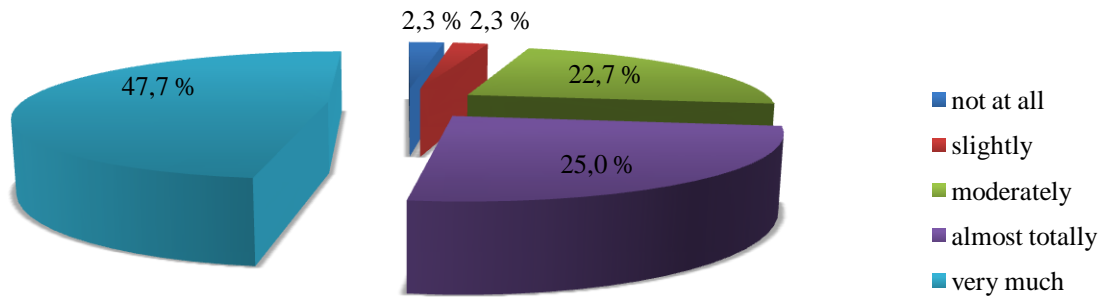


Fig. 18 Cooperation within department

Source: Own development

Further, to evaluate the level of implementation the internal communication the employees replied on the question: “Does the internal communication rules set properly and operate effectively?” as follows; results are illustrated in figure 19.

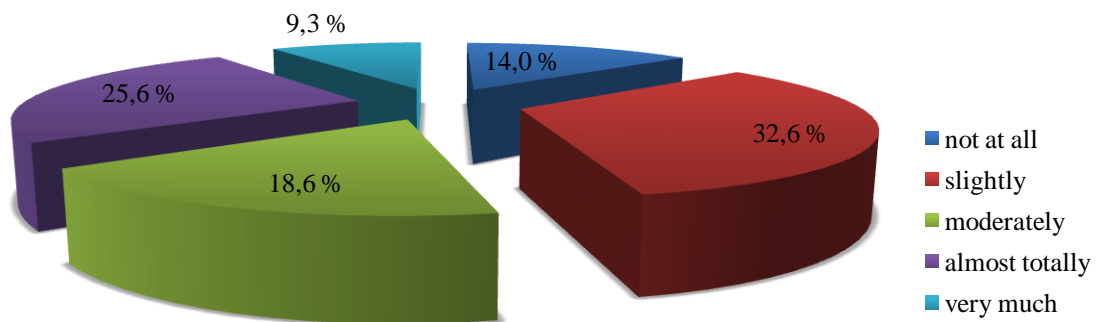


Fig. 19 The level of implementation of internal communication

Source: own development

From the research follows that the support of team works within internal communication guidelines which is to be a part of each company’s strategy or more precisely culture as a tool for reaching goals. At the same time, the employees would appreciate annual teambuilding and outdoor activities to support networking among individual departments within the company. From the above mentioned results it is confirmed that suggested **lagging KPI - % of team building activities** in internal costumer perspective has its own significance.

Further, it is researched that growth and professional development of the employee is one of the possible problem areas of human resources management in researched financial organization. Fig. 20 shows illustratively that annual employee dialogues are not performed, what as a final result can influence not only employee's performance and his/her motivation but event the motivation to reach strategic goals.

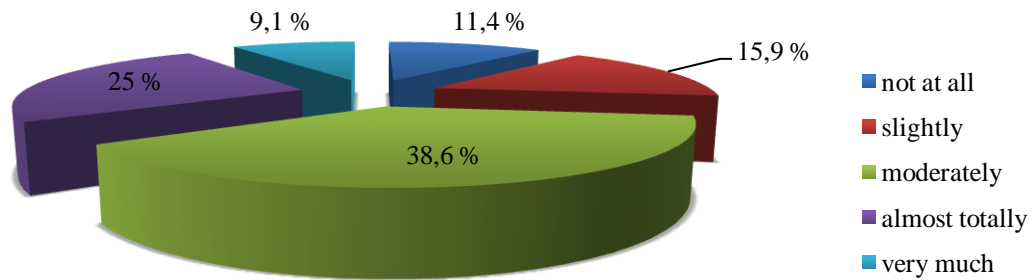


Fig. 20 Discussion on the working performance and professional growth
Source: Own development

However, it must be noted that the evaluation of employee's performance, evaluation of individual tasks and identification of personal development are not only key factors to motivate employee but performing of employee dialogue on yearly basis can serve as a tool for decreasing the fluctuation rate too.

Thus defined **lagging KPIs** in team perspective - **% of performed employee dialogue**, **% of completed development plan** and tightly connected **leading KPI fluctuation rate** in internal customer perspective have meaningful relevance in evaluating according to performed research.

As it was presented, KPIs as a part of HR scorecard serve as an understanding of HR processes within organization.

Table 12 displays overview of **lagging** and **leading** KPIs according to suggested modified strategy map.

The researched list of KPIs on HR level introduced in chapter 4.4 supported to construct the performance drivers in **external** and **internal customer perspective**.

Table 12 Overview of KPIs adjusted by further perspective

Source: Own development

Objectives	Lagging KPIs	Leading KPIs
P1 – Managing of HR costs	<ul style="list-style-type: none"> • Salary costs of all organization • Department salary costs • Sickness 	
P2 – Motivation plan		<ul style="list-style-type: none"> • Status of implementation the system
EC1 – Supporting of company culture	<ul style="list-style-type: none"> • % of employees who were promoted 	<ul style="list-style-type: none"> • Status of implementation the system
EC2 – Communication orientation	<ul style="list-style-type: none"> • % of performed claims with positive feedback (win – win) 	<ul style="list-style-type: none"> • % of customer satisfaction
EC3 – Retention of the clients		<ul style="list-style-type: none"> • Client’s turnover
IC1 – Internal communication	<ul style="list-style-type: none"> • % team buildings activities 	
IC2 – Employee cycle		<ul style="list-style-type: none"> • % of employee in employee cycle • Fluctuation rate
S1 – Time attendance	<ul style="list-style-type: none"> • % of employees who record the time attendance in proper way 	
S2 – Building HR system		<ul style="list-style-type: none"> • Status of implementation the system • Status of implementation the project of Personal data protection

T1 – Employee development	<ul style="list-style-type: none"> • % of performed employee dialogue • % of completed development plan 	<ul style="list-style-type: none"> • Status of implementation the system • Status of fulfillment the plan of development in all departments • Status of fulfillment the plan of branding the organization as a Employer of choice • Status of fulfillment of headcount
T2 – HR marketing	<ul style="list-style-type: none"> • % of accepted job offers 	<ul style="list-style-type: none"> plan • Average time to fulfill the position • The most effective sources of
T3 – Recruiting (team and client focus)		<ul style="list-style-type: none"> successful applicants • Status of implementation the system and connecting to the evaluation
T4 – Introducing the guidelines focused on improvements		<ul style="list-style-type: none"> (improving of the team) • % fulfillment of the action measures

6 SUMMARY OF RESULTS

Method BSC on HR level presents mirror of the organization performance. Due to instability situation in the financial world i. e. market BSC method on HR level became an object of interest in the financial organizations. Top leaders realize its significant position and task to manage company and reach strategic goals.

During the performed research and analysis of the results the author's HR professional experience was applied too. The experience slightly influenced the results in way when the data were analyzed because author can demonstrated and evaluated whether the results are substantive and have utilization in more organizations e. g. in area of KPIs. From author's point of view HR experience made inherent part of conducted research.

Within this dissertation work the answers on the following research questions were sought:

Q1: “Whether BSC concept on the level of human resources management can be also applied in organizations of financial sector?”

In order to answer on this research question the structured interviews with managers of financial organization were performed. The results are presented in detail in section 4.2 of this dissertation work.

Before starting the research to confirm this question according to author's HR professional experience author came out from assumption that business sector and financial sector are very similar in area of human resources.

Then during the analysis it has been scientifically proven that BSC tool on HR level **can be applied** in the financial organizations.

Further not only that financial organizations can implement this tool in human resources management even **implementing process of BSC in the financial sector is very similar to the business one, besides some exceptions**, top management in monetary area has to keep an eye on fields as: *costumer orientation* and *personal data protection* much more in comparison to the business sector during the process of BSC on HR level.

One reason for this declaration is that these organizations have to prove their position in the competitive environment, too. The fact is that financial organizations must keep similar business rules, have similar business targets if they would like to reach the profit at the end of the year. They have to “take care” of own employees and it can be declared that tools and processes for motivating the employees in financial organizations are the same. It is also confirmed by internal factors and some of the external factors, too.

Q2: “Is it possible to identify factors in organizations of financial sector which influence human resources management?”

According to the research and experience in human resources management in the business sector it was shown that there are existing external and internal factors in the financial sector which were recognized based upon the structured interviews with top leaders. Further research demonstrated that external and internal factors **correspond with** the factors in business sector.

Due to the fact and findings that influencing internal factors in the financial sector are very similar to the factor in the business one, it is necessary to explain the background of each presented factor for the monetary sector.

Internal factors as company’s culture, personal development, trainings include activities related to the orientation on the customers, the external communication with clients and last but not least the internal customer orientation. The wage policy factor should be focused on the remuneration per sold product to customer or customer’s “fluctuation rate.” According to the research, factors as employee’s commitment and knowledge of strategic goals are the basic ones for success of the organization and include employee’s passion, willingness to contribute to positive development of the organization and awareness of defined organization targets. The impact of internal factors is influenced by the status of the organization e.g. either boom or recession.

Senior management team can change the strategy in advance and in way that core business in financial organizations is not affected by **external factors** so significantly. At the same time strategy plan of financial organization should involve so called flexibility concept in order to react quickly in case of possible financial market swing. These external influences cannot be controlled because they appear outside the organization but they impact internal business processes. On the other hand external factors can impact development of organization in positive way e. g. to set more effective processes in order to stay competitive in case of financial market fluctuations.

Q3: “Is it possible to identify specific key performance indicators within human resources management in financial organization?”

Besides the fact that implementation process of BSC on HR level and influencing factors within HRM are very similar even the KPIs for measuring human capital in both fields **are comparable** based upon the created overview of KPIs (see chapter 4.4). The list of KPIs on HR level was reviewed and **there are not existing** specific KPIs on HR level applied only for financial organizations.

7 BENEFITS FOR THEORETHICAL AND PRACTICAL KNOWLEDGE

In the following sections of this chapter will be described benefits for theoretical and practical knowledge not only for area of human resources management but for wide application within the organization.

7.1 Benefits for theoretical knowledge

Main contribution of this dissertation work from theoretical view is identification of factors influencing human resources management in organizations in financial sector and based upon the critical literary view as well as practical findings creating the overview of KPIs on HR level in various areas of human resources management. Performance indicators help to reach defined partial strategic goals not only in area of human resources but even total strategic goals of organization in financial sector.

Next, submitted list of HR activities in production plant and organization in financial sector which serves as a base pillar for reaching required strategic results together with list of KPIs, proposal of modified HR strategy map for financial organizations and author's practical approach lead to explore possibilities of Balanced Scorecard application for human resources management in financial organizations.

7.2 Benefits for practical knowledge

Presented concrete methodology of BSC on HR level application i. e. modified strategy map by splitting customer perspective and system of key performance drivers and measures for area of human resources management should importantly support competitiveness of organizations in financial sector. Simultaneously, proposed performance indicators should serve not only as a mirror of organization performance but at the same time they should help to identify reasons of unfavorable results in human resources area. Moreover, presented dissertation work can help to enlarge the practical knowledge of HR people in financial sphere.

Information gained by means of HR scorecard can help human resources managers in financial sector to reevaluate strategy of human resources management based upon indicators applied nowadays as well as to optimize systems in individual personal areas and to set current indicators of personal controlling whose detailed analysis can help to evaluate areas of human resources management. Organizations in financial sector will remarkably increase employees' performance by means of HR scorecard.

8 CONCLUSION

This dissertation work focuses on the possibilities of BSC application for human resources management in financial organizations. Based on the research findings, the conclusion presents implications, conclusions and recommendations in human resources management in financial sector.

The purpose of the research and case studies performed in business and financial sector was to explore the factors which influence the HR management in financial sector and to find out the differences in area of HR scorecard application in business and monetary area.

Further, in order to complete the research in financial sector it was necessary applied also qualitative methods such as interview or questionnaire and author's experience in HR area, too.

The case studies in both areas approached for researching real-life conditions. They provided detailed information in sphere of the HR strategy, mission, and vision and in indentifying of HR activities and KPIs on HR level. The studies also provided results relates to strategy map in HR level with aim to reach the HR strategic targets i.e. organization goals.

Before implementation of BSC on the HR level organization has to have properly work out human resources strategy in order not to know what is essential and crucial for unit and to avoid losing the specified targets.

Next, during the year company can overcome various "turbulences" in financial environment and can get into impasse and just human resources strategy can point out on major milestones which organization wants to reach. Strategy map as an essential part of HR scorecard thus the CEO and other "C level" executives should take into account this fact from each perspective i. e. to develop feasible and effective method for improving the performance of the organization on HR level.

Barkley (2000) presented five new and modified perspectives in financial organizations and it should be noted that performed research proved other adjusting perspectives within BSC framework too i. e. strategy map in financial environment should be extended by another perspective – internal customer orientation which focuses on the mutual cooperation within the organization. Additional perspective in the human resources strategy map focuses more detailed on employee and has own place because **organization should fulfill targets and requirements of clients (external customer perspective) through own employees (internal customer perspective).**

Based upon previous findings measures and KPIs on HR level in financial organizations should take into consideration on **customer perspective** i. e. on own employees and clients much more than in business companies owing to the fact that clients play key role in further financial organization development and just employees are the “bridge” between customers and employer.

Next, financial organizations more emphasize on the building strong team because it has significance in reaching strategic targets and they pay attention to needed team passion instantly during recruiting of new employees but production companies make stress mainly on leadership skills of the management i. e. of the successors for top positions and on the multiprofession of the own employees due to lean organization structure.

Human resources fulfills the role of a strategic partner in the financial sector and executives should pay attention on that because employees of the organization work with money of other people, much attention is paid to the cautiousness of the employees and the human capital plays a key role in everyday work. Further, human capital is one of the last competitive advantages of the organizations and by proper managing it can take “wind from sail” to their rivals in the financial market because the stability of organization can be strengthen in this time of uncertainty.

APENDIX A

List of KPIs on HR level_Human resources development

Source: Own development

KPIs	Unit	Definition / Formula
o New hire retention	%	Percentage of new hire retention after certain period (e.g. 12 months). Number of new hires that still work for the company versus the total number of hires.
o Absence rate	%	Percentage of days that employees are absent from work.
o Low performing employees	%	Percentage of employees that are associated with a low performance band.
o High performing employees	%	Percentage of employees that are associated with a high performance band.
o Employees receiving regular performance reviews	%	Percentage of employees receiving regular performance and career development reviews.
o Average tenure per employee	yrs.	Total tenure of employees (e.g. in years) divided by the number of employees.
o New hires achieving satisfactory appraisal at first assessment	%	Percentage of new hires achieving satisfactory appraisal at first assessment.
o Average training days per employee	days	Total number of training days / total number of employees
o Ratio between internal promotions and external hires for open functions	Nr.	This ratio measures how many people already working at a company are considered for internal promotion versus the number of externally attracted people.
o Average time employees are in same job/function	moth.	Average time (e.g. in months) employees are in the same job or function.
o Women in management	%	Percentage of women in management.
o Roles with documented position descriptions	%	Percent of roles with documented position and authority descriptions.
o Overtime rate	%	The overtime rate calculates the ratio between employee overtime with the planned working times in a specific time period.

o Development plan completion	%	Measures the percentage of employees completing a course or a content area of training that is part of his/her development plan.
o Average time to promotion	hrs	Average time to promotion
o Performance appraisals completed on time with complete agreement	%	% of Performance Appraisals completed on time, with complete agreement between appraisee and appraiser.
o Ratio of In-house / External Talents for filling up Management positions	%	Ratio of In-house / External Talents for filling up Management positions
o % of women returning to work after maternity leave	%	Percentage of women returning to work after maternity leave.
o # of 360° feedbacks performed	Nr.	Number of 360° feedbacks performed during annual review cycle
o % of annual appraisals still open	%	Percentage of not finalized appraisals compared to overall # of appraisals. The lower, the better
o Spent training %	%	Amount spent on training in relation to the total area budget
o % of employees participating in career coaching program	%	Percentage of employees that participate in career coaching program.
o Number of harassment, intimidation, retaliation and discrimination allegations	Nr.	Low number indicates open and effective safety culture.
o Total overtime hours	hrs	Total overtime (OT) hours.
o Performed Employee Dialogue	%	Percentage of performed yearly employee dialogue
o Number of qualified successors on key positions	Nr.	Number of qualified successors on key positions
o Employees that would leave if they got an offer from another company	%	Percentage of employees that would leave if they got an offer from another company.
o Employees that started sponsored MBA program completing MBA program	%	% of employees that started sponsored MBA program completing MBA program.

o Employees with their performance decreased compared to last review	%	Percentage of employees with their performance decreased compared to last review.
o Employees with their performance increased compared to last review	%	Percentage of employees with their performance increased compared to last review.
o Average lead time to promotion		Average lead time to promotion.
o Employees that have been assessed	%	Percentage of employees that have been assessed in e.g. Assessment Center.
o Staff with appropriate qualifications	%	Percentage of staff who need to have qualifications that have appropriate qualifications.
o Average vacation hours utilized	hrs	Average vacation hours utilized per employee by Department
o Employees with mental health problems	%	Percentage of employees with mental health problems.
o Training courses requested but not offered	%	Percentage of training courses requested, but not offered.
o Average employee satisfaction as % of norm	%	Average employee satisfaction as a percentage of norm.
o Number of formal staff grievances raised	Nr.	Number of formal staff grievances raised.
o Expatriate rate	%	To maintain a certain level of foreign employees in your company (in developing countries)
o Completed employee probation reports	%	Percentage of employee probation reports completed x time (e.g. 1 week) before the due date.
o Outstanding employee probation reports	%	Percentage of outstanding employee probation reports.
o Employees that almost utilized their vacation balances	%	Percentage of employees that are near or at max for their vacation balances.
o Diversity index	Nr.	Nr. of position in hay grade 13 and above and Nr. of females in hay grade 13 and above
o Overtime headcount factor	%	Average overtime cost per headcount.
o Direct communications to customers per year	Nr.	Direct communications to customers per year
o Compliance survey for 1-on-1's completed with recommendations	Nr.	Compliance survey for 1-on-1's completed with recommendations to each facility

o Staff are given feedback on performance on time	%	Staff are given feedback on performance on time
o Employee's view (empowerment index)	%	Employee's view (empowerment index)
o Monthly once 1-on-1 coaching for each GM / Director / Manager	Nr.	Monthly once 1-on-1 coaching for each GM / Director / Manager
o Source best practice leadership programmes and recommendation to CEO	Nr.	Source best practice leadership programmes and recommendation to CEO
o Leadership development workshops conducted	Nr.	Leadership development workshops conducted
o Knowledge management between / within teams	%	Knowledge management between / within teams
o Complete monthly 1-on-1 program for all staff with performance rating	Nr.	Complete monthly 1-on-1 program for all staff with performance rating
o Personal goal achievement	%	Personal goal achievement
o Value added per employee	€	Value added per employee

APENDIX B

List of KPIs on HR level_Human resources service

Source: Own development

KPIs	Unit	Definition / Formula
o HR department cost per FTE	Nr.	Human resources (HR) department cost per FTE.
o HR FTE to total FTE ratio	Nr.	Human resources FTE to total FTE ratio.
o Average time to update employee records	days	Average time to update employee records if changes in employee information occur.
o Average response time for routine HR inquiries	days	Average response time for routine HR inquiries.
o Ratio of expenditures on training to payroll fund	%	Ratio of expenditures on training to payroll fund
o Headcount vs. Plan	Nr.	Number of employees vs. number of planned employees who have to be hired
o HR FTEs as % of total workforce	%	HR FTEs as a percentage of total workforce (FTEs).
o Administration cost per employee	€	Administration cost per employee.
o HR staff with appropriate Professional Qualification	%	Percentage of HR staff with appropriate Professional Qualification.
o Level of satisfaction with wages/salary/benefits	%	Level of satisfaction with wages/salary/benefits
o Level of satisfaction with conditions/physical work	%	Level of satisfaction with conditions/physical work
o Level of satisfaction with job	%	Level of satisfaction with job
o Level of satisfaction with personal relations	%	Level of satisfaction with personal relations
o Level of satisfaction with participation and recognition	%	Level of satisfaction with participation and recognition
o Level of satisfaction with opportunities for development	%	Level of satisfaction with opportunities for development
o Number of employees who would recommend company	Nr.	Number of employees who would recommend company
o Number of employees who would seek re-employment	Nr.	Number of employees who would seek re-employment with company

o Average satisfaction % versus previous survey	%	Average satisfaction % versus previous survey
o HR staff with appropriate Professional Qualification	Nr.	HR staff with appropriate Professional Qualification
o Employee loyalty	%	Employee loyalty
o Employees that left the organization in the last 3 months	%	Employees that left the organization in the last 3 months
o Age of HR strategy	days	Age (e.g. in days) of human resources strategy (document).
o Manpower cost ratio	%	The manpower cost per item or service.

APENDIX C

List of KPIs on HR level_ Internal public relation

Source: Own development

KPIs	Unit	Definition / Formula
o Understanding of Company Strategy	%	What ratio of employees can explain the company strategy and what it means in terms of their daily work? This can be investigated through a survey or focus group interview.
o Effectiveness of Policies & Procedures Implementation	%	Audit the implementation of policies and procedures, each policy and procedures can score between say 0 to 5 to describe the level of implementation. A score of 5 means the policy/procedure is fully implemented and zero means nothing is done.

APENDIX D

List of KPIs on HR level_Employer branding

Source: Own development

KPIs	Unit	Definition / Formula
o New hire retention	%	Percentage of new hire retention after certain period (e.g. 12 months). Number of new hires that still work for the company versus the total number of hires.
o Average time to recruit	%	The average time it takes from having a job vacancy to fullfilling the open position.
o Vacancies filled internally	%	Percentage of vacancies filled internally.
o Average open time of job positions	days	Average time that job positions have not been fullfilled i.e. open, based on all posted job positions within the measurement period.

o Average number of interviewees for open job positions	Nr.	Average number of persons that have been interviewed for open job positions within a given measurement period.
o Average cost to recruit per job position	€	Average costs of recruitment per job position. Total cost of recruitment within measurement period divided by the number of job positions in that period
o Average number of responses for open job positions	Nr.	Average number of responses (by sending a CV) for open job positions within the measurement period.
o Job vacancies	%	Number of job vacancies (in FTE) relative to the total number of employees (in FTE).
o New hires achieving satisfactory appraisal at first assessment	%	Percentage of new hires achieving satisfactory appraisal at first assessment.
o Average cost of recruitment per employee	€	Average cost of recruitment per employee (FTE).
o Average sourcing cost per hire	€	Average sourcing cost per hire. Sourcing costs include advertising, referral and agency costs.
o Cycle time from job acceptance until job start	days	Cycle time (e.g. in days) from job acceptance until new hire begins in the agreed position.
o Job offer acceptance rate	%	Job offer acceptance rate. Number of accepted job offers versus the total number of job offers.
o Recruitment source ratio	%	Ratio between internal versus external recruits.
o New employees/candidates with a recruiting fee	%	Percentage of new employees/candidates for which a recruiting fee has been paid.
o Recruiting fee as percentage of annual salary	%	Recruiting fee as percentage of annual salary.
o Average feedback time on candidates	days	Average time that transpires from the moment a candidate is submitted to a hiring manager to receiving initial feedback from the hiring manager.
o Average cost of recruitment (management)	€	Average cost of recruitment of management staff.
o Average cost of recruitment (non-management)	€	Average cost of recruitment of non-management staff.

		When a request to hire is received, a Cost To Company (CTC) compensation is envisaged. This KPIs measure how well this has been achieved & can also check the Currency value of deviation eg, Rupees, \$ etc.
o Actual vs target new employee compensation	%	
o Nnew hires achieving 6 months service	%	Percentage new hires achieving 6 months service.
o New hires achieving 12 months service	%	Percentage of new hires achieving 12 months service.
o Recruiting pool	Nr.	No. of candidates per open position
o Vacancies filled that followed internal procedures	%	Percentage of vacancies filled that followed internal recruitment procedures.
o Job positions filled with external agency	%	Percentage of job positions filled with external agency.
o Open job positions that require temporary staff	%	Percentage of open job positions that require temporary staff.
o Head-to-Head Hire Rate	%	Percentage of hires that accepted an offer over offers from key talent competitors.
o Top Schools hire	%	Percentage of hires from “top-10” targeted schools.
o Number of applicants	%	Percentage of CVs that are worth screening compared to the number received for an advertisement posting. Gives an idea if the advertising is targeting the right audience and attracting the right caliber of people.
o Reason for refusing the hiring offer		Reason for refusing the hiring offer
o Monthly fluctuation per technical dept.	%	Monthly fluctuation per technical dept.
o Reason for fluctuation		Reason for fluctuation
o Local Schools hire	%	Percentage of hires from “local” schools.
o Recruitment through advertisement factor	%	Percentage of CVs that are worth screening compared to the number received for an advertisement posting. Gives an idea if the advertising is targeting the right audience and attracting the right caliber of people.
o Recommended job applicants	%	Percentage of job applicants that have received recommendations from current employees.
o Offer conversion rate	%	Actual joinings vs offers
o Average interviewing costs	€	Average interviewing costs per interview. Interviewing costs includes costs of staff.

o Screened newly recruited employees	%	The reasons for performing employment background and drug screening today are to mitigate risk, improve the quality of hire, promote workplace safety and meet regulatory compliance requirements.
o Competent applicants for open job positions	%	Percentage of competent applicants for open job positions.
o Turnover of new hire during first year	%	Use to calculate turnover of new hire within first 12 months in the organization.
o Performance evaluation scores on hired candidates	%	Performance evaluation scores on hired candidates after, for example, 1 year.
o Average euro cost to hire an Inside Sales Representative	€	What is the average euro cost to hire an Inside Sales Representative.
o Total cost of recruitment	€	Total cost of recruitment.
o Time taken to identify sources for hiring	days	This is an important and often less identified KPI. This will show the success ratio of each source selected for hiring. Anything which has higher success ratio and less cost in terms of sources chosen is productive.
o Employment brand strength score		An expression of how desirable an organization is as a place to work among potential job seekers.
o Hiring manager satisfaction rate	%	This is a measure of satisfaction of the “end to end” recruitment process from taking the job brief to candidate arriving.
o Notice to sales budget delivery period	days	Measures the time span from the first notice (of previous position holder) to when the new position holder achieves the sales targets in the territory 100%
o 'Wanted' new hire retention	%	Percentage of ‘wanted’ new hire retention after certain period (e.g. 12 months). Number of new hires that still work for the company versus the total number of hires — minus hires that have been fired i.e. that were unwanted.
o Recruitment achievement	%	% of meet hiring plan
o Actual versus budgeted cost of hire	%	This is a measure of amount spent during an employee hire. Actual cost of hire as a percentage of budgeted cost of hire.
o Job vacancies for new positions	%	Percentage of job vacancies for new open positions.

o Vacancies for (previously) filled positions	%	Percentage of job vacancies for (previously) filled positions, for example due to people changing of role/position or people leaving the company.
o New hire satisfaction rate with recruiting process	%	New hire satisfaction rate with the recruiting process. Based on survey.
o Average number of interviews from submitted resumes	Nr.	Track the number of converted submitted resumes to interviews.
o New hire satisfaction score	%	New hire satisfaction score i.e. how well new hires perform according to their managers.
o Number of job offers	Nr.	Number of job offers.
o Number of accepted job offers	Nr.	Number of accepted job offers.
o Average euro cost to hire an Outside Sales Representative	€	What is the average euro cost to hire an Outside Sales Representative.
o Forward to interview to hire ratio	Nr.	The number of resumes forwarded to the number interviewed to the number hired.
o Hiring indicator	%	Recruiting right people and matching profesional and job profile
o Great place to work	%	Ranking of employer (results based on external provider)
o New hires achieving 6 months service	%	New hires achieving 6 months service
o New hires achieving 12 months service	%	New hires achieving 6 months service
o New hires achieving satisfactory appraisal at first assessment	%	New hires achieving satisfactory appraisal at first assessment

APENDIX E

List of KPIs on HR level_Retirement

Source: Own development

KPIs	Unit	Definition / Formula
o Average staff turnover costs	€	Costs associated with employee departures. Includes costs like recruitment, training, etc.
o Average retirement age	yrs.	Average age of employees that retire.
o Contracts extended beyond retirement age	%	Percentage of contracts extended beyond retirement age.
o Early retirements	%	Percentage of early retirements.
o Average performance scores of departing employees	€	Average performance scores of employees that leave the organization (voluntarily and involuntarily) within measurement period.
o Total cost incurred by employee turnover	€	Total cost incurred by employee turnover.
o Employees that are terminated within statutory and union requirements	%	Percentage of employees that are terminated within statutory and union requirements.
o Employees taking ill health retirement	%	Percentage of employees taking ill health retirement.
o Performance scores of departing versus existing employees	%	Difference between average performance scores of departing (voluntarily and involuntarily) employees, and average performance scores of existing employees still in the organization.
o Cost of replacing a key worker vs re-training, re-deploying and retaining	€	The cost of sourcing a new skilled worker vs the cost of re-training and re-deploying an existing experienced worker (as a possible alternative to forced selection – in the prevailing global shortage of key talent)
o Number of contracts extended beyond retirement age	Nr.	Contracts that are extended beyond retirement age

APENDIX F

List of KPIs on HR level_Wage policy

Source: Own development

KPIs	Unit	Definition / Formula
o Talent Retention Percentage	%	Determine the number and details of the top talents in your company, then monitor how well your company is retaining them by measuring the turnover percentage from this group of top talents. If the percentage is high then you know your retention scheme involving reward and career progression/development programme is not working effectively
o Average number of vacation days per employee	Nr.	Average number of vacation days per employee.
o Female-Male salary ratio relation	%	Ratio of female to male salaries including bonus, etc. per hierarchy level. Some globally active companies might not publish, for fear of legal problems (esp. in US).
o Employees covered by collective bargaining agreements	%	Percentage of employees covered by collective bargaining agreements.
o Average management pay		Average management pay/salary.
o Management compensation as % of total compensation	%	Management compensation as a percentage of total compensation.
o Salary & Expenses Overpayment	%	Percentage of overpayment of salaries and expenses.
o Total compensation tied to performance	%	Percentage of total compensation tied to performance.
o Average monthly net income of employee	€	Average monthly net income of employee.
o Average hourly net income of employee	€	Average hourly net income per employee.
o Compensation cost as % of revenue	%	Can be used to justify the amount being paid to the employees and its return in the form of increased revenue for the organization
o Employee effectiveness	%	Total “frustration level” / Total number of employees

o Ratio between standard level wage compared to local minimum wage	%	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.
o Score Card for Loyalty	€	This score card helps to assess the loyalty level of each employee.
o Average gap between management and staff pay	€	Average gap between management and staff pay.
o Overtime expense per FTE	€	Overtime expense per FTE.
o Salary range exception factor	€	Salary range exception factor.
o Length of tenure versus performance ratio	days	Length of tenure versus performance ratio.
o Employee share scheme take-up rate	%	Percentage of employee share scheme take-up rate.
o Rewards and recognition utilized	%	Indicates effectiveness of the rewards and recognition system by measuring percentage of rewards and recognition actually utilized by employees and their managers.

APENDIX G

List of KPIs on HR level_ Commuting

Source: Own development

KPIs	Unit	Definition / Formula
o Average travel costs per employee	€	Average travel costs per employee.
o Employees using public transport	%	Percentage of employees using public transport.
o Average days of telecommuting per FTE	days	Average number of days of telecommuting per full-time equivalent (FTE).
o Average distance traveled by employee	km	Average distance traveled by employee.
o Average estimated cost savings of employees that are teleworking	€	Average estimated cost savings of employees that are teleworking/telecommuting.
o Employee satisfaction with teleworking	%	Employee satisfaction with teleworking/telecommuting.
o Manager satisfaction with teleworking	%	Satisfaction of managers of employees that are teleworking/telecommuting.
o Estimated cost savings of employer by having employees teleworking	€	Estimated cost savings of employer by having employees telework/telecommute.

APENDIX H

List of KPIs on HR level_Training

Source: Own development

KPIs	Unit	Definition / Formula
o Training penetration rate	%	Measures the percentage of employees completing a course or a content area of training compared to total number of employees employed.
o Average number of training hours per employee	Nr.	Total number of training hours divided by the number of employees (in FTE).
o Courses that are web-based or web enhanced	%	Percentage of courses that are web-based or web enhanced.
o HR budget spent on training	%	Percentage of Human Resources budget spent on training.
o Average training costs per employee	€	Cost of training per employee (in FTE) divided by the number of employees (in FTE)
o Attendees at training sessions	%	Percentage of attendees at training sessions.
o Training courses that match organizational requirements	%	Percentage of training courses that match organizational requirements.
o Ratio of internal versus external training	%	Ratio of internal (in-house) versus external training. Ratio can be calculated based on training hours or cost of training.

o Cost per Learning Hour Used	€	Cost of each learning hour used. Total direct costs for learning (including formal learning, work-based learning, and learning function contribution to nontraining performance improvement solutions) divided by total learning hours accessed or completed (determined by multiplying the number of hours available by the number of employees who accessed or completed the learning content). Hours used is sometimes referred to as hours received or consumed.
o Employee training costs	%	Percentage costs for employee training in company total costs for period of time (year).
o Training programmes achieving customers' desired business outcomes.	%	The percentage of training programmes that have achieved the customers' desired business outcomes.
o Trainees receiving manager briefing prior to attendance	%	% of trainees who have been briefed by their manager about WHY they are attending the training, prior to event. This is one of the best indicators of learning transfer to the workplace after training.
o Classroom based learning and development time per FTE	Nr.	Classroom based learning and development time per FTE.
o Time trainers spend in classroom	%	Percentage of time trainers spend in classroom.
o Cancelled training courses	%	Percentage of cancelled training courses.
o Training courses delivered by internal experts vs. courses by external sources	Nr.	Number of planned courses delivered by internal trainers)divided by the total number of planned and budgeted training courses.
o Ttraining costs spent on managers	%	% of training costs spent on managers vs. the total training costs.

o Qualified internal trainers	%	% of qualified internal trainers vs. total number of employees
o Training staff to total employees ratios	%	% training staff vs. the total number of employees
o Employees that started sponsored MBA program completing MBA program	%	% of employees that started sponsored MBA program completing MBA program.
o Company training expenditure as % of salaries and wages.	%	Company training expenditure as a percentage of salaries and wages.
o Subsidization effectiveness for training	%	The percentage of the total training budget that the company is getting grants or other forms of subsidization.
o Employees gone through training	%	Percentage of employees gone through training in measurement period (e.g. quarterly, yearly).
o Training courses requested but not offered	%	Percentage of training courses requested, but not offered.
o Average time to competence	hrs.	Average time it takes until expected competence level is reached.
o ROI of training	€	Resulting increase in knowledge or capability assessed with the help of tests before and after training.
o Employee satisfaction with training	%	Employee satisfaction with training.
o Total learning hours cost	hrs.	Total learning hours cost.
o Total number of learning hours	Nr.	Total number of learning hours.
o Quality of Instruction	€	This category focuses on the quality of the instruction and is a key indicator as to whether the stated learning objectives are being met.
o Employees compliant with position, occupational, organizational training mandates	%	Numerous occupations require some form of mandated training—whether it is general Ethics, Sexual Harassment, or required to maintain a license. Non compliance creates a liability for employers.

o Training hours with respect to total working hours	%	The ratio between the total training hours with respect to the total of working hours measured yearly.
o Amount of contact hours trainers spend in classroom	Nr.	Amount of contact hours trainers spend in classroom.
o Human Capital Asset	€	Treat expenses on each training and development as capital investment carrying a depreciation of say €1000 (minimum) per year up to a maximum of 5 years. An employee attending 2 trainings say (a) \$20000 (Masters program) (b) €500 seminar and carry human capital cost of €20,500 which will depreciate at €4500 the first year and subsequently €4000 per year until the fifth year which will appear as human capital expense. This way each human asset will have capital asset value and managers motivated to ensure the organization derive value from the investment in training/development.
o Training request completion	days	Time taken from request to actual execution.
o Customer relations skills	€	Build customer advocacy skills as a brand differentiator.
o Technology skills	€	Technology skills
o Company policies and procedures	Nr.	Well documented and paramount to our clients' satisfaction and our continued success
o Product knowledge	€	Product knowledge
o Knowledge sharing sessions on brand identity and company culture	Nr.	Knowledge sharing sessions on brand identity and company culture
o Employee attendance level in training sessions	hrs.	Employee attendance level in training sessions
o Number of cross-training sessions	Nr.	Number of cross-training sessions
o Complete training of skills through training programmes	Nr.	Complete training of skills through training programmes
o Level of training completed by all specialists	Nr.	Level of training completed by all specialists

o Complete quarterly skills audits	Nr.	Complete quarterly skills audits
o Investment in new product support and training	€	Investment in new product support and training
o Investment in training by number of customers	€	Investment in training by number of customers
o Management skills	€	Level of management skills
o Learning rate of employees	€	Learning rate of employees
o Managers trained in key processes	€	Managers trained in key processes
o Learning centres		Learning centres
	Nr.	
o E-learning courses utilised	Nr.	E-learning courses utilised
o E-learning pass rate	%	E-learning pass rate
o Internet hours utilised	hrs.	Internet hours utilised

APENDIX I

List of KPIs on HR level_Employee's compensation

Source: Own development

KPIs	Unit	Definition / Formula
o Policy Premium to Personnel Cost	€	Month end total policy premium divided by total personnel cost (salaries, variable pay, benefits, training, recruitment, FBT, etc.)
o In Force Policies to Headcount	Nr.	Number of in force policies at month end divided by total headcount (including all permanent full and part time employees, contractors, casuals but excluding parental leavers)
o Average cost per workers compensation claim		Average cost per workers compensation claim.
o Average medical cost per lost time claim		Average medical cost per lost time claim.
o Lost time claims to total claims	%	Percentage of lost time claims to total claims.
o Average losses as a % of payroll	%	Average losses as a percentage of payroll.
o Average indemnity cost per lost time claim	€	Average indemnity cost per lost time claim.
o Average expense cost per lost time claim	€	Average expense cost per lost time claim.
o Average cost per lost time claim	€	Average cost per lost time claim.
o Average cost per medical only claim	€	Average cost per medical only claim.
o Average losses per FTE	€	Average losses per Full Time Equivalent Employee (FTE)
o Average losses as a % of revenue	€	Average losses as a percentage of revenue.

APENDIX J

List of KPIs on HR level_ Working environment

Source: Own development

KPIs	Unit	Definition / Formula
o Daylighting in building	%	Percentage of natural light within buildings
o Employees who are willing to recommend company as employer	%	Percentage of employees who are willing to recommend the organization as an employer to a friend.
o Employees who consider that their business acts responsibly	%	Percentage of employees who consider that their business acts responsibly in the society/community in which it operate.

APENDIX K

List of KPIs on HR level_Labour management

Source: Own development

KPIs	Unit	Definition / Formula
o Average overtime hours per person	%	Average overtime hours per person.
o Time sheets in need of correction/validation	%	Percentage of time sheets in need of correction and/or validation by submitter.
o Average absenteeism per employee	days	Average number of absenteeism days per employee.
o Low performing employees	%	Percentage of employees that are associated with a low performance band.
o High performing employees	%	Percentage of employees that are associated with a high performance band.
o Work items queue rate	Nr	The number of work items closed, relative to the number of work items opened in a given time period. So if the actual value for this KPI is less than 1, the volume of work items in the backlog is growing.
o Overdue work items	%	Number of overdue work items (not closed and not solved within the established time frame) relative to the number of open (not closed) work items.
o Employee Engagement	%	% of employees that are “Engaged” as determined by a workforce engagement survey. This differs from employee “satisfaction”. An employee may be satisfied, (i.e. perceived to be treated well) but

		not aligned with the goals/values of the organization.
o Average sickness period of employees		Average sickness period of employees.
o Eligible employees who signed the Business Conduct and Ethics Policy	%	Percentage of eligible employees who signed the Business Conduct and Ethics Policy.
o Employee lateness	%	Percentage of employees that are too late at work.
o New staff versus experienced staff ratio	%	Ratio of new staff versus experienced staff. Experience could be measured by number of years in the job.
o Time spent on planned work items	%	Percentage of time spent on planned work items (as opposed to unplanned work items such as incidents).
o Man hours available	%	Percentage of man hours available = ((total man hours paid – absence from work) / total man hours paid) x 100%
o Average hours worked per week	hrs.	Average hours worked per week.
o Workforce holding diplomas	%	Percentage of workforce holding diplomas.
o Average days of vacancy duration (management)	days	Average days of vacancy duration of management staff.
o Average days of vacancy duration (non-management)	days	Average days of vacancy duration of non-management staff.
o Average duration rate of Lost Time Injuries (LTI)	days	Average duration rate of Lost Time Injuries (LTI).
o Total time lost by work late	%	Total time lost by work late.
o Labor Ratio	%	Compares the Gross Profit to Personnel Costs
o Lost-workday case rate	days	The lost-workday case rate is based on the occupational lost-workday injury/illness cases multiplied by 200,000, then divided by the hours worked for the same time period in which the injury occurred
o Nearshore and offshore ratio	%	Nearshore and offshore head count ratio.
o Social contributions spent per employee	%	Social contributions spent per employee

o Employees on short-term sickness leave	%	Percentage of employees on short-term sickness leave (e.g. fewer than x working days).
o Employees on long-term sickness leave	%	Percentage of employees on long-term sickness leave (e.g. more than x working days).
o Accrued Annual leave	%	% of staff who have more than one year of Annual Leave owing. It makes better economic sense for the business to pay out leave at the lowest rate of pay possible (prior to pay rises for example), accrued leave can create inconvenience to the business with having to accommodate larger times away at a later date, as well as being a potential health and safety issue.
o Percentage of employees of supervisory level who are not permanent in their role	%	A high % of supervisors who are non-permanent is an indicator of organisational instability
o Employees to have a loyalty to company	%	This KPI describes a number of employees in company, who have a loyalty to a brand of company, values of company, and so on
o Mandays lost due to strike	%	Percentage of mandays lost (in FTE) due to strike or other stoppage of work.
o Job satisfaction (index)	%	Job satisfaction score of employees measured by surveys.

o Human Capital Asset	%	Treat expenses on each training and development as capital investment carrying a depreciation of say \$1000 (minimum) per year up to a maximum of 5 years. An employee attending 2 trainings say (a) \$20000 (Masters program) (b) \$500 seminar and carry human capital cost of \$20,500 which will depreciate at \$4500 the first year and subsequently \$4000 per year until the fifth year which will appear as human capital expense. This way each human asset will have capital asset value and managers motivated to ensure the organization derive value from the investment in training/development.
o Staff annual leave	Nr.	Number of days exhausted as a percentage of total days entitled of leave taken per employee. Prevents fraud which could be uncovered in times where employee is on leave through relief staff or similar
o Wrench Time vs Supporting Activities	%	Ratio of productive work time vs supporting activities such as travel, prep, cleanup, reporting. Note prep, cleanup, and often reporting, may be considered productive work time; whereas travel is definitely not a part of productive work time.
o Total distance flown by employees	km	Total distance flown by employees.
o Total cost incurred by employee turnover	€	Total cost incurred by employee turnover.
o Total cost incurred by unplanned absenteeism	€	Total cost incurred unplanned absenteeism.
o Total cost incurred by planned absenteeism	€	Total cost incurred by planned absenteeism.
o Number of Lost Time Injuries (LTI)	Nr.	Number of Lost Time Injuries (LTI).
o Number of lost time days	days	Number of lost time days.
o Employee satisfaction with wages/salary/benefits	%	Employee satisfaction with wages/salary/benefits.

o Employee satisfaction with conditions/physical work environment	%	Employee satisfaction with conditions/physical work environment.
o Employee satisfaction with personal relations	%	Employee satisfaction with personal relations.
o Employee satisfaction with participation and recognition	%	Employee satisfaction with participation and recognition.
o Overall employee satisfaction	%	Overall employee satisfaction.
o Employee satisfaction with opportunities for development	%	Employee satisfaction with opportunities for development.
o Average number of absent days in high production season	days	Average number of absent days per employee in high production season.
o Terminations replaced by new hires	%	Percentage of terminations that are replaced by new hires.
o Number of violation of rest hours	Nr.	Number of cases of work hours violations.
o Senior employees	%	Percentage of employees above a predefined age.
o Workforce stability	%	% time (career) within company vs time in other companies; more detail than years in job
o Total number of incidents of discrimination	Nr.	Total number of incidents of discrimination and actions taken.
o Effective Worktime Index	%	This KPI tracks the time ‘effectively’ allocated to work and allows managers predict the resource availability based on historical data and provide more realistic deadlines . Drill-down then informs about time spent training, absenteeism rate...
o Staff in team with excess sick leave	%	Unlike average sick leave per employee, this KPi discounts the situation where one or two employees in a team have extended periods of sick leave due to genuine illness or injury. Used in conjunction with other staff satisfaction KPI’s an increase in the score especially when it gets above 50% can indicate a problem in the leadership and management of the team.
o Average overdue time of work items	days	Average overdue time of work items per employee based on time between target date and actual completion date.

o Average planned workload per workforce member	hrs.	Average planned workload (e.g. in hours) per workforce member.
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APENDIX L

List of KPIs on HR level_Human resources costs

Source: Own development

KPIs	Unit	Definition / Formula
o Cost of office space per employee	€	Cost of office space per employee within measurement period (e.g. per month or year).
o Bonus payout as a % of the total possible	%	Bonus payout as a % of the total possible within the measurement period (e.g. quarterly).
o Higher degree employees	%	Number of exempt employees with a Masters or Doctorate degrees expressed as a percentage of the total number of exempt employees. Calculation to be made at a preselected time during a calendar year and repeated at the same time each year.
o Average travel costs per employee	€	Average travel costs per employee.
o Revenue per employee (or FTE)	€	Average revenue per employee (or FTE).
o Staff / Personnel turnover	Nr.	Number of employee departures (in FTE) divided by the average number of staff members (in FTE) employed.
o Average cost of recruitment per employee	€	Average cost of recruitment per employee (FTE).
o Labor costs for full-time employees as % of sales	€	Labor costs for full-time for full-time employees as percentage of sales.
o Employee benefit costs as % of labor costs	€	Employee benefit costs as a percentage of labor costs.
o Average absenteeism per employee	Nr.	Average number of absenteeism days per employee.
o Average salary per employee	€	Average (annual) salary per employee.

o Profit per employee (FTE)	€	Profit in measurement period divided by number of employees or FTE in measurement period (e.g. monthly, quarterly).
o Average age of workforce	yrs.	Average age (e.g. in years) of workforce.
o Average telephone/communication costs per employee	€	Average telephone/communication costs per employee.
o Average number of sick days per employee	Nr.	Average number of sick days (e.g. in hours) per employee.
o % of sick days (illness rate)	Nr.	Number of sick days (in hours) relative to the total number of work days (in hours).
o Average tenure per employee	yrs.	Total tenure of employees (e.g. in years) divided by the number of employees.
o Labour cost of sales	€	Labor costs for full-time for full-time employees as percentage of sales.
o Total tenure of employees	yrs.	Total tenure of employees (e.g. in years) divided by the number of employees.
o Ratio employee costs versus non-employee costs	%	Ratio employee costs versus non-employee costs.
o Indirect/Direct Personnel Percentage	%	It measures the productivity of indirect work force (white collars) in the sense that , the higher is the ratio, the more important ought to be the effort of the company's analysts in preventing future increase in the ratio through organizative analyses aimed to reduce costs.
o Employee Engagement	%	% of employees that are "Engaged" as determined by a workforce engagement survey. This differs from employee "satisfaction". An employee may be satisfied, (i.e. perceived to be treated well) but not aligned with the goals/values of the organization.
o Overtime pay	%	Percentage of overtime paid out.
o Ratio of FTE per employee	%	Ratio of FTE per employee. Average number of FTE per employee.
o Labour costs as % of total costs	%	Labour costs as a percentage of total company costs.
o Workforce holding diplomas	%	Percentage of workforce holding diplomas.
o Capital Labor Ratio	€	Measuring capital investment to labor shows the degree to which a firm invests in capital equipment or remains labor intensive.
o Employees that are in unions	%	Percentage of company's employees that are in unions.

o Labor costs for part-time employees as % of sales	€	Labor costs for full-time for part-time employees as percentage of sales.
o Employee benefit costs as % of labor costs for full-time employees	%	Employee benefit costs as a percentage of labor costs for full-time employees.
o Employee benefit costs as % of labor costs for part-time employees	%	Employee benefit costs as a percentage of labor costs for part-time employees.
o Part-time employees that are female	%	Percentage of part-time employees that are female.
o Average sickness days per FTE	days	Sickness days per FTE.
o Part-time employees	%	Percentage of employees that do not work full-time.
o Management FTEs	%	Percentage of senior management/executives (FTE) as a percentage of employees (FTE)
o Average span of control	days	Average span of control within the organization/department. Span of control is the number of people directly reporting to one manager.
o Labour Efficiency	%	Percentage of workforce who are visible minorities.
o Workforce who are visible minorities	%	Percentage of workforce who are visible minorities.
o Staff who are women	%	Percentage of staff who are women.
o Workforce who are persons with disabilities	%	Percent of workforce who are persons with disabilities.
o Temporary contracted FTEs	%	Percentage of temporary contracted Full Time Equivalents (FTEs) relative to all FTEs.
o Average equipment costs per employee	€	Average equipment costs per employee. Equipment costs include among others: Computers, monitors, desk, chair, telephone, and cell phones for field employees.
o Job satisfaction (index)	%	Job satisfaction score of employees measured by surveys.
o Preventable employee turnover	%	Preventable employee turnover percentage.
o Position in top employers lists	Nr.	(Average) position in top employers lists.
o Number of employees on secondment	Nr.	Number of employees on secondment.
o Leadership Index	%	Leadership index. Score based on survey.

o Direct / Indirect Labor Ratio	€	An indirect cost rate represents the ratio between the total indirect costs and benefiting direct costs, after excluding and or reclassifying unallowable costs, and extraordinary or distorting expenditures. (i.e., capital expenditures and major contracts and subgrants).
o Labour gross profit	hrs.	Values of the hours spent working productively
o Labour Utilisation	%	How much of the technicians attended time is acutally spent working productively
o Total headcount (number)	Nr.	Total HC
o Managerial quality index	%	Managerial quality index measures the perception of leadership quality among employees.
o Average absence reporting frequency per employee	days	Total number of reporting frequency within a certain time frame divided by the total number of employees within this particular time frame
o Variable versus Fixed HR cost ratio	€	Especially with many recent economic turbulent periods, companies need to plan and structure their costing well to weather the storm. Thus HR needs to determine what costs are absolutely necessary to incur for day-to-day activities versus what is cyclical or ad-hoc in nature. Thus things like determining the mix of permanent vs. temporary/contract labour falls into this ratio monitoring
o HR Process Costs	€	Process Costs (HR Admin Costs)
o Employees from minority groups managing x or more staff members	%	Percentage of employees from minority groups managing x or more staff members
o Employer satisfaction (index)	%	Employer satisfaction rate based on periodic surveys of employees.
o Independent contractors vs. employees ratio	%	Ratio of independent contractors vs. employees.
o Human Capital ROI	%	$\text{Revenue} - (\text{Operating Expense} - [\text{Compensation cost} + \text{Benefit cost}]) / (\text{Compensation cost} + \text{Benefit cost})$
o Human Capital Value Added	%	$\text{Revenue} - (\text{Operating Expense} - ([\text{Compensation cost} + \text{Benefit Cost}]) / \text{Total Number of FTE}$

o Overtime headcount factor	%	Average overtime cost per headcount.
o Total labour cost	€	Payments in the form of gross salary sand wages, bonuses, and other cash allowances paid to employees and salaries, allowances, fees, bonuses and commissions paid to working directors and fees paid to non-working directors.
o Overtime labour cost ratio	%	Ratio between overtime cost and total labour cost, whereby overtime costs is part of labour costs.
o Total full-time headcount	Nr.	Number of people employed full-time within measurement period.
o Total headcount (FTE)	Nr.	Total Number of Employees
o Productive Efficiency	%	The Productives ability to complete their work within the agreed horus
o Productive Ratio	%	Measuring the ratio between productive staff and non-productive staff
o Revenue per Technician	€	Useful in preparation of budgets and business plans as opposed to measuring the effectiveness of Technicians
o Work – in – progress (days)	days	Refers to the number of hours that have been booked onto jobs that have not yet been invoiced.
o Working capital	€	Value of money that is used to run business on a day to day basis
o Working Capital Ratio	€	Informs whether the value of Working capital is enough to service business
o Near misses	Nr.	Near misses
o Number of initiatives for safety projects generated by site champions	Nr.	Number of initiatives for safety projects generated by site champions
o Health promotion	Nr.	Health promotion

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10 PUBLICATION

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