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A Human Resource vs. Employment Relation Balanced Scorecard for Workforce  
Management: New Theory, Evidence, and Practice Implications

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## A Human Resource vs. Employment Relation Balanced Scorecard for Workforce Management: New Theory, Evidence, and Practice Implications

The worlds of management research and business practice often seem far apart and steadily growing more so, per numerous articles and books on the ‘academic-practitioner gap’ (Bennis and O’Toole, 2005; Rynes, Gulik, and Brown, 2007; Lorsch, 2009) and growing calls to narrow the gap through evidence-based management practices (Rousseau 2012; Wright and Ulrich 2017). This paper addresses a topic where theory, practice, and evidence are tightly joined – formulation of a balanced scorecard for strategic human resource management.

The balanced scorecard (BSC) instrument was developed by Kaplan and Norton (1992, 1996; hereafter KN) in the early-mid 1990s and has become one of the most widely-adopted and influential new management ideas of the last two decades. Considerable follow-up research has been done on the BSC but, paradoxically, remains quite thin in the oft-times most strategic and difficult part of business – effectively managing and engaging the organization’s employees. The most significant exceptions are two well-regarded books by related teams of authors that adapt the BSC model to fit, respectively, an organization’s human resource (HR) function and workforce (Becker, Huselid, and Ulrich, 2001; Huselid, Becker, and Beatty, 2005). Like the original BSC, the HR and workforce scorecards have been widely adopted in companies and are staples of executive and graduate education, albeit so far without empirical application by these authors or supportive evidence-based analysis by other researchers.

The balanced scorecard is a dashboard of real-time data that guides management decision-making by translating the organization’s strategy and business model into a multi-tiered set of measures on performance drivers and outcomes that signal progress toward financial end goals and identify operational/functional areas of the business falling short of target performance. The tight connection between theory and practice arises from the fact that a BSC is only a reliable decision-making guide to the

extent its dashboard of indicators and diagnostics is crafted to accurately reflect, first, the company's strategic plan and financial objectives and, second, the underlying structure and operation of its business.

Thus, KN (1996: 17, emphasis added) tell company executives, "A properly constructed Balanced Scorecard articulates the *theory of the business*. The scorecard should be based on a *series of cause-and-effect relationships* derived from the strategy..." Accordingly, before a company implements a BSC the top management team needs to explicitly articulate the organization's strategy and business model. Here is where Kurt Lewin's oft-quoted aphorism "there is nothing as practical as a good theory" gains obvious application. The executive team is forced on the front end of the BSC process to think out and represent in the form of a cause-effect model the key parts of the organization's value chain, the desired end-goal performance variable(s), the strategic action plan intended to attain the performance outcomes, the set of organizational resources and capabilities that are the driver and enabler variables of performance, and the nature of the cause-effect relations that connect resources/capabilities to operational outcomes and then to financial performance. This model becomes the skeletal framework on which the BSC dashboard and set of measures is constructed. To help start and guide the business model articulation process, KN developed a generic model template organized into four descending tiers: *financial*, *customers*, *internal business processes*, and *learning and growth*. Another tool KN devised to help companies implement a BSC is diagrammatic representation of their underlying business model, called a *strategy map* (2000: Ch. 3).

The two teams of authors, Becker, Huselid, and Ulrich (hereafter BHU) and Huselid, Becker, and Beatty (HBB), take KN's work on the balanced scorecard and adapt it to two interior parts of the business, the HR (human resource) function (located in the internal business processes/operational third tier) and the workforce (learning and growth fourth tier). The focus of this paper is primarily on HBB's workforce scorecard and, in particular, whether its dashboard of measures and underlying business model are likely a good guide for successful employee management and HR strategy execution. Two major innovations, one theoretical and the other empirical, form the backbone and value-added of the paper.

In the area of theory, we bring together for comparative analysis and synthesis two separate but overlapping macro-level paradigms of employee/workforce management – a business school-centered *human resource paradigm* (HRP) and social science-centered *employment relation paradigm* (ERP) – which both originated in common early 20<sup>th</sup> century intellectual ideas and workplace problems but later grew apart and today exist as substantially disconnected research communities (Dulebohn, Ferris, and Stodd 1995; Kaufman 2014). As described in the next section, BHU/HBB build their scorecards on a HRP-based business model while in the following section we build an alternative scorecard on an ERP-based model. We represent both models, including their structural logics, cause-effect relationships, and macro-to-micro linkages, in separate strategy map diagrams. The ERP model and strategy map are then used as the skeletal framework for fleshing out an alternative workforce scorecard, called an *employment relation* (ER) *scorecard* to differentiate it from HBB’s *workforce* (WF) *scorecard*. The organizational structure and set of measures in the two scorecards turn out to be substantially different, providing an insightful illustration to both academics and practitioners that ‘*different models matter*’ when it comes to employee/workforce management and, specifically, the design, implementation, and management of a balanced scorecard. An additional theoretical value-added is identification of numerous sources and forms of *paradox* (see Schad et al., 2016) not often included in mainstream HRM research.

The paper’s empirical innovation is to fill in both WF and ER scorecards with fifty diagnostic indicators of workplace management/HR practices and employer/employee capabilities, attitudes, and behaviors obtained from separate panels of managers and workers in a new custom-crafted nationally-representative survey of American companies, the State of the Workplace Employment Relation Survey (SWERS, 2016), designed by the authors and implemented with one-half million dollars of external funding. As Patrick Wright, former editor of this journal noted to readers (Wright 2015: 766), new macro-level theories and methods in management are relatively rare, such as presented here, and even rarer are empirical tests and applications of these theories, as also done here. In particular, with the SWERS data we provide four contributions of value to academics, consultants, and practitioners. The first is to

demonstrate how a workforce-level BSC can be *empirically operationalized and implemented*; the second is to derive from the BSC a *first-time statistical portrait* of the performance of the employer-employee relationship for a large cross-section of American workplaces; the third is to demonstrate with the separate data panels of SWERS that *managers/executives* have a systematically *more positive assessment of workplace performance and relations* than the employees; and the fourth is to create *separate HRP/shareholder and ERP/stakeholder scorecards* and showing in a highly concrete way that different theories → different empirical models → different workforce/HRM performance evaluations.

The fifty diagnostic indicators in the scorecards are aggregated to form a single-valued performance score on a 1-7 scale (1 = lowest) and letter grade scale of F to A+. The ERP scorecard reveals that employee respondents rate workforce performance and relations at their companies at a distinctly mediocre, lukewarm C level while manager respondents rate it as a modestly higher B-; the scores from the HRP scorecard are close to one letter grade higher. Readers may certainly question various aspects of this empirical exercise, or even dismiss it for not following the increasingly *de rigueur* method of positivist multivariate hypothesis testing – regarded, however, by a growing number of scholars as an overly narrow ‘one-best way’ approach to knowledge production and contributor to the growing rigor-relevance gap in management research (Bennis and O’Toole 2005; Tsui 2015). These issues notwithstanding, it is surely the case that whether workforce performance and employer-employee relations are at a (roughly) C level or A- level is not just an ivory tower talking point but an implication of major significance for evaluating the competitiveness and growth prospects of American companies, the effectiveness of their people management practices and utilization of human resources, and jobs and workplace wellbeing of the 160 million people in the labor force (Bloom, Genakos, Sadun, and Van Reenen 2012).

### **HR and Workforce Scorecards**

A paradox in Kaplan and Norton’s four-tier template model of a balanced scorecard is it contains no component specifically representing a company’s workforce and human capital input. Instead, they are

subsumed within the bottom-level ‘learning & growth’ section, which also contains unrelated items such as information systems capability, even though Norton acknowledges that “the worst grades [for executives of 200 companies he and Kaplan consulted with] are reserved for their understanding of strategies for developing human capital” (Norton 2001: ix).

This lacuna attracted Becker, Huselid, and Ulrich (2001) and Huselid, Becker, and Beatty (2005) into the BSC field and led to their two books, *The HR Scorecard* and *The Workforce Scorecard*. BHU/HBB open both books by citing a paradox. It is that many companies claim employees are their most valued asset yet in practice they give the workforce relatively low strategic emphasis and small investment, particularly with respect to the HR function. Therefore, the paradox is that the workforce is at one and the same time “the *most important* and *most underperforming* asset in most businesses” (HBB: 1, emphasis added).

The major explanation they give for HR/workforce under-investment is “HR’s influence on firm performance is *difficult to measure*” (BHU: 1, emphasis added). The difficulty of measurement is because so much of what employees and HR deliver is *intangible* – where intangible means a resource not in a physical form amenable to standard methods of measurement. A truck and copier machine, for example, are tangible assets and their performance can be reliably captured by various indicators, such as weekly ton-miles of deliveries and thousands of printed copies. BHU (2001:4) argue therefore that, “In our view, the most potent action HR managers can take to ensure their strategic contribution is to develop a measurement system that convincingly showcases HR’s impact on business performance.” But, as KN earlier emphasized, the measurement system only performs well if it is aligned with the firm’s strategy and business model. For this reason, BHU (ibid.) state, “To design such a measurement system, HR managers must adopt a dramatically different perspective,” which they argue requires a shift from the old-style ‘personnel’ perspective to the new strategic *high-performance work system* (HPWS) perspective (HBB: 111-12).



Since a company's employees and workforce are in most cases largely identical groups, we particularly looked to HBB's workforce scorecard for guidance on constructing an ER scorecard. HBB follow KN and emphasize that a scorecard needs to be built on a structural frame that reflects a company's strategy and business model. They observe, for example, that "without developing models that show 'what causes what' throughout the business – we'll end up with a series of unrelated metrics" (p. 68). Given this statement, it is surprising that HBB provide only a highly abbreviated/bare-bones strategy map (Figure 1-2) and verbal description of the generic model used as the WF scorecard framework. The strategy map is reproduced as Figure 1. It contains in the left-hand portion the main elements from BHU's HR strategy map, which they modestly elaborate in that book (BHU: Figure 2-5) to show two causal paths to HR/Firm Success: an unmediated straight line HPWS → Firm Performance and an Employee Strategic Focus → Strategy Implementation → Firm Performance line.

[Insert Figure 1 here]

The model starts with the HR function in the left-part of the diagram because it is "the foundation of workforce success" (HBB: 5). The strategy map for the HR function has three drivers, *HR Management Systems*, *HR Practices*, and *HR Workforce Competencies*, which jointly determine *HR Success*. HR success, in turn, feeds into the workforce scorecard module. It also has three drivers, *Leadership and Workforce Behaviors*, *Workforce Competencies*, and *Workforce Mind-set and Culture*, and they jointly determine *Workforce Success*, defined as (p. 6): "how well the workforce has contributed to the execution of the firm's strategy." Workforce Success then feeds sequentially into Operational Success, Customer Success, and Financial Success – the top three tiers of the KN balanced scorecard. The three drivers of workforce success are not derived from or identified with any specific model or theory in the management literature, although they have an overall resemblance to the ability-motivation-opportunity (AMO) framework popular in strategic HRM (Paauwe, Guest, and Wright 2013; Boxall and Purcell, 2016).

HBB also follow KN and base their business model and workforce strategy map on a *shareholder* governance assumption. They say, for example, “we define workforce success primarily in terms of successfully achieving business goals” (p. 2) and the two central business goals are maximizing profit and shareholder value (p. 69). HBB (pp. 178-80) tell managers that the firm’s relationship with its employees should be a top-down decision governed by “the choices that you believe are essential for... effective execution of your firm’s strategy.” Also illustrative of a shareholder perspective, and a resource/input view of employees, HBB declare (p. 16, emphasis added), “Strategically relevant workforce success needs to be diagnosed and *exploited* like any other strategic opportunity or *any other asset*.”

Four paradoxes (see Schad et al., 2016) concerning the HR/workforce scorecards deserve brief mention as they bear on the ER scorecard and strategy map to follow. These paradoxes also apply to KN’s scorecards.

The first paradox concerns the role of markets and economic environment. The BSC interfaces with markets at every level of the scorecard, including financial, product, labor, and supplier markets, but the template strategy maps in BHU/HBB do not include a formal role for these markets nor show how market forces are connected to the business model and different parts of the value chain. Illustrative of this paradox, HBB tell readers on the first page that an “economic environment marked by hypercompetition and international expansion” makes it mandatory that firms manage their workforces for maximum efficiency and competitive advantage yet they then give no place in their model or scorecard to these same economic forces as a determinant of a firm’s strategy, organizational structure, or configuration of HR practices. Likewise, for two decades much attention (e.g., Cappelli 1999, Cappelli and Keller, 2013; Tsui and Wu, 2005) has been given to the rise of a market-driven ‘new employment relationship,’ including the pronounced decline in long-tenure jobs (Bidwell 2013), but these factors are also omitted. One rationale for the neglect of external economic forces, and induced structural change, is that HBB posit an HPWS workforce architecture is a *universalistic* best choice for firms, adjusted to incorporate second-order contingent/contextual factors and strategic workforce differentiation (HBB: 111-12), and

that firm strategy is determined by internal resources and capabilities, per the resource-based view (RBV) widely adopted in strategic HRM (Barney and Clark 2007; Paauwe, Guest, and Wright 2013). A significant downside of these assumptions is that they turn the firm and HR/workforce management into a mostly self-contained closed system in an increasingly interdependent, globalized economy.

A second paradox concerns HBB's treatment of employees as intangible assets. Employees are conceptualized as human capital, meaning their productive knowledge, skills, and abilities, and the human capital in a company's workforce is described as both a strategic asset and intangible asset (HBB: Ch. 1). However, the workforce and its embodied human capital are not legal assets of the firm; rather, employees own their physical bodies and invested human capital, *rent* their time, skills, and energy to firms for a wage or salary per hour, and are legally free to quit at-will (Boxall 2013). Thus, firms may unilaterally utilize their physical capital assets to optimize their strategies and, typically, with predictable operational results. They cannot do the same with their rented human capital, however, because employees control it and supply the amount of energy, effort and behaviors that optimize *their* strategies for getting the most from work – an amount that in almost all cases (e.g., wages, job security, voice) is different from what optimizes profits for firms (Simon, 1951; Marsden, 1999). Further, since the employee's labor services and human capital cannot be separated from the person renting it (like a rental truck is separable from its owner), the employee, fellow employees, and managers are daily combined in a complex, fluctuating relationship of uncertain length and mixed motives mediated by a web of personal, psychological, social, and economic considerations.

The last sentence introduces the third substantive paradox. HBB give scant attention to the *relationship* between employers and employees, the separate *interests* of shareholders, managers, and employees, a substantive role for *employee voice, participation, and influence* in BSC development, and consideration of *relational concerns and feelings* stemming from things such as social exchange, psychological contracts, trust, procedural and distributive justice, hierarchical power differences, and manager-employee conflicts. Illustratively, the word 'relationship' is infrequently used (only once in HBB in the first one-

hundred pages of text), although a seeming exception appears in the lower-right hand box in Figure 1 where HBB state, “Creating value with the workforce is about managing and measuring relationships.” A reading of the surrounding text reveals, paradoxically, that the relationships discussed are not between employers and employees but, respectively, employees and customers and HR staff and line managers (e.g., p. 27). Likewise, the importance of trust and open communication in relationships is several times cited but, not with respect to employees and the ER, but in dealings between senior executives and middle management and HR staff over strategy execution and performance accountability. Missing altogether from both books are widely-cited concepts of psychological and relational contracts, their underlying behavioral norm of reciprocity, reciprocity’s foundation in each party’s subjective assessment that the relationship is *balanced* in terms of respective inputs and outputs, and the functional link of subjectively-perceived relational balance to fairness and justice assessments (Rosseau 1995; Shore, Coyle-Shapiro, and Tetrick, 2012; Guest 2017).

Finally, the workforce/HR scorecard frameworks present a number of ethical paradoxes (Gardiner, 2002; Ferrary, 2009; Modell, 2012). HBB devote the book’s last chapter to two main topics, titled “The Right Perspective” and “The Right Execution.” Their meaning of ‘right’ in both contexts is the system of HR/workforce management and practices that best achieves the *organization’s* strategic business objectives. Ethics, as such, are not introduced and the discussion is framed as positivist and value-neutral in the sense of helping managers make better decisions. However, these decisions contain a number of ethical ramifications, particularly because the labor assets and resources (the ‘means’) used to achieve organizational financial objectives (the ‘ends’) are embodied in people (that is, use people → make money). HR practices, for example, that optimize profit and shareholder value may come at the cost of employees’ interests and wellbeing, such as downsizing the workforce, shifting the cost/risk of health and retirement benefits to employees, and using worker immobility from specific training to pay a lower-than-market wage (Weil, 2014; Molloy and Barney, 2015). Before calling a scorecard ‘balanced,’ therefore, it

is necessary to openly confront and answer the fundamental stakeholder question: *high performance for who?* (Budd, 2004; Boxall 2013; Beer, Boselie, and Brewster, 2015).

### **ER Scorecard: Theoretical Framework and Strategy Map**

Although no previous study has constructed a balanced employer-employee relations scorecard, paradoxically a century ago a prototype employee/HR scorecard, called a *labor audit*, was published in a leading management periodical and implemented at several dozen American companies (Valentine 1915a). It was soon developed into a personnel audit (Tead and Metcalf, 1920) -- an early 1920s forerunner of today's HR scorecard -- and an industrial relations (IR) audit -- an early 1920s forerunner of the WF/ER scorecards. Although today the IR term has a union-centered connotation, from the 1910s to 1960s it was defined inclusively to cover all forms of the employment relation (aka, the 'industrial relation' administered by 'industrial management') and subsumed the personnel/HR function at nonunion companies (Yoder, Heneman, and Turnbull, 1958; Kaufman 2008). Accordingly, management consulting firms, starting in 1926 with Industrial Relations Counselors, Inc. (IRC, Kaufman, Beaumont, and Helfgott, 2003) and carried forward by McKinsey & Co. and a number of others, did industrial relations audits at hundreds of companies for over a half-century. Broadly viewed, therefore, the roots of the HR, WF, and ER scorecards are the 1910s, not the 1990s.

The last thirty years of academic research in American human resource management, with the BHU/HBB scorecard books as case examples, has coalesced into a four-component paradigm of (1) business strategy centered on the RBV, (2) optimization of operational/financial firm performance for owners/shareholders, (3) employees as human resource/human capital inputs managed to elicit managerially-desired/AMO-driven performance behaviors, and (4) achievement of employee commitment and workplace unity of interest with high-performance work practices (Wright and McMahan, 1992; Huselid, 1995; Tsui, Pearce, Porter, and Tripoli, 1997; Paauwe, Guest, and Wright, 2013). This paradigm displaced an alternative four-dimension paradigm in employment-industrial relations (EIR). It is built on contrasting components of a

political economy model of employment relationships, stakeholder governance with employee interest representation and voice, employees as providers of discretionary effort and rented human capital considerably influenced by relational considerations of fairness, respect, and mutualism, and workplaces as a pluralistic mix of cooperation/conflict and exploitation/mutual-gain (Budd, 2004; Bélanger and Edwards, 2007; Kaufman, 2010). For expositional shorthand, the former is referred to as the *human resource* paradigm (HRP) and the latter as the *employment relation* paradigm (ERP).

The two paradigms (or research programs, frames of reference, etc.) have coexisted as part-complements and part-rivals from the birth of the field and profession of labor/employee management in the mid-1910s (Bloomfield 1915; Valentine 1915b) to the present day (Beer and Spector 1984; Dulebohn, Ferris, and Stodd, 1995; Kaufman 2001). Until the early 1980s, the ERP was the dominant framework, with the HRP widely seen as nested within it (Yoder, Heneman, and Turnbull, 1958; Mahoney and Deckop, 1986), but for a variety of reasons the two broke apart and the ERP faded to the periphery in American business schools while the HRP rose to dominance (less so outside the US and in other social science fields). The two books frequently identified as founders of the modern HRM field, *Strategic Human Resource Management* (Fombrun, Tichy, and Devanna, 1984) and *Managing Human Assets* (Beer, Spector, Lawrence, Mills, and Walton, 1984), well mark the ERP to HRP inflection point.

The immediate focus of this paper is extending the balanced scorecard system from the workforce and HR function to the employer-employee relation. However, the logic of the balanced scorecard requires that the measurement system is anchored on a theoretical model and strategy map of the ER. Accordingly, the reason for introducing the HRP vs. ERP distinction – presented, to be clear, as useful theoretical generalizations of two different literatures but with overlap and exceptions recognized -- is that from a model perspective the WF/HR scorecards developed by BHU/HBB are anchored on the human resource paradigm while the ER scorecard presented here is anchored on the employment relation paradigm. As Kaplan and Norton emphasize, different claimants/stakeholders (performance for who?) → different

strategies → different models → different scorecards → different measures → different management decisions → different organizational outcomes.

### **Employment Relation: Concept, Definition, and Key Features**

A well-targeted theory and strategy map require equally well-defined and conceptualized objects of study and key concepts. Unfortunately, a long-running problem in management research is the plethora of terms and concepts in the literature which lack these qualities because of ambiguous, conflicting, and multiple meanings and usages. An example in BHU/HBB, paralleling the larger HRM literature, is that one of the most basic concepts in the field -- *human resource management* -- is defined and used in three different and partially non-commensurate ways (e.g., Dulebohn, Ferris, and Stodd 1995; Beatty, Huselid, and Schneier 2003). The first is a broad conception in which HRM is the generic activity of people management in organizations using various approaches and strategies; the second is a narrow conception of HRM as the activities associated with a personnel/HR department; and the third is also a narrow conception in which HRM is a high-performance/high-commitment approach to people management. Each concept has a different underlying theory model and therefore different scorecard. Careful definition and conceptualization of the concept of employer-employee relation is essential to avoid a similar situation with an ER scorecard.

The employer-employee relation, also called employment relation, employee-organization relation, industrial relation, and labor relation, is created and structured by the legally constituted contract of employment between two people, or their agents, in which one takes on the role of employer and the other employee. The employer is the firm or organization set up by one or more capital suppliers or funding agencies to conduct business by producing and selling a good or service, either on a for-profit or non-profit basis. Given the current state of scientific and technical knowledge, the inanimate financial and physical capital resources cannot independently run the business and produce the good and so the firm's

owner(s) have to obtain human-embodied labor both to guide utilization of the physical and financial capital (managers) and work with it to produce and sell the product (employees).

Generically considered, CEOs, top executives, and middle-lower managers are also employees in the sense they are hired from outside the firm, work under an employment contract, are paid a negotiated sum of money in exchange for their services, take orders from a superior authority (e.g., board of directors), and are terminable at-will. For legal coverage and enforcement purposes, however, labor and employment laws in many countries divide the employee workforce into exempt and non-exempt categories with the exempt group comprised of employees who exercise a significant managerial control and coordination function, typically starting at the top of the organizational hierarchy with the CEO and extending downward to front-line managers. The non-exempt (covered) group is comprised of all non-managerial employees lower in the organization, such as production, operations, administration, and customer service people, who perform designated jobs as supervised and instructed by others.

In the management/HRM literature, researchers use both broad and narrow definitions of employee but, predominantly, the narrow one in order to clearly distinguish the managers -- the directors and controllers of organizations and field's central actor and object of study -- from the managed -- the organizational subordinates, order-followers, and production inputs. Illustratively, HBB say (p. 3, emphasis in original), "we use the term *Workforce* to highlight our focus on the strategic performance of employees rather than the contribution of the HR function to business success." Under a broad definition, every person in the HR function, and the entire management hierarchy, is part of the workforce and WF scorecard but HBB truncate it to include only the non-exempt employees. In actual businesses, this distinction is itself artificial (in the US) since many HR staff, including people with HR manager job titles, are classed as non-exempt employees because they do not exercise significant managerial control responsibility.

Both workforce and ER scorecards focus on employees but the key point of differentiation starts with the words 'resource' and 'relation' and the concept of strategy as finding the optimal solution to a means-end



problem. The connotation of ‘resource’ is some financial, physical, organic, or human item that a company owns or controls and therefore can be (if measurable) put on its balance sheet as an asset item - because it can be used to help produce goods or services that other people value and will pay money to acquire. It thus expresses a *person-thing* or *subject-object* relation, such as between a business owner and truck. A company, as already noted, cannot own an employee but it does have legal title to the purchased time and rented abilities of the employee. These legal rights are built into the employment contract and give the employer authority to direct and control the employee at work, although this process (HR management) is far more complex and challenging than for non-human inputs (e.g., in financial and operations management) because of humans’ free will and myriad psycho-social responses to management control and work situations. The HRP, therefore, emphasizes employees as a purchased bundle of human capital characteristics which can give a competitive advantage to those firms with the managers and HR systems most effective at developing and using them for profit. Employees, it is important to note, may also benefit in a mutual-gain way in a shareholder model (Paauwe, Guest, and Wright 2013), although as a matter of shareholder logic it is not from an ex-ante organizational commitment or governance mandate to stakeholder mutualism. Instead, executives make an instrumentally calculated decision, changeable with circumstances, that the cost of an optimally chosen amount of gain-sharing with employees is more than counterbalanced by the extra profit and ROI it produces from stimulating increased work effort, lower turnover, and improved citizenship behavior. HBB’s definition of workforce success (previous section) mirrors this perspective.

The connotation of ‘relation,’ in contrast, is a *person-person* or *subject-subject* business connection usually with recurring contact and face-to-face (or voice-to-voice) interaction. Examples in business firms include functional activities of customer relations, investor relations, supplier relations, and employee relations. A relation may be created by a legal contract, such as between insurance company and customer, employer and employee, or husband and wife, or may be an extra-legal business, social, or personal relation, such as between grocer and shopper, supervisor and employee, or teacher and student.

In this regard, care must be used to distinguish the dual meaning of relation as, first, an institutionalized connection between two or more people (e.g., created by the contract of employment) and, second, the attitudes and behaviors that arise out of the relation (e.g., conflict vs. cooperation between employer and employee). Relational contracts, as instituted forms of connection, may be legally executed detailed written agreements or informal, extra-legal understandings sealed with a nod, handshake, or act but they are always to some degree incompletely specified (Marsden, 1999; Jeffries and Reed, 2000). Employment contracts, for example, are incomplete because employers cannot anticipate future sales and production and therefore need flexibility in making employees' day-to-day work assignments and tasks (Simon, 1951; Williamson, 1985).

Thus, both legal and extra-legal contracts are filled in by implicit psychological contracts that are understandings and expectations both exchange parties have about the actions, behaviors, and commitments of the other (Rosseau, 1995; Guest, Isakkson, and De Witte 2010). Because employment contracts are incomplete, largely unenforceable, and grounded in psycho-social understandings, considerations of trust, fairness, reciprocity, respect, and mutual confidence are critical ingredients and significantly affect the longevity, cooperation, climate, and energy of the employment relation (McGregor, 1960; Lewicki, McAllister, and Bies, 1998; Bélanger and Edwards, 2007). Further, this kind of relational contract is between two thinking-acting people in different functional positions who have different goals and strategies but find that an employment relationship serves both their interests. Social exchange theory (Shore, Coyle-Shapiro, and Tetrick 2012), incorporates these relational interactions but in the mainline of the high-performance literature it is either omitted (e.g., Wu, Hoque, Bacon, and Llusar 2015) or made an instrumental link in optimization of firm performance (e.g., Wright and Nishi 2013).

### **Employment Relation Model**

Figure 2 shows a representation of the employment relation model and strategy map that provide the conceptual framework for the ER scorecard in the next section. It is a synthesis of old and new diagrams

(King, 1918; Kaufman, 2004). The model is in the ERP tradition because it includes (1) the political economy nexus between government, markets, and firms, (2) the employment relation that creates both a horizontal exchange interface between firms and markets and vertical authority interface between managers and managed inside the firm, (3) a stakeholder governance model with four autonomous organizational actors and constituents, and (4) an associated pluralism of competing and cooperative interests among the stakeholders, particularly those directly interacting within the firm. The latter are depicted by the three overlapping circles inside the firm (King 1918) representing Owner(s)/Shareholders (O), Executives/Managers (M), and Labor/Employees (L). The social/community stakeholder (C) is located outside the firm and not depicted.

[Insert Figure 2 here]

At the top of EIR system are three descending levels of governance. The roof represents the nation state, marked as Nation State at the apex, within which an EIR system is embedded. The leaders and political/military institutions of the state possess ultimate sovereign power and thus through executive, legislative, and judicial decisions determine the underlying structural framework of the system and the regime of rules, endowments, property and human rights, power relationships, and opportunities and constraints for individual and group action. The next level, represented by the box labeled National Context directly under the roof, contains four categories of national-level contextual factors -- Socio-Cultural, Legal, Institutional, and Economic Development Stage -- that broadly shape the structure and operation of firms and employment systems. Below it is a second box, marked Employment Relation Institutions, which contains four categories of formal ER governance institutions, including employers' associations, employment-labor laws, trade unions, and NGOs.

The theoretical point is that firms are embedded not only in a market system but also political, social, and cultural systems that structure and guide firms, employer-employee relations, and HR management and, accordingly, the appropriate structure and diagnostic measures for a balanced scorecard. Modern HRM

has a strong universalist strain in which predicted best practices and cause-effect relationships are unaffected by these types of contingent and contextual factors or, alternatively, are moderated at a second-order level in terms of form and strength. This universalism (or contingent universalism) -- also sometimes seen as tinged with North American ethnocentrism (e.g., Brewster and Mayrhofer 2012) -- is evident in the *HR Scorecard* and *Workforce Scorecard* books at two levels. First, no indication is given that the business model anchoring the organizational structure of the scorecards fundamentally changes across countries or industries and, second, the model presumes HPWPs have a universally positive main effect on firm performance. Hence, the three governance levels are omitted from BHU/HBB's strategy map (Figure 1 above) but are included in the ERP map (Figure 2) on the latter's hypothesis that  $\Delta$ governance institutions  $\rightarrow$   $\Delta$ business model  $\rightarrow$   $\Delta$ HR system  $\rightarrow$   $\Delta$ firm performance, with sufficient quantitative and statistical significance for large variations in governance to reverse predicted HRM main effects and best practices (e.g., HPWPs in an American hi-tech workplace may not be institutionally feasible in the European Union or Russia or profit-rational in Bangladesh or American fast-food).

The employment relationship is formed in the labor market, positioned to left of the firm in the diagram (the pyramid-topped rectangle), and demand/supply set an average wage level  $W$  for a particular type of labor (education, occupation, etc.) but which firms have some discretion to pay above or below, such as the range between  $W_{MAX}$  and  $W_{MIN}$ . Shifts in labor demand/supply, such as decrease in demand due to automation or increase in supply due to immigration, affect firms' internal employment systems and HR practices through their connection to wage and employment levels in labor markets and the internal employment system's degree of sensitivity to external competitive pressures. In a full-employment economy, for example, strong competition for labor ( $L$ ) gives employees more negotiating leverage and mobility in the market so firms have to raise wages, improve conditions, and practice positive motivation and treatment, such as envisioned in a high-commitment HR model. When labor markets are depressed, however, the surplus of anxious job-seekers gives firms the bargaining advantage -- except possibly for still-scarce high-talent workers -- and, instead of investing in higher wages or expensive high-

commitment practices, it becomes more cost effective to reduce turnover and incent higher work effort by simply pointing to the many job applicants who would be happy to accept less pay and work harder (per the article “A Secret of Uber’s Success: Struggling Workers” in *Bloomberg View*, 10/2/2014).

The product market, positioned to the right of the firm in the diagram, is where firms sell their goods and services and earn profit/loss and shareholder ROI. Profit is the difference between sales revenues (price  $P$  x quantity  $Q$ ) and production cost (e.g., direct labor cost =  $W \times L$ ). Just as firms strategize, per the RBV (Molloy and Barney, 2015), to lower  $W \times L$  in labor markets to gain competitive advantage (e.g., immobilizing employees with firm-specific training), they similarly strategize to raise  $P \times Q$  in product markets (Porter 1980). One route is ability to charge the maximum market price  $P_{MAX}$  through superior product differentiation or customer service, a second route is to be able to offer the lowest market price  $P_{MIN}$  based on lowest-cost production. Conditions in the product market thus affect a firm’s choice of optimal business and HR strategies and their ultimate value contributions. In the HBB model in Figure 1, for example, a higher market price or expanded sales volume from economic growth increases company profit and shareholder ROI in the top financial performance box and ripple down the value chain and *automatically increase* the value contribution (success) of the workforce and HR function (implying in this situation a positive association between HRM breadth/depth and firm performance but an artefact of mutual correlation and not causation).

Importantly, the process also works in reverse and, as Frederick Taylor and other ER/HR pioneers realized, the nature of the employment relation system in capitalism creates difficult-to-manage tensions and contradictions between competitive cost-cutting pressures generated in the firm’s external market environment and the firm’s need to foster stability, cooperation, and high morale in its internal production system for maximum workforce success and efficient production. HBB, as noted earlier, cite hyper-competition and global expansion as forces pushing firms to get more value from their workforces but, paradoxically, put forward a strategy solution that requires firms to *increase* and *rigidify* short-run costs and investment expenditures by adopting a more HR-intensive, internal-development HPWS when the

implementation success rate for an HPWS is small (10-15% according to Pfeffer, 1998) and the productivity payoff is years into an uncertain future (up to seven years according to Schuler, 1984).

The firm is depicted as a pyramid-topped structure with CEO at the top and levels of executive, line, and staff management descending down the pyramid (flatter and wider in an HPWS), separated from the production/operations part of the firm and employees in the rectangle by the dashed line (also the organizational boundary around which 'we vs. them' crystalizes). The rectangle is where line managers and supervisors, with the help of HR personnel/practices, direct, motivate, and evaluate non-exempt employees in the performance of job tasks.

As noted above, the firm owns the capital assets  $K$  but rents the employee work hours  $L$ . For the ER model, the broad definition of employees is used so the workforce labor input  $L$ , measured as people on the payroll or total paid work hours, is decomposed into exempt/managerial and non-exempt/production employees,  $L_M$  and  $L_P$ . The factor inputs  $O$ ,  $K$ ,  $L_M$ ,  $L_P$ , and  $C$  are arrayed on left hand side of the production/operations rectangle. The challenge for the organization is, first, to get the highest-quality/best-fitting workforce team of managers and workers ( $L$ ) and, second, motivate the workforce team to provide its maximum value-creating energy/effort ( $e$ ) – a dichotomy early used by McGregor in *Human Side of Enterprise* (1960).

The HBB strategy model in Figure 1 makes workforce success a function of three intermediate-level drivers: Leadership and Workforce Behaviors; Workforce Competencies; and Workforce Mind-set and Culture. For model-comparison purposes, they are combined and put into Figure 2 as the variable  $L_i(e)$ , located below the human figure at the center of the production process (emphasizing that production employees are not only human resources but also autonomous human agents). The Workforce Competencies category represents the human capital dimension, assumed measured by the  $L$  term, such as the level and quality of knowledge, skills and abilities of the workforce team. Cross-company differences in human capital quality, therefore, are represented as  $L_i$  where  $i$  = a rank order of  $N$  distinct human

capital quality levels of employees from lowest ( $i = 1$ ) to highest ( $i = N$ ). The other two workforce drivers in the HBB model are motivational, behavioral, and attitudinal in nature, as made explicit by the labels ‘Leadership and Workforce Behaviors’ (the terms suggest both  $L_M$  and  $L_P$  are included) and ‘Workforce Mind-set and Culture’ (suggesting only  $L_P$  is included). These behavioral/attitudinal drivers are subsumed in the  $e_i$  variable, with the subscript  $i$  again representing a rank order of  $e$  across workplaces going from 0% ( $e_{MIN}$ ) to 100% ( $e_{MAX}$ ). Thus, a firm may hire  $L_i$  managers and production workers with a certain level of human capital but get zero  $L_i(e)$  if they surf the internet all day in the office or run family errands while working at home ( $e = 0$ ). Absence from work, on the other hand, lowers operational efficiency not through  $e$  but  $L$  by making hours worked less than paid hours.

HBB’s concept of workforce success, therefore, is equivalent to  $L_i(e_{MAX})$  and their claim that a company’s workforce is often its most under-performing asset is an assertion that the utilization gap  $L_i(e_{MAX}) - L_i(e)$  is the largest among the firm’s resources. The explanation, in turn, resides in the *human* part of the human resource term for only legally autonomous people have the freedom and volitional ability to self-decide their level of  $e$  on the 0%-to-100% continuum.

Both HR and ER paradigms recognize the centrality of enlisting employees’ hearts, minds, and bodies to gain  $L_i(e_{MAX})$  for maximum organizational performance but it is their strategies and methods that differ. From an ERP perspective, the fundamental organizational challenge is that, on one hand, workforce and business success require that the owner(s), managers, and workers (1) bring to the workplace the most productive human capital in the form of knowledge, skills, ability, and personal characteristics, (2) give maximum sustainable effort and energy, (3) achieve maximum joint cooperation, coordination, and synergy, and (4) maintain maximum end-goal alignment and, yet, on the other, accomplishment of these objectives is complicated and undercut by the structural nature of their relationship which creates (5) conflicts of interests, poor goal alignment, and restricted effort, (6) contradictions and dilemmas in reconciling external market volatility and competition and with internal organizational stability and team cooperation, choosing between short-run and long-run profit strategies, and treating employees as

exploitable/expendable resources versus human beings with independent stakeholder interests and rights to equitable treatment and due process, (7) hierarchical power disparity which allows one side in the relation to set, enforce, and change the rules of the game to optimize its interests at the potential expense of the other, and (8) numerous contract and joint-dealing hazards, such as opportunism, moral hazard, and principal-agent. The employment relations strategy is to maximize workforce and organizational success through social and management reengineering of the ER system such that the owner, manager, and worker circles in Figure 2 become as large, overlapping, and effectively directed as possible (the circles represent effective amounts of inputs and thus expand/contract with variation in  $L(e)$ ). Alternatively stated, the ERP strategy is to find through multi-level stakeholder consultation and voice the optimal joint configuration of external political economy and internal organizational-management arrangements in Figure 2 that maximize the contributions from items (1)-(4) and minimize the costs from items (5)-(8).

The bottom-most diagram in Figure 2 depicts a frequency distribution, labeled  $ER_1$ , of companies (or individual workplaces thereof) ordered along the horizontal axis by a summary measure of ER performance (PERF), also thought of as 'employment relation success.' The PERF measure is constructed as a weighted average or index number of various individual data items that measure final-outcome performance dimensions of the employment relation relevant to the survival, prosperity, and wellbeing of the persons or groups considered stakeholders. The  $ER_1$  distribution is bounded on the left-hand side of the continuum by the worst state of ER and on the right by the best state (defined more precisely below). In turn, variation in exogenous/contextual variables of the ER system (upper part of Figure 2), either in a cross-section (e.g., across industries, countries, culture regions) or over time, cause the ER distribution to shift to the left or right (worse or better employment relation performance).

The frequency distribution of PERF (ER success) is the dependent variable in the ER strategy map model, including its mean, median, variance, standard deviation, and skewness. The science part of employment-industrial relations, therefore, is aimed at understanding and explaining the ER frequency distribution across workplaces, industries, and countries both at a point in time and over time; the practice and policy



part of EIR, in turn, is aimed at using the ER model and scorecard to help identify, develop, and implement new institutions, EIR/HRM practices, and public policies that improve ER performance both at individual companies and for the nation as a whole. In terms of the diagram, therefore, the practice and policy goal is to move *individual* employer-employee relationships *along* a given frequency distribution from lower-performing left to higher-performing right and, for *ER aggregates* such as country or industry, to improve relationships across the board so the entire frequency distribution *shifts* rightward. In the HR paradigm, the principle instrument to move firms rightward in the ER distribution, and to shift the entire distribution over time, is a managerial-crafted and well-implemented WF/HR system composed of a synergistic bundle of HPWPs fit to organizational/environmental contingent-contextual factors and aligned with the firm's business strategy.

The shareholder vs. stakeholder governance component of the ER is determined in the box above the frequency distribution, marked Competing Social Interests, Values, and Welfare Objectives. The key insight is that the definition and measurement of PERF, and thus the shape and location of the distribution  $ER_1$ , depend critically on the weight given to, respectively, the interests, values, and welfare objectives of the organization's stakeholders, identified here for analytical purposes as owners, managers, production employees, and the community. Since the interests, values, and objectives of all four groups are different, the definition and measurement of PERF is likewise different and, thus, the exact same model and set of circumstances in the top part of the diagram can (and probably will) give rise to four different ER frequency distributions. The important role of the intermediating Interests, Values, and Objectives box in the model, therefore, is to work out through some social choice process the relative weights –ranging individually from 0% to 100% -- assigned to the interests of the four stakeholders. The models and strategy maps presented by KN, BHU, and HBB are in the shareholder, managerialist, human-resource tradition and therefore give a weight  $\approx 100\%$  to maximum financial returns for owner(s) while, on the other hand, the model and strategy map in EIR are in the stakeholder, governance, human-relations tradition and therefore give a positive weight to the interests and outcomes of all four stakeholders.

An implication is that a high-performance work system may take many different forms and generate quite different outcomes, depending on whose interests and values define ‘high performance.’ However, a political economy perspective also predicts that over time the distribution of firms in a free-market environment will converge on the shareholder model to the degree they enjoy a short-run profit advantage, perhaps achieved through low-road work practices, competitive undercutting, and cost-shifting strategies (e.g., work intensification, unsafe work conditions, no medical/retirement programs). To prevent this outcome, government in the roof part of Figure 2 has an important and necessary role to play by establishing socially reasonable employment conditions and practices, perhaps in conjunction with labor movements and employers’ associations (e.g., as in social democratic countries of Europe).

These actions, although often regarded as restrictive, intrusive, and cost-raising from the perspective of individual companies, are from a social view a welfare-enhancing method that prevents a Gresham’s law form of ‘bad ERs drive out good ER’s’ (the race to the bottom idea) and, at the same time, re-channels the quest for competitive advantage from labor cheapening/work intensification to innovation, more efficient management, human capital investment, and high-involvement work practices. Diagrammatically, these regulations and institutions, if appropriately balanced and implemented, can improve PERF and shift the ER distribution rightward (a theme of the ‘varieties of capitalism’ literature, per Hall and Soskice 2001). Another possibility, asserted as a maintained hypothesis in EIR, is that while a shareholder model may in a number of situations yield more profit and competitive advantage in the short-run, an appropriately-weighted stakeholder model will outperform it over the longer-run even on these performance indicators.

### **ER Report Card: Structure, Questions, and Scores**

Using the ER systems model in Figure 2 as the conceptual framework, the next steps, respectively, are fleshing-out the ER scorecard’s structure and questions and operationalizing the scorecard with SWERS data. The authors engaged a survey company with extensive experience in HRM/EIR research to help design and implement nationally-representative surveys of, respectively, employers and employees to

capture similarities and differences in their ER experiences and assessments. The employer respondents were mid-to-upper level executives and managers, screened to omit people who managed ten or less employees or reported small knowledge of company employee relations and HR practices. Employee respondents had to be 18 years or older and working at least 20 hours a week and screened to omit people who reported managerial or supervisory responsibility.

The employer and employee surveys were given to separate panels of respondents from non-matched companies (matched manager-employee data were prohibitively expensive). The employer questions were framed at the company, business unit, or facility level with respondents instructed to pick the highest level for which they had reasonable knowledge; also, managers were instructed to answer more detailed questions on employee attitudes/behaviors and employment/HR practices for the largest, most representative employee group. Employee questions were typically framed at the workplace level but with respondents instructed to answer for a smaller part of the workplace if needed for accurate answers, such as a department or work unit. The employer and employee surveys were constructed to have a large portion of similar questions but with roughly one-third on separate areas of concern to managers and employees. Many of the questions have not been asked in previous surveys and, therefore, were newly constructed but with close attention to underlying theoretical constructs and previous research.

The surveys were pre-tested in late 2015 and final results collected by late January 2016. The survey was completed online. Four English-heritage countries were included in the project, Australia, Canada, United Kingdom, and United States (thus total surveys are  $4 \times 2 = 8$ ), but only US data are used for this initial study. The US employee and employer surveys had, approximately, 2000 and 500 respondents respectively. The minimum employment size of workplaces was 20. The employer survey data are weighted to be nationally representative by age, gender, and industry and the employee data are weighted by firm size and industry sector.

The balanced scorecard for the state of the employment relation in the United States is shown in Table 1. The first six columns are from the employer survey and the last six are from the employee survey. For both employers and employees, the first two columns report mean scores/grades for the entire samples and the last four columns report, respectively, scores/grades for the companies whose mean scores are in the bottom 20% and top 20% of the distributions. Median scores were also calculated but are not reported since they seldom differed much from the means.

[Insert Table 1 here]

The answers to nearly all the questions in the survey were solicited on a 1-7 scale, typically with 1= lowest/worst and 7 = highest/best. To facilitate interpretation of the results, the numerical scores were converted into letter grades on a F to A scale, with grades above F also distinguished into minus and plus categories. The conversion scale from numeric to letter grade is: 1-2 = F; 3 = D, 4 = C, 5 = B, and 6-7 = A. Each letter grade, except F, is then subdivided into three equal parts, such as C-, C, and C+. Sometimes questions were framed in the negative so in these cases 7= worst/most and 1 = best/least (e.g., 1 = least favoritism/discrimination, 7 = most). To make the answers comparable for ranking purposes, the answer scores for the negatively-framed questions were inverted so they follow the positive 1-7 scale.

The state of the ER is measured by a set of 50 diagnostic questions covering nine distinct performance and practice areas in both the employer and employee surveys. The conceptual rationale for these nine ER topic areas and their organization in the table comes from the ERS model in Figure 2. To see if alternative models matter, these data are then reorganized in the next section to fit HBB's alternative workforce scorecard template.

Sections 1, 2 and 9 represent ER stakeholder *outcomes* for, respectively, companies (owners and upper-level managers combined), non-supervisory employees, and community. The six remaining categories represent ER *input* categories subsumed within the variable  $L_i(e_i)$ . Sections 3 and 4 contain measures for managers and production employees, respectively, that capture theoretically-informed dimensions of the

$L_i(e_i)$  variable, including quality and quantity of human capital, behaviors such as engagement and cooperation, and attitudes such as morale and trust. Sections 5 and 6, entirely missing from HBB's workforce scorecard, capture dimensions of the relational climate in the firm and employer-employee relational practices. Of the fifty diagnostics in Table 1, forty-one are common across the two surveys while nine are unique to one or the other.

Since the nine report card sections are broad output and input categories and have indicators that may be unrelated (e.g., sociable workplace, advancement opportunities) or go in opposite directions (e.g., company financial performance, change in employment), computing Cronbach's alpha to test for internal coherence – as would be done if these categories represent specific theoretical constructs for statistical analysis (e.g., affective commitment, positive organizational support) -- is not a needed step. We did it anyway and, interestingly, found that the sections of the scorecard most closely related to management (e.g., sections 1, 3) uniformly had alpha scores above .7 for measures using data from the employer survey, but distinctly less often for the same measures drawn from the employee survey, while alpha scores were uniformly above .7 for employee-related sections (e.g., sections 2, 4) when the measures used employee survey data, but distinctly less often with the employer survey data. For all nine categories, the employee survey data had distinctly more measures with  $\alpha > .7$ .

Section 10 reports the overall score/grade, calculated as the average value of the fifty individual measures, and is the scorecard's ER performance variable (PERF in the ER frequency distribution in Figure 2).

## **Results and Findings**

A number of results and findings stand out. Employers and employees, for example, clearly have different perspectives on the state of their employment relation and its relative health and performance. Divergent employer and employee perspectives are also found in several firm-level studies (e.g., Liao, Lepak, Toya, and Hong, 2009) but the findings in Table 1 are particularly noteworthy because the evaluation gap

covers a wide/diverse range of issues, is frequently large-sized, and is found in workplaces across the nation and industry categories. Of the forty-one individual indicators spanning employer and employee columns, mean letter grades are the same in only *two* cases, company/workplace competitive position (C) and employees' connection/interest with what management says/does (D+). For *twenty-four* indicators the mean score given by employers is at least one letter grade *higher* than given by the employees and for *fifteen* the gap is larger still. In only three cases are the employers' mean grades lower than employees' (low employee turnover, expensive to replace employee group, low conflict/infighting).

The SWERS data indicate, therefore, that employers for more than 9 out of 10 indicators have a more positive assessment of the state of the ER than do employees. The largest gaps are for collaborative/commitment management style (B-/D+) and employee listening/opinion methods (B-/D+) – two important HPWS dimensions. Also of note, the score gaps both in absolute and relative terms cluster in the section on employee relations practices. The fact that employees differently perceive, interpret, and experience many aspects of managerial actions and HR practices thus adds a level of complication to manager's task of getting employees aligned and committed to the firm's strategy and success.

The overall score for State of the ER from employers is 5.28 which translates into a report card grade of B-. The score from employees is 4.50 or C. On one hand, if 'average' is interpreted in its statistical meaning of 'middle-level,' such as a C grade conveyed for many years in primary and secondary schools, then ER grades of C and B- suggest the SWERS data and scorecard reasonably capture and sort firms into the three ranges of average, below average, and above average ER performance and, further, that half or more of American firms have employment relations that are above average. On the other hand, a C/B- for ER performance seems ample reason for concern regarding whether a large proportion of American firms have the quality of management, commitment to long-term mutualism and human capital development, and levels of manager and employee cooperation and engagement necessary to survive and prosper in an increasingly competitive marketplace. If the scorecard was instead a diagnostic exam for an automobile

engine, one could by analogy say the employment relationship in the average company is only hitting on perhaps six of eight cylinders.

Mean scores are a start-point for an evaluation but also needed is information on the distribution of scores/grades for individual scorecard measures and the overall ER. Toward this end, shown in Table 1 are the mean scores/grades for workplaces located in the bottom 20% and top 20% of the employer and employee distributions. The bottom 20% of firms as rated by managers get a low D grade while the top 20% get a high A grade; employees give respective grades of F and A-. This analysis reveals that America has a top tier of companies-workplaces that are 'A range' in both ER performance and firm performance, as rated by *both* employers and employees. These workplaces also rate very high on use of HPWPs (a mean score/grade of 6.89/A+ on sixteen HR practices, listed below). On the other hand, the US also has a bottom tier of companies-workplaces that both managers and employees rate as bad-to-terrible (D/F) These workplaces, in turn, have a much lower mean adoption rate of HPWPs (a mean of 3.51/D on sixteen HR practices). These findings are admittedly suggestive and need multivariate statistical analysis with additional independent/contextual variables identified in the ERS model (necessarily a follow-on paper) but, nonetheless, the stark difference across nearly all of the fifty ER diagnostics for the top and bottom 20% is surely a revealing indicator that some companies travel the HR high-investment road in quest of competitive advantage while others seek competitive advantage, or at least survival, on the HR low-investment road.

Additional information on the ER distribution across firms is provided in Figure 3. It shows as frequency distributions the overall score for each company-workplace observation in the employer and employee panels. The diagram is notable because it (1) provides a real-world example of the ER frequency distribution depicted at the bottom of the ER strategy map model in Figure 3, (2) provides a first-time diagrammatic depiction of the state of employment relations for a nationally representative cross-section of American firms, and (3) provides for the first time a depiction of ER paradigm's central workplace dependent variable. The three empirical features of the twin ER distributions that stand out are,

respectively, the higher mean scores given by employer respondents; the roughly bell-shaped nature of both distributions; and degree of skewness in the left-hand tails. The obvious next step is to empirically explain the distribution, and why some firms locate in the bottom 20% and others in the top 20%, but this project is necessarily postponed to a later paper (as is analysis of mean differences in scores by demographic and firm characteristics).

[Insert Figure 3 here]

### **Workforce and Employment Relation Scorecards Compared**

As noted earlier, the closest analog to the ER scorecard presented above is the balanced workforce scorecard created by Huselid, Becker, and Beatty (2005). Since they do not empirically fill it in with data, we do so using SWERS. The results are shown in the top portion of Table 2. The bottom portion adds additional elements from the ER scorecard to round it out and, also, demonstrate the difference a shareholder vs. stakeholder model makes for workforce/ER evaluation.

[Insert Table 2 here]

The structure of the workforce scorecard in the top ‘employer/shareholder’ part is taken directly from the strategy map in Figure 1. Sections 1, 2, and 3 in the scorecard are the top-most categories in the strategy map: firm’s financial performance, customer success, operational success, and workforce success. Then follows measures of Workforce Success in Section 5, measures of the three groups of drivers of workforce success in Section 6, a measure of HR success in Section 6, and measures of the three driver categories of HR success in Section 7. The Overall workforce score and grade are given in Section 8.

Before getting to results, note several things. First, only data from the employer panel of SWERS are used to fill in the workforce scorecard in Sections 1-7 because it contains many more questions that have direct applicability to the main body of the scorecard in, respectively, Sections 5 and 6. A number of these measures match those suggested by HBB (e.g., management of low performers, alignment of employees



with company goals) while others from SWERS are used if they seem clearly relevant to the category in consideration.

Second, we operationalized the three driver categories in both Sections 5 and 7 following as closely as possible the description and explanation given in HBB. Some judgement calls are required, however.

For example, the first driver of workforce success in their strategy map is “Leadership and Workforce Behaviors.” An operational problem, however, is that HBB do not specifically state what part of the firm’s management is included in the Leadership category and therefore subject to performance measurement and evaluation in the scorecard. Textual evidence suggests, however, that Leadership is largely limited to the lower level of line managers and supervisors. In HBB’s first discussion of Leadership and Workforce Behaviors (p. 8), for example, they remark, “To capture the key elements of these behaviors, the appropriate points of measurement include both the frontline staff that interact with the customer and the leadership behavior of line managers responsible for those staff.” Based on this evidence, we divided Section 5 into two separate categories: ‘Leadership: Front-line Managers’ and ‘Workforce: Employees.’ Each category is then operationalized with three items from SWERS which are intended to capture essential behavioral attributes of both front-line managers and workers.

The second category is ‘Workforce Competencies’ and the textual discussion (e.g., p. 9, 75) indicates it is limited to non-managerial employees; thus, only SWERS data relevant to employee competencies are included. The same cutoff applies to the third category ‘Workforce Mind-set and Culture’ (p. 9, 75-78).

Section 7, Drivers of HR Success, follows the HR scorecard framework and has three categories: HR management systems, HR workforce competencies, and HR practices. The HR practices category is operationalized as a composite measure of the extent the company has a high-performance work system, as measured by the mean score of the sixteen HPWPs included in SWERS (representing a cross-section of HPWPs from Posthuma, Campion, Masinova, and Campion 2013). They are: internal promotion, large training investment, firm-specific training, careful selection, careful performance evaluation, wage level,

benefits level, performance-related pay, employment security, voice and involvement, employee teams, employee listening/opinion methods, internal communication, formal/fair dispute resolution, advancement opportunities, and flexible work arrangements.

Filling in HBB's workforce scorecard with empirical data gives it operational content. Executives looking down the column of thirty grades see only four that are below a B level while the largest group (seventeen) is B+. As the executives look for particular problem areas, three stand out because they have a grade in the D range. One item is 'employees are connected/interested in what managers say/do' (D+) and the other two are the same question applied to, respectively, front-line managers and production employees – 'have few underperformers' (D-/D-). Here the scorecard is usefully signaling to executives that, first, front-line managers and the HR-directed performance management system are failing to adequately identify and weed-out low performers in the workforce (what HBB refer to as 'C-level players') and, second, there is a troublesome communication/engagement gap between upper management and front-line managers and workers. However, these two problem items seem localized and otherwise the scorecard indicates the average American firm is reporting fairly impressive performance in the two central categories of Workforce Success (three grades of B+, including for 'workforce is a strong source of competitive advantage to the company') and HR Success (B+ to the question 'HR function has strong value-added to the company'). Finally, the executives reach the bottom of the workforce scorecard and see an overall performance grade of B which, for the average firm, seems a positive 'medium-high' outcome (the grade rises to B+ if the three D grades are omitted). The scorecard grades also point to another interesting implication, good for practice but contra to the main hypothesis advanced by BHU/HBB. That is, they claim the HR function and workforce are the most under-performing parts of the business yet the grades for Workforce Success and HR Success are relatively high and above the firms' overall performance grade.

This type of evaluative information seems quite useful for both academic researchers and business executives. However, as both KN and BHU/HBB emphasize, the information provided by a scorecard can

lead to poor business decisions and deteriorated firm performance if the scorecard's structure and set of measures do not reflect the firm's underlying business model and set of cause-effect relationships. Here is a real-world example of 'models matter' because an incorrect business model, and model of workforce/HR success, leads to an incorrectly specified scorecard with consequent dangers of GIGO (garbage in, garbage out) and poor strategy decisions.

To see if 'models matter,' we added to the bottom half of Table 2 an 'employee/stakeholder' section, reflecting the omitted ERP perspective. This part of Table 2 includes four sections and thirty-eight diagnostic measures. (Section 9 in the ER scorecard, Community's Performance Outcomes, is omitted for simplicity.) The sections and measures are:

*Employee Wellbeing Success* is the objective employees seek to optimize in their ER strategy equations and is the analog of Company's Financial Success in the employer's strategy equations. It is composed of the seven items taken from Section 2 of the ER scorecard (Table 1).

*Drivers of Employee Wellbeing Success* in Section 10 are organized into the same three categories HBB use for Drivers of Workforce Success (Section 5, this table), except with reversed focus on how top *managements'* KSAs and behaviors drive employee wellbeing (omitted from HBB's WF scorecard). A few of the drivers are common to both employer and employee sections of the scorecard.

*HR Function* for employees has only one item in Section 11 – the extent to which the HR department effectively handles complaints and grievances – as this is the only HR function question in the SWERS employee survey.

*Relations* in Section 12 is a new category not included in HBB's workforce scorecard template and is divided into two categories, Relational Behaviors and Relational Practices. The Relational Practices are from Sections 6 and 8 of the ER scorecard (Table 1); the Relational Behaviors include most of Section 5 measures from the ER scorecard supplemented by a few additional relational items available only in the employee panel of SWERS.

Do these additions to the dashboard in front of executives lead to different conclusions about the state of their business? Would they lead executives to make different strategic and operational decisions? In both cases, the answers are surely yes. The executives who look down the column of grades in the stakeholder section see a much grimmer picture with only four B- grades at the top of the scale, twenty-five grades in the C range, and eight grades at the D level. The overall grade in Section 13 is a low border-line C. The divergence between the shareholder and stakeholder sections of Table 2 is also revealed in Figure 4 which shows their respective frequency distributions.

[Insert Figure 4 here]

The business objective of shareholders, and their top-executive agents, is maximum profit and ROI and, from this strictly utilitarian vantage point, they have no interest (theoretically speaking) in any of the thirty-eight measures in the employee part of the scorecard *except* as they bear on generating more profit and ROI. The fact that employees in the average American firm rate their level of job/employment satisfaction at only a C+ level and their pay/benefit at a C level is not *per se* an executive concern – unless moving these scores up (with more HPWPs?) or down (wage/benefit cuts?) can contribute to a net improvement in the bottom line. Probably of more direct and immediate concern to executives, however, is Section 10's employee ratings of management's competencies and behaviors. Seven of the eight grades are in the C range and one is D level, indicating that employees in the average American firm give a distinctly mediocre-to-poor performance evaluation grade to their company's management team. It was noted above that, first, HBB omit performance measures for middle-upper management from their scorecard and, second, point to employee performance as the largest area of under-achievement in firms. However, the scorecard results in Table 2 suggest the *opposite* is the case – that management's performance is the larger shortfall problem and not including a Section 10 set of measures on executive/managerial KSAs and behaviors from a scorecard is a serious omission. The twelve measures of Relational Behaviors and Practices in Section 12 also signal that employees in the average firm feel only a mixed 'so-so' attachment to the company and management team and therefore tend to provide only

a so-so level of joint cooperation, engagement, and commitment in L(e) that characterizes transactional relations.

### **Summary and Conclusions**

We have sought in this paper to advance theoretical, empirical, and practitioner-policy knowledge about employee-workforce management. A number of first-time contributions and innovations are provided. They include: identifying four conceptual-measurement paradoxes related to workforce management in the Kaplan-Norton/Huselid et al. versions of the balanced scorecard; delineation of human resource and employment relation paradigms (HRP and ERP); depiction of the ERP business model/strategy map; development of an employment relation balanced scorecard; comparison of the workforce scorecard developed by Huselid, Becker and Beatty (2005) and this paper's ER scorecard; filling in the ER scorecard with nationally-representative employer/employee data from SWERS; finding that employees give a mean grade of C and employers (middle-top managers) give a mean grade of B- to the employer-employee relationship at their companies; filling in HBB's workforce scorecard with SWERS data, and finding that their scorecard gives about a one letter grade higher score to workforce/employment relation performance than the ER scorecard.

Also developed are several larger 'food for thought' contributions. First, the paper demonstrates that management theories and models have concrete relevance and bottom-line impact in helping company managers make better business decisions and improve employee-workforce management. This paper's case study is the balanced scorecard, which quickly dissolves into an ad hoc or 'conventional wisdom' spreadsheet of measures and numbers without theoretical guidance.

Second, the conclusion that 'models matter' for business decision-making and management practice requires for application that academic researchers and business practitioners be able to identify 'what theories and practices work when and where.' Academic researchers bear the bulk of responsibility for improvement in this area, likely requiring greater field work with companies to test theories and models

in action, identify key application contingencies and constraints, and identify boundary conditions. BHU and HBB developed their scorecards through field work, the ER scorecard presented here is informed by field work, and value-added progress in this and other HR-related areas is far more likely with additional academic-practitioner interaction.

Third, regarding models and theories, this paper offers these conclusions to academics and practitioners.

On the negative (but useful) side, this paper suggests that managers take an extra-wary look at portions of mainstream HR theory and practice advice because it expounds an overly universalistic, ethnocentric, and closed system high-performance work system approach which is often not profit rational or congruent with economic and institutional realities and, as represented in the academic literature, has limited uptake and sustainability because it is unduly divorced from external market dynamics and grounded on a narrow shareholder governance model with systemic neglect of relational interests, attitudes, motives, and conflicts. On the positive side, this paper presents an employment relations theory/framework that provides several ‘take-to-the-bank’ universalistic predictions (*ceteris paribus*). They include: (1) organizational performance increases with greater management-employee cooperation, trust, engagement and alignment and a stakeholder form of governance is superior to a shareholder form in creating/sustaining these conditions and behaviors over the longer term; (2) a necessary condition for high-level employee commitment to the organization is demonstrated employer commitment to employees, starting with no cheating or unilateral renegeing on psychological contracts; and (3) high-road/high-involvement HPWS-type work systems have difficulty being created and sustained without a stable, relatively full-employment economic environment complemented by an aligned, efficiency-reasonable framework of employment-labor laws, social insurance programs, human capital investment initiatives, and viable union threat.

Fourth and finally, the ER scorecard results raise the troubling question whether the United States can continue to be a world business leader and maintain competitiveness with top-tier foreign rivals when its employer-employee relationships are operating at a C to B level across a large swath of the nation’s

workplaces. A grade of C to B for a high school student is enough to comfortably graduate but may well not be enough over the longer-run to succeed in an increasingly competitive, knowledge-driven, talent-based economy. By analogy, a C to B performance in employee management and relations in the same competitive, knowledge-drive, talent-based economy may be good enough to keep most American companies viable in the short- or even medium-run but one surely has to worry whether a C to B performance bodes ill over the longer-run for the nation's continued competitiveness and living standards. Nation states, like business firms, have to craft and implement strategies for competitive advantage through workforce success and the ER scorecard is signaling that the United States may need to reassess and restructure its workforce/human capital strategy, at least for companies below the top 20%-25%.

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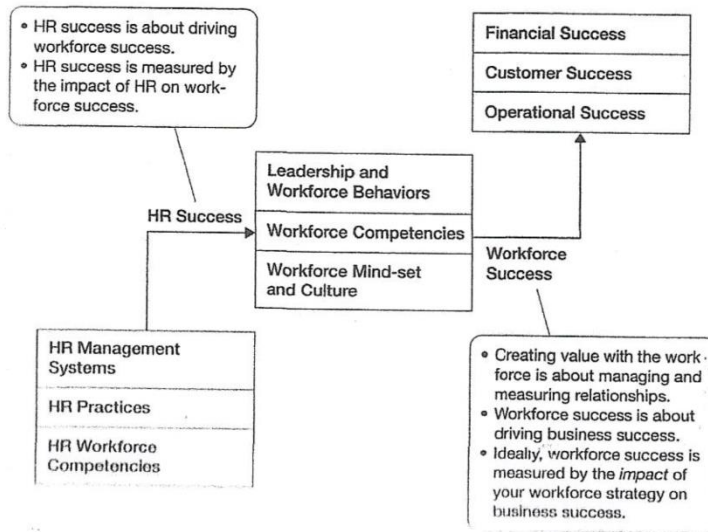
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FIGURE 1

### Workforce Success: The Impact of Workforce Strategy on Business Strategy Execution



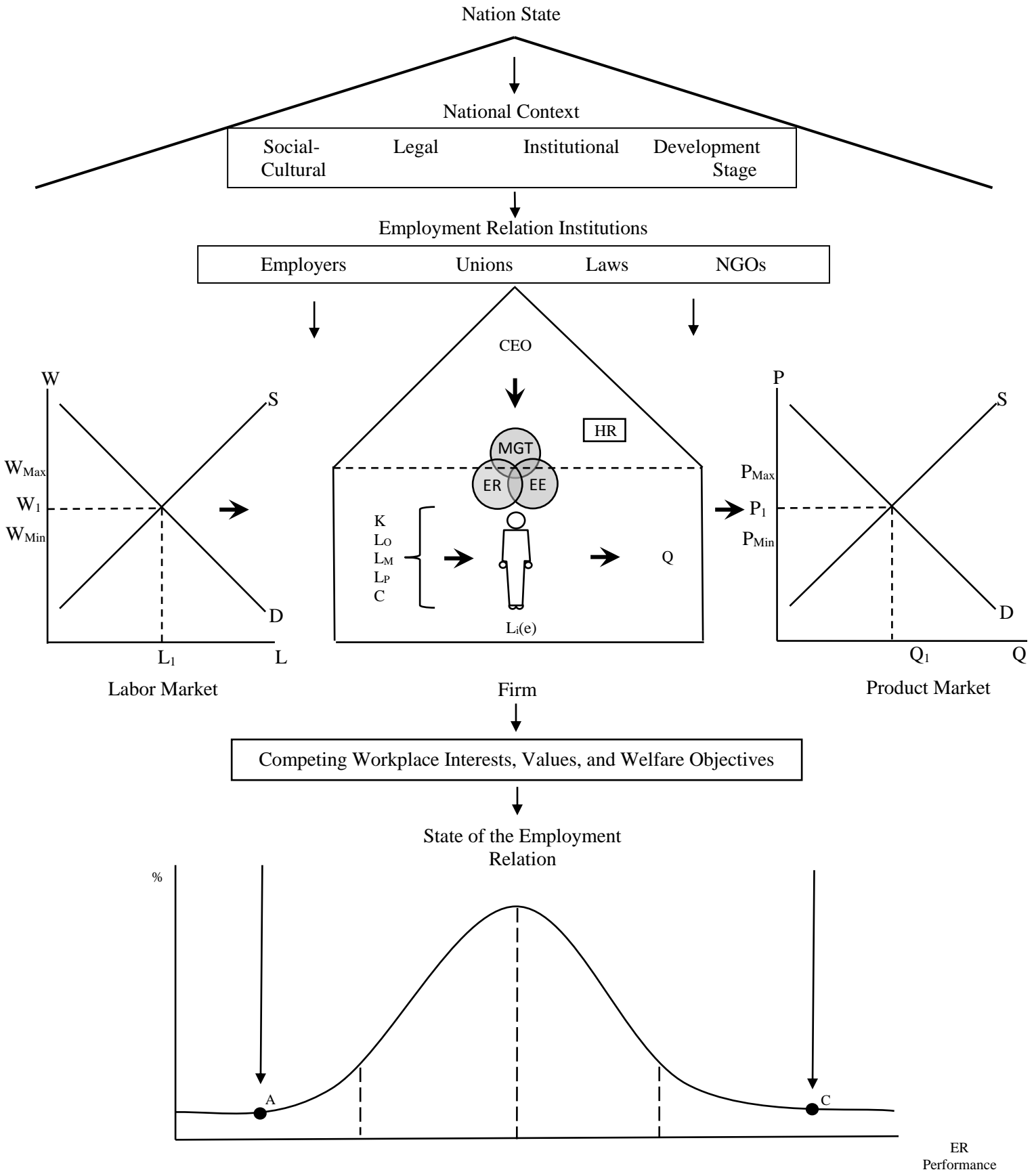
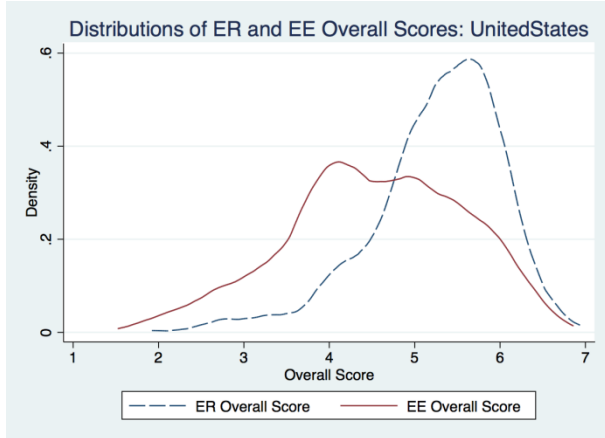
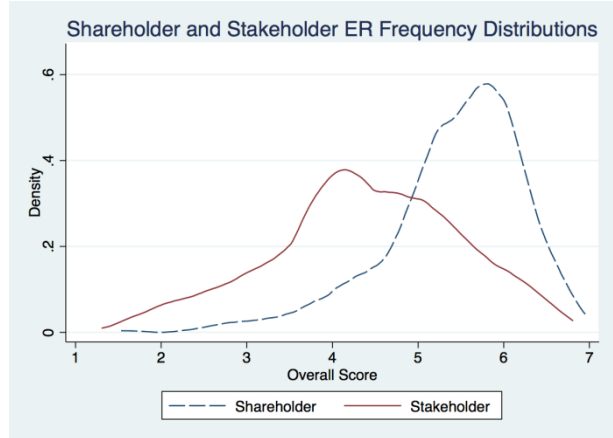


Figure 2. EIR Strategy Map of the Employment Relationship



**Figure 3.** ER Frequency Distributions, Employers and Employees (United States)



**Figure 4.** Shareholder and Stakeholder ER Frequency Distributions

**Table 1 - State of the Employment Relation Report Card, Employee and Employer Surveys (United States)**

Section	Employer Survey						Employee Survey					
	Mean		Bottom 20%		Upper 20%		Mean		Bottom 20%		Upper 20%	
	Score	Grade	Score	Grade	Score	Grade	Score	Grade	Score	Grade	Score	Grade
<b>I. Companies/Workplaces: Performance Outcomes</b>												
1. Management has Optimized Financial Performance	5.54	B	4.31	C-	7.00	A+	N/A	N/A	N/A	N/A	N/A	N/A
2. Company/Workplace Financial Performance	5.62	B	4.54	C	6.32	A-	5.16	B-	3.58	D	6.37	A-
3. Company/Workplace Competitive Position	4.41	C	3.00	D-	5.37	B	4.64	C	3.76	D+	5.44	B
4. Change in Employment	4.86	C+	3.65	D	6.50	A	4.13	C-	2.54	F	5.43	B
5. Company/Workplace Operational Efficiency	5.53	B	4.29	C-	7.00	A+	4.31	C-	1.52	F	5.79	B+
6. Employer's Get/Give Value Proposition	5.67	B+	4.31	C-	7.00	A+	N/A	N/A	N/A	N/A	N/A	N/A
<b>SECTION SUBTOTAL</b>	<b>5.27</b>	<b>B-</b>	<b>4.01</b>	<b>C-</b>	<b>6.53</b>	<b>A</b>	<b>4.56</b>	<b>C</b>	<b>2.85</b>	<b>F</b>	<b>5.76</b>	<b>B+</b>
<b>II. Employees: Satisfaction/Performance Outcomes</b>												
1. Job/Employment Satisfaction	N/A	N/A	N/A	N/A	N/A	N/A	4.79	C+	3.23	D-	6.43	A-
2. Great Place to Work	5.89	B+	4.34	C	7.00	A+	5.03	B-	3.22	D-	6.43	A-
3. Pay/Benefits	5.31	B-	3.37	D	6.74	A	4.58	C	2.40	F	6.45	A-
4. Employment Security	5.53	B	3.51	D	7.00	A+	5.06	B-	3.27	D-	7.00	A+
5. Friendly/Sociable Workplace Environment	5.70	B+	4.49	C	7.00	A+	5.04	B-	3.35	D	6.42	A-
6. Employee Advancement Opportunities	5.35	B	3.43	D	7.00	A+	4.12	C-	1.43	F	6.46	A-
7. Employee's Get/Give Value Proposition	N/A	N/A	N/A	N/A	N/A	N/A	4.85	C+	3.24	D-	6.45	A-
<b>SECTION SUBTOTAL</b>	<b>5.55</b>	<b>B</b>	<b>3.83</b>	<b>D+</b>	<b>6.95</b>	<b>A</b>	<b>4.78</b>	<b>C+</b>	<b>2.88</b>	<b>F</b>	<b>6.52</b>	<b>A</b>
<b>III. Internal Management Capabilities/Performance</b>												
1. Quality of Management Team	5.75	B+	4.29	C-	7.00	A+	4.63	C	2.04	F	6.43	A-
2. Quality of People Management	5.54	B	4.31	C-	7.00	A+	4.31	C-	2.09	F	6.39	A-
3. Confidence/Trust in Management	5.66	B	4.22	C-	7.00	A+	4.32	C-	1.46	F	5.99	B+
4. Effectively Deals with Underperformer/Problem Employees	4.73	C+	1.97	F	6.43	A-	4.24	C-	2.09	F	6.54	A
5. Value-added from HR function at organization	5.89	B+	4.18	C-	7.00	A+	N/A	N/A	N/A	N/A	N/A	N/A
<b>SECTION SUBTOTAL</b>	<b>5.52</b>	<b>B</b>	<b>3.79</b>	<b>D+</b>	<b>6.89</b>	<b>A</b>	<b>4.38</b>	<b>C</b>	<b>1.92</b>	<b>F</b>	<b>6.34</b>	<b>A-</b>
<b>IV. Internal Workforce Capabilities/Performance</b>												
1. Quality of Workforce	5.78	B+	4.56	C	7.00	A+	5.04	B-	3.35	D	6.38	A-
2. Engagement	5.63	B	4.32	C-	7.00	A+	4.66	C+	3.30	D-	6.35	A-

3. Provided with Good Job Resources	5.72	B+	4.31	C-	7.00	A+	4.77	C+	3.22	D-	6.45	A-
4. Low Employee Turnover	3.71	D+	1.40	F	6.49	A-	4.80	C+	2.16	F	6.43	A-
5. Difficult/Expensive to Replace Main Employee Group	3.50	D	2.08	F	6.37	A-	4.09	C-	2.12	F	6.40	A-
<b>SECTION SUBTOTAL</b>	<b>4.87</b>	<b>C+</b>	<b>3.33</b>	<b>D</b>	<b>6.77</b>	<b>A</b>	<b>4.67</b>	<b>C+</b>	<b>2.83</b>	<b>F</b>	<b>6.40</b>	<b>A-</b>
<b>V. Employer-Employee Relations and Climate</b>												
1. Employees Treated Fairly/Humanely	N/A	N/A	N/A	N/A	N/A	N/A	4.90	C+	3.11	D-	6.43	A-
2. Management Receptivity/Interest in Hearing Employees' Gripes/Problems	5.42	B	3.41	D	7.00	A+	N/A	N/A	N/A	N/A	N/A	N/A
3. Relations between Management and Employees	5.70	B+	4.29	C-	7.00	A+	4.62	C	2.14	F	6.41	A-
4. Family/Partnership Feeling	5.58	B	4.19	C-	7.00	A+	4.30	C-	2.05	F	6.40	A-
5. Little Conflict/Infighting	4.03	C-	1.44	F	6.45	A-	4.50	C	1.51	F	5.68	B+
6. Workplace Morale	5.65	B	4.31	C-	7.00	A+	4.42	C	2.07	F	6.39	A-
7. Employees' Connection/Interest with What Mgt. Says/Does	3.69	D+	1.40	F	6.45	A-	3.90	D+	2.12	F	5.77	B+
8. Employees Collaborate/Cooperate with Managers	5.74	B+	4.40	C	7.00	A+	N/A	N/A	N/A	N/A	N/A	N/A
9. Good Workplace for Women/Minority/LGBT Employees	N/A	N/A	N/A	N/A	N/A	N/A	5.15	B-	3.47	D	6.82	A
<b>SECTION SUBTOTAL</b>	<b>5.12</b>	<b>B-</b>	<b>3.35</b>	<b>D</b>	<b>6.84</b>	<b>A</b>	<b>4.54</b>	<b>C</b>	<b>2.35</b>	<b>F</b>	<b>6.27</b>	<b>A-</b>
<b>VI. Management Style</b>												
1. Management Decisions Match 'Employees are Most Important Asset'	5.88	B+	4.24	C-	7.00	A+	4.56	C	2.04	F	6.45	A-
2. Collaborative/Commitment Management Style	5.13	B-	3.18	D-	6.35	A-	3.84	D+	1.45	F	5.75	B+
3. Positive Forms of Employee Motivation	5.30	B-	3.51	D	6.33	A-	4.28	C-	2.14	F	6.32	A-
<b>SECTION SUBTOTAL</b>	<b>5.44</b>	<b>B</b>	<b>3.64</b>	<b>D</b>	<b>6.56</b>	<b>A</b>	<b>4.23</b>	<b>C-</b>	<b>1.88</b>	<b>F</b>	<b>6.17</b>	<b>A-</b>
<b>VII. HRM Functional Practices</b>												
1. Company Invests Resources in Selection/Recruitment	5.46	B	3.61	D	7.00	A+	4.31	C-	2.12	F	6.41	A-
2. Company Invests in Training/Skill Development	5.50	B	3.48	D	7.00	A+	4.31	C-	2.10	F	6.43	A-
3. Company Invests in Performance Management	5.53	B	3.53	D	7.00	A+	4.27	C-	2.04	F	6.41	A-
4. Significant Part of Pay is Variable and Related to Performance	5.15	B-	3.16	D-	7.00	A+	3.46	D	1.00	F	5.86	B+
<b>SECTION SUBTOTAL</b>	<b>5.41</b>	<b>B</b>	<b>3.45</b>	<b>D</b>	<b>7.00</b>	<b>A+</b>	<b>4.09</b>	<b>C-</b>	<b>1.82</b>	<b>F</b>	<b>6.28</b>	<b>A-</b>
<b>VIII. Employment Practices for Mutualism</b>												
1. Fill Job Openings with People from Inside	5.37	B	3.53	D	7.00	A+	4.52	C	2.06	F	6.44	A-
2. Work is Done by Employee Teams with some Self-Management Ability	5.40	B	3.45	D	7.00	A+	4.44	C	2.03	F	6.39	A-
3. Employee Voice/Involvement in Way Work is Done	5.66	B	4.32	C-	7.00	A+	4.49	C	2.07	F	6.42	A-



4. Employee Listening and Opinion Methods	5.10	B-	3.20	D-	6.40	A-	3.92	D+	1.41	F	6.40	A-
5. Effective Dispute Resolution	5.50	B	4.34	C	7.00	A+	4.45	C	2.04	F	6.43	A-
6. Effective/Extensive Internal Communication	5.43	B	3.47	D	7.00	A+	4.31	C-	2.03	F	6.42	A-
<b>SECTION SUBTOTAL</b>	<b>5.41</b>	<b>B</b>	<b>3.72</b>	<b>D+</b>	<b>6.90</b>	<b>A</b>	<b>4.35</b>	<b>C</b>	<b>1.94</b>	<b>F</b>	<b>6.42</b>	<b>A-</b>
<b>IX. Community's Performance Outcome</b>												
1. Customer Satisfaction	5.75	B+	4.27	C-	7.00	A+	4.90	C+	3.46	D	6.38	A-
2. Corporate Social Responsibility	5.43	B	3.19	D-	7.00	A+	4.56	C	3.25	D-	6.49	A-
3. Flexible Work Arrangements	5.24	B-	3.13	D-	7.00	A+	4.47	C	1.96	F	6.48	A-
4. Use Few Year-Round Temporary/Project Workers	3.52	D	1.32	F	6.47	A-	N/A	N/A	N/A	N/A	N/A	N/A
5. Pay High Enough to Cover Minimum Living Expenses	N/A	N/A	N/A	N/A	N/A	N/A	4.43	C	1.43	F	5.87	B+
<b>SECTION SUBTOTAL</b>	<b>4.98</b>	<b>C+</b>	<b>2.98</b>	<b>F</b>	<b>6.87</b>	<b>A</b>	<b>4.59</b>	<b>C</b>	<b>2.53</b>	<b>F</b>	<b>6.31</b>	<b>A-</b>
<b>X. OVERALL SCORE</b>	<b>5.28</b>	<b>B-</b>	<b>3.58</b>	<b>D</b>	<b>6.82</b>	<b>A</b>	<b>4.50</b>	<b>C</b>	<b>2.38</b>	<b>F</b>	<b>6.30</b>	<b>A-</b>

**Table 2. Workforce Scorecard: Shareholder and Stakeholder Versions  
(United States)**

	<i>Employer Survey</i>	
	Score	Grade
<b>Shareholder Section: Employers</b>		
<b>Sec 1: Company's Financial Success</b>		
Company Financial/Profit Performance	5.62	B
Mgt has Optimized Long-Term Performance of Company	5.54	B
Company's Competitive Position in Product Market	4.41	C
<b>Sec 2: Customer Success</b>		
Company has Happy Customers	5.75	B+
<b>Sec 3: Operational Success</b>		
Mgt has Optimized the Company for internal Operational Efficiency	5.53	B
<b>Sec 4: Workforce Success</b>		
The Workforce Is a Strong Source of Competitive Advantage for the Company	5.70	B+
Mgt has Optimized Performance Contribution of the Workforce	5.54	B
Management's Actions Match Statement 'Employees are Our Most Important asset'	5.88	B+
Company has Great Value Proposition in Terms of What it Gets From Employees Versus What it Gives	5.67	B+
<b>Sec 5: Drivers of Workforce Success</b>		
<b>Leadership and Workforce Behaviors</b>		
<i>Leadership: Front-line Managers</i>		
Fully aligned with the Company's Goals and Objectives	5.77	B+
Fully Engaged in their Work	5.78	B+
Very Effectively Collaborate/Cooperate with Employees & Other Managers	5.70	B+
<i>Employees</i>		
Fully Aligned with the Company's Goals and Objectives	5.65	B
Fully Engaged in their Work	5.63	B
Very Effectively Collaborate/Cooperate with Other Employees	5.74	B+
<b>Workforce Competencies</b>		
<i>Leadership: Front-Line Managers</i>		
Bring Excellent Knowledge, Skills and Abilities to their Jobs	5.83	B+
Have Few Under-Performers	3.30	D-

Very Effective at Employee Side of Leadership and Mgt	5.68	B+
<i>Employees</i>		
First Class Team of Workers	5.78	B+
Company Good at Providing Employees with Job Resources Needed to Perform Well	5.72	B+
Have Few Under-Performers	3.27	D-
<b>Workforce Mind-set and Culture</b>		
Employees' Connection/interest with What Mgt Says/Does	3.69	D+
Company's Workforce has Great Morale	5.65	B
Management Decisions Match 'Employees are Most Important Asset'	5.88	B+
Mgt Team's Responsiveness on Employees' Dissatisfactions	5.47	B
<b>Sec 6: HR Success</b>		
HR Function has Strong Value-added to the Company	5.89	B+
<b>Sec 7: Drivers of HR Success</b>		
<b>HR Management Systems</b>		
HR Dept Effective at Delivering Traditional HR Services and Programs	5.95	B+
<b>HR Workforce Competencies</b>		
Head of HR actively involved with Senior Management on Strategic Business Decisions and Policy	5.90	B+
HR Dept Is an Effective Partner with Line Managers/Supervisors	5.91	B+
<b>HR Practices</b>		
High Performance Work Practices - average Score (16 Practices)	5.37	B
<b>Sec 8: Overall Score: Shareholder Card</b>		<b>5.42 B</b>
		<i>Employee Survey</i>
<b>Stakeholder Section: Employees</b>		Score Grade
<b>Sec 9: Employee Wellbeing Success</b>		
Job/Employment Satisfaction	4.79	C+
Great Place to Work	5.03	B-
Pay/Benefits	4.58	C
Employment Security	5.06	B-
Friendly/Sociable Workplace Environment	5.04	B-
Employee Advancement Opportunities	4.12	C-
Employee's Get/Give Value Proposition	4.85	C+

## Sec 10: Drivers of Employee Wellbeing Success

### Management Behaviors

Managers Get Employees Engaged in their Jobs	4.45	C
Managers Get Employees Aligned/Focused on Company's Goals	4.66	C
Managers Empower and Trust Employees to Get their Jobs Done	4.80	C+
Managers are Committed to the Organization's Long-Term Success	3.83	D+

### Management Competencies

Quality of Management Team	4.63	C
Quality of People Management	4.31	C-
Confidence/Trust in Management	4.32	C-
Effectively Deals with Underperformer/Problem Employees	4.24	C-

### Workforce Mind-set and Culture

Employees Stay with Company a Long Time	4.80	C+
Same Set of Rules and Standards applied to Managers and Employees	3.59	D
Family/Partnership Feeling	4.30	C-
Appreciation and Recognition for the Good Job Employees Do	3.87	D+
If the Company asks for More From Employees it also Gives More in Return	3.65	D
Workplace Morale	4.42	C
Employees' Connection/interest with What Mgt. Says/Does	3.90	D+
Good Workplace for Women/Minority/LGBT Employees	5.15	B-
Management Decisions Match 'Employees are Most Important Asset'	4.56	C

## Sec 11: HR Function

HR Dept Effectively Handles Complaints or Grievances	4.03	C-
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## Sec 12: Relations

### Relational Behaviors

Relations Between Management and Employees	4.62	C
Company Fairly Shares Money with Employees	3.90	D+
Management Is Fair and Balanced So Employees Don't Need Outside Protection and Influence	4.06	C-
Low Conflict/Infighting	4.50	C
Employees are not Interested in Having Union and Collective Bargaining	4.75	C+
No Discrimination or Favoritism at Work	4.08	C-

### Relational Practices

Employee Voice/involvement in Way Work Is Done	4.49	C
Employee Listening and Opinion Methods	3.92	D+
Effective Dispute Resolution	4.45	C

Effective/Extensive Internal Communication	4.31	C-
Collaborative/Commitment Management Style	3.84	D+
Positive Forms of Employee Motivation	4.28	C-

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**Sec 13: Overall Score: Stakeholder Card** **4.38 C**

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**Sec 14: Overall Score: Shareholder + Stakeholder Cards** **5.42 (B) + 4.38 (C) = C+**

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