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ISO TC 260/WG2

Secretariat: ANSI

Human ~~resource management~~ – Impact of ~~hire metric~~

Technical Specification

WD stage

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

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For an explanation on the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see the following URL: www.iso.org/iso/foreword.html.

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This document was prepared by Technical Committee ISO/TC 260, *Human resource management*.

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Introduction

In an increasingly competitive and resource-sensitive market, the impact of critical positions on organizational performance differentiation is significant. This has created a growing awareness that organizational focus needs to shift *from* efficiency and effectiveness *to* impact measures that can provide insights to support timely, informed and consistent strategic decision-making that contributes to maximizing organizational value.

To have impact, measures should focus on those components that make a strategic difference to organizational outcomes: the quality of appointment decisions and, in particular, appointments to critical positions and the performance of the people in those positions, which is identified here as the impact of hire.

Impact measurement refers to the critical positions' contribution to the success of the organization during a defined period.

A critical position is a role that has a direct and significant impact on organizational outcomes and competitive advantage.

Impact of hire, therefore, only pertains to those positions that are most critical to the organization's strategy. This document provides an approach to measuring the impact of a critical position's contribution to maximizing value for the organization.

The focus of this document is on critical positions, the performance of individuals who hold critical positions, and the identification of metrics that can be used to evaluate their impact, respectively and collectively on organizational value.

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Human resource management — Impact of hire metric

1 Scope

This document identifies:

- principles for determining critical positions by using workforce segmentation approaches [see ISO 30409];
- measures to determine the impact of critical positions, and the performance of people hired into these positions, on organizational value creation and performance.

This document is intended to be scalable to the needs of any organization regardless of size, industry or sector and is relevant to people with an interest in workforce planning; organizational design and development; talent management, succession planning, and recruitment; and metrics and human capital reporting.

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 30400, *Human resource management — Vocabulary*

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3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 30400 and the following apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

- ISO Online browsing platform: available at <https://www.iso.org/obp>,
- IEC Electropedia: available at <http://www.electropedia.org/>.

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3.1

critical position

job role that has a direct and significant impact on organizational outcomes

Note 1 to entry: Critical positions are identified by organizations as part of their organizational strategy, including critical aspects such as security, safety, growth, sustainability and other factors. Critical positions will vary by industry, sector and organizational type, such as for-profit or not-for-profit, and are not always high-level positions.

Note 2 to entry: The impact of the critical position relates to organizational performance that can be affected positively or negatively by the performance of individuals occupying such positions, depending upon whether job performance is effective or ineffective, and also whether the role is left unfilled for a defined period.

Note 3 to entry: If a critical role requires specialized knowledge, skills, abilities and other factors, and the same are in short supply, organizations need to develop a talent pipeline internally instead of relying on finding talent externally.

3.2

impact of hire

measurement of the new hire's contribution to the success of the organization during a defined period
[SOURCE: ISO 30400:2016, 6.10]

3.3

business value

measurement of value generated by the organization/subgroup/business unit

Note 1 to entry: Includes for financial and non-financial organizational aspects.

4 Workforce segmentation approaches to determine critical positions

4.1 General

Workforce segmentation is a fundamental aspect in strategic workforce planning and is used to classify the different types of job families, functions, roles and competencies within the organization, and to focus on the most critical positions identified as strategically important to organizational performance.

There are two basic approaches to workforce segmentation, and each might be valid in support of organizational differentiation:

- role-based segmentation, where jobs are segmented by value or type of work performed;
- employee-based segmentation, where jobs are segmented by demographic, location or other observable or inferred characteristics.

The flowchart in Annex A illustrates the context and components of impact of hire.

4.2 Role-based segmentation

Organizations use workforce segmentation techniques and processes, based on future-focused scanning of the external environment and a systematic approach to workforce planning that identifies the knowledge, skills, abilities and other factors required for the current and future workforce roles. This can help organizations identify the critical positions that leverage their strengths and differentiators.

4.3 Employee-based segmentation

This refers to workforce supply forecasting conducted by segmenting according to demographics, location and other factors.

Analysing and forecasting current and future workforce needs requires an informed, evidence-based approach that considers aspects of organizational strategic growth, individual contributions and succession readiness, and other factors that relate to critical positions identified by the organization and its available talent.

4.4 Critical positions

To identify the critical job positions that are strategically important to achieve organizational success, organizations should focus on the factors that significantly influence stakeholders in their decision to use and benefit from the organization's products or services. It is also important for organizations to evaluate the systems and processes for delivery of the organization's products and/or services, how these create, enable and add value, and the risks associated with each. Therefore, organizations need to identify positions that have a direct and significant impact on organizational outcomes and competitive advantage, and identify the positions that have the greatest impact and influence on either creating or damaging value.

5 Impact of critical positions

5.1 Definition

Total annualized business value impacted by critical position(s).

5.2 Purpose

All organizations have critical positions that vary according to their organizational type, strategic goals and activities. The impact of a critical position on total business value (I_R) is measured by multiplying the *percentage share of total business value* affected by such critical position (S_R) by the *total business value* (B). The impact of an individual (I_I) is measured by dividing the *impact of a position* (I_R) by the *number of individuals in that position* (N_R).

5.3 Formulae

$$I_R = S_R \times B$$

can also be expressed as:

Annualized impact of a critical position = share of critical position \times annualized business value

$$I_I = I_R / N_R$$

can also be expressed as:

Annualized impact of individual = $\frac{\text{impact of critical position}}{\text{number individuals in said position}}$

where

I is impact (as a measurement of the contribution to the success of the organization during a defined period);

I_R is the annualized business impact of a critical position on business value, which includes financial and organizational performance (which can be covered by multiple people within the organization);

I_I is the annualized business impact of an individual in a critical position;

B is the annualized business value generated by the organization/subgroup/business unit (including both financial and organizational performance aspects);

S_R is the critical position's percentage share of B ;

N_R is the number of individuals in said critical position.

5.4 How to use

5.4.1 General

To use this metric, first identify position(s) that have a direct and significant impact on organizational outcomes and competitive advantage, which represent the position(s) that have the greatest impact and influence on either creating or damaging business value. Second, determine the percentage share that the identified position(s) contribute to the total business value. Third, identify the number of individuals in said critical positions. Fourth, assess the risk of poor performance by individuals in critical positions and how to mitigate the risk while ameliorating the impact on business value.

For example, if the percentage share of a given position affects 40 % (S_R) of the total value ($B = \$10M$) generated by the organization, and there are five individuals in such positions (N_R), then the collective impact of that critical position (I_R) is \$4M and the impact (I_I) of an individual in that position is \$0,8M.

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Given $S_R = 40\%$, $B = \$10M$, $N_R = 5$, then

$$I_R = 0,4 \times \$10M = \$4M$$

$$I_I = \$4M/5 = \$0,8M$$

5.4.2 Intended user(s)

This metric is intended to be used to track how critical positions effectively contribute to the achievement of specific strategic organizational goals relating to performance and maximizing value. Each organization should establish specific objectives for quantifying the impact of critical positions, including relevant risk and opportunity parameters, and the percentage share that the identified critical positions contribute to total business value.

5.4.3 Contextual factors

Contextual factors vary according to size, type, sector and growth phase of individual organizations. In organizational contexts, critical positions might involve competitive factors for organizational sustainability, which can include commercially sensitive data.

6 Impact of performance variation of critical position holders on business value

6.1 Definition

This metric identifies how the performance variation of critical position holders affects the annualized total business value.

6.2 Purpose

Organizations that have determined their critical positions may use this impact of performance variation metric to measure individual critical position holder effectiveness against the expectations and target performance rating (T) of the critical position.

6.3 Formula

$$D = I_I \times (R - T)/T$$

can also be expressed as:

Differential impact of position on value =

$$\text{Impact of individual in critical position} \times \frac{(\text{individual's rating} - \text{target performance rating})}{\text{target performance rating}}$$

where

- I is impact (as a measurement of the contribution to the success of the organization during a defined period);
- D is the differential impact of a critical position on B , based on the performance rating R of the critical position holder relative to the target performance expectation T for such a position (for example, 5/7 instead of 4/7, or 3/5 instead of 4/5);
- B is the annualized business value generated by the organization/subgroup/business unit (including both financial and organizational performance aspects);
- I_I is the annualized business impact of an individual in a critical position;
- R is the rating of an individual's performance relative to critical position requirement (for