मानव संसाधन प्रबंधन — नियुक्ति मिट्रिक का प्रभाव

Human Resource Management — Impact of Hire Metric

ICS 03.100.30

Human Resource and Innovation Management Sectional Committee, MSD 19

NATIONAL FOREWORD

This Indian Standard which is identical to ISO/TS 30410 : 2018 'Human resource management — Impact of hire metric' issued by the International Organization for Standardization (ISO) was adopted by the Bureau of Indian Standards on recommendation of the Human Resource and Innovation Management Sectional Committee and approval of the Management and Systems Division Council.

The text of ISO standard has been approved as suitable for publication as an Indian Standard without deviations. Certain conventions are, however, not identical to those used in Indian Standards. Attention is particularly drawn to the following:

a) Wherever the words 'International Standard' appear referring to this standard, they should be read as 'Indian Standard'; and

b) Comma (,) has been used as a decimal marker while in Indian Standards, the current practice is to use a point (.) as the decimal marker.

In this adopted standard, reference appears to an International Standard for which Indian Standard also exists. The corresponding Indian Standard, which is to be substituted in its place, is listed below along with its degree of equivalence for the editions indicated:

International Standard	Corresponding Indian Standard	Degree of Equivalence
ISO 30400 Human resource management — Vocabulary	IS/ISO 30400 : 2022 Human resource management — Vocabulary	Identical

Annex A is for informative only.

Contents

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.

Indian Standard

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*

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/

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 × annualized business value

$$I_I = I_R/N_R$$

can also be expressed as:

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

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.

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 =

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

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 example, on a scale of 1 to 5, 1 to 7 or 1 to 10);

T is the target performance rating for that particular critical position on an organizationally defined scale (e.g. 4 out of 5, 5 out of 7 or 7 out of 10);

6.4 How to use

6.4.1 General

An organization can benefit from identifying its critical positions and determining the impact of the effectiveness of critical position holders (i) whether they are newly hired or established in the position; or (ii) to compare the performance of previous and replacement critical position holders.

Given I_I = \$0,8M, R = 5, T = 4, then

D = \$0,8M × (5 − 4)/4 = \$0,2M

In this case, the incremental value provided by the individual in such a critical position, who performs at a higher level, is \$0,2M.

Given I_I = \$0,8M, R = 4, T = 4, then

D = \$0,8M × (4 − 4)/4 = \$0

In this case, the individual in such a critical position performs as expected; therefore, the differential value is \$0.

Given I_I = \$0,8M, R = 3, T = 4, then

D = \$0,8M × (3 − 4)/4 = −\$0,2M

In this case, the incremental value (loss) provided by the individual in such a critical position, who performs at a lower level, is a loss of \$0,2M.

6.4.2 Intended user(s)

This metric is intended to be used by organizations to identify performance variation of critical position holders and the impact of such variation on organizational risk, opportunity and value parameters.

6.4.3 Contextual factors

Contextual factors vary according to size, type, sector and growth phase of individual organizations. In organizational contexts, the approach to performance management is varied, as some might quantify performance outcomes by using nonlinear scales (i.e. not 1–5, 1–7, etc.), where the impact of a performance deviation from the target is not directly proportional to outcomes. If an organization does not use a rating system, this approach could be used by identifying performance expectations and comparing them with performance outcomes. Critical position holders might have specific knowledge, skills, abilities and other factors that are key to an organization's competitive advantage. Organizations could consider whether their infrastructure enables or hinders a critical position holder's performance or diminishes the impact of the position.

7 Impact of unfilled critical positions

7.1 Definition

The impact on annual business performance of the loss of a critical position holder and the time the position remains unfilled.

7.2 Purpose

Organizations that have determined their critical positions may use this metric to assess the cost (in terms of total business value lost) due to the time required to fill the position and re-establish the targeted performance of the critical position.

7.3 Formula

$L = I_I \times M/12$

can also be expressed as:

Loss of individual critical position holder =

$$\text{Impact of individual in critical position} \times \frac{\text{replacement time}}{12 \text{ (annualized)}}$$

where

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

- L is the business impact due to the loss of an individual in a critical position, including its replacement time in months;

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

- M is the replacement time (in months) of a critical position holder, i.e. the average time required to replace a lost individual with an equivalently skilled one, which includes the time to find and onboard a suitable new hire plus the time to ramp up his/her performance in the new position to the target level.

7.4 How to use

7.4.1 General

This metric is intended to be used by organizations to assess the risk of loss of business value incurred when a critical position is new and not filled or not filled following the departure of a critical position holder for any reason (in this case, the loss would be a percentage of that which is calculated when the position is not filled at all). A more complex calculation can be adopted if such a vacancy has possible long-term effects (for example, loss of key customers, loss of reputation or other relevant considerations).

Given I_I = $0,8M, M = 6, then

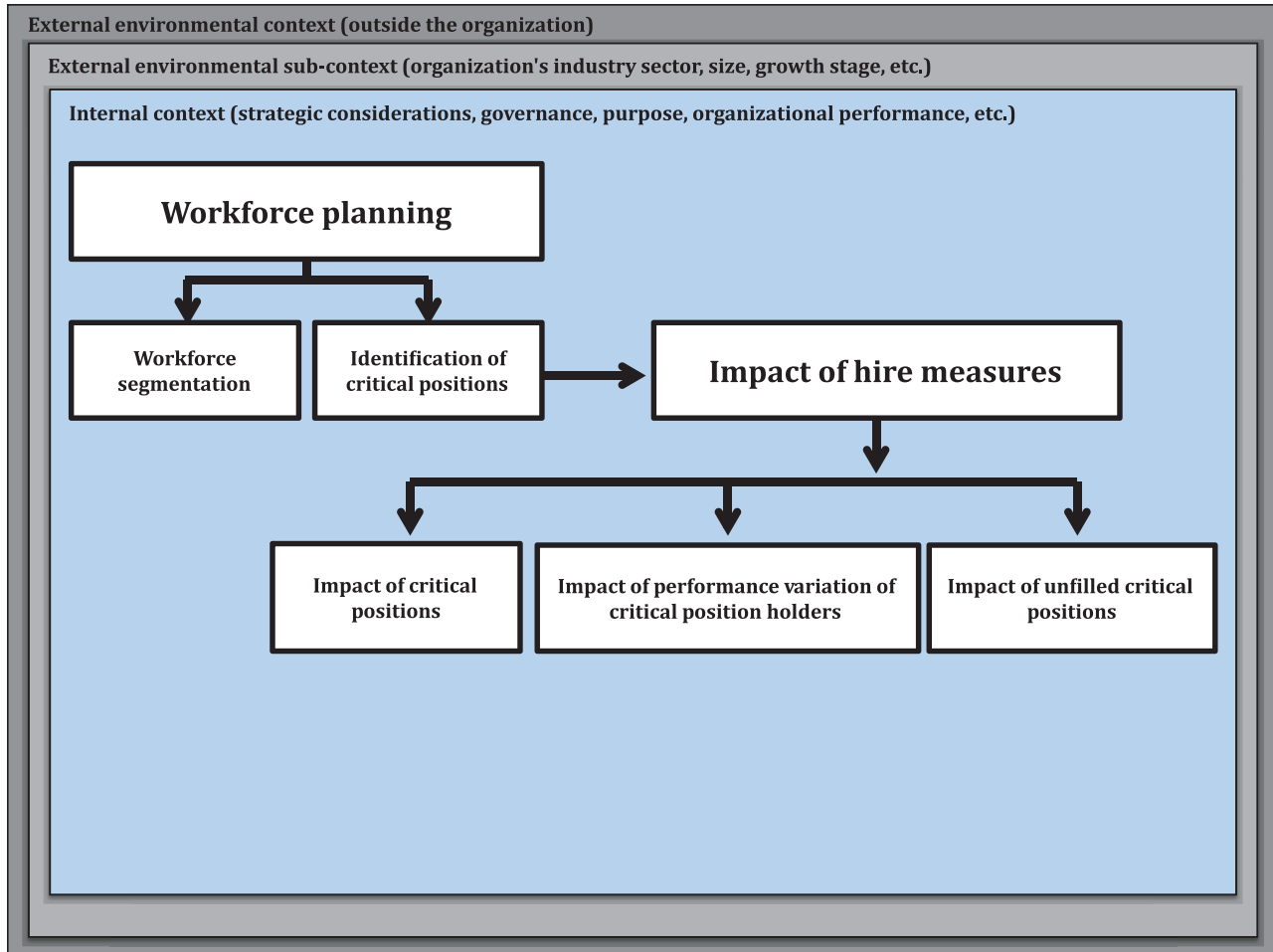L = $0,8M × 6/12 = $0,4M

7.4.2 Intended user(s)

This metric is intended to be used by organizations to focus on the risk to business value of unfilled critical positions and the need to develop a pipeline of critical position talent to mitigate the risk, and to measure the average time and costs of replacement.

7.4.3 Contextual factors

Workforce segmentation based on the criticality to the business is particularly important when the individual's or team's departure may severely impact business continuity with immediate consequences on the organization's objectives (e.g. core operations, financial viability or reputation). If a critical position 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.

Annex A
(informative)

Impact of hire flowchart

External environmental context (outside the organization)

External environmental sub-context (organization's industry sector, size, growth stage, etc.)

Internal context (strategic considerations, governance, purpose, organizational performance, etc.)

Workforce planning

Workforce segmentation

Identification of critical positions

Impact of hire measures

Impact of critical positions

Impact of performance variation of critical position holders

Impact of unfilled critical positions

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[6]   ISO 30409, *Human resource management — Workforce planning*

Amendments Issued Since Publication

Amend No.	Date of Issue	Text Affected