



## Analysis, please!

### How HR goes on the offensive with new standards

The HR area in the company is wrongly reduced by many to the two key metrics headcount and personnel costs. However, with the current dynamics of sustainable business models, breathing organizational structures and agile processes, more and more issues of "Human Capital" are moving into the focus - not only of investors - but also of the company management itself.

Even CFOs start to take an interest in workforce planning, employee lifecycles and HR analytics. After all, the question of how value creation will materialize in the future is becoming more and more multidimensional. Not only personnel bottlenecks or a shortage of skilled workers are ensuring that it is up-to-date and urgent. For HR, this is a concrete opportunity to underpin the relevance of its own topics with tools from the world of analysis and strategy development.

However, there is also a need for a certain change in the HR area: the more operative and supervising perspective on the workforce itself must work out the core elements of the value creation process more strongly. Additionally, it must point out the dimensions relevant to the management of the company.

#### Tool kit for personnel managers

In other words, it needs number-based analyses that create comparability and thus make entrepreneurial decisions possible. The ISO standard 30414 Human Capital Reporting was developed precisely for this purpose as the guiding standard in Human Resource Management. It provides both personnel and management with a set of instruments that describe the relevant key metrics and their applicability according to the respective operational requirements.

A small practical example. Most companies know their fluctuation rate. But as a mere KPI, it is not really meaningful. What is missing is a classification in two dimensions. The first one is the question of what the acceptable or even correct size would be with respect to the industry, the business development, and the strategy. Is our fluctuation really high, or is it perhaps customary within the industry? Maybe we even have a strangely low fluctuation that lacks fresh blood. One should be able to compare.

The second dimension of comparison is the internal dimension over time. How have we developed? What has changed? What could have triggered the changes? Only these analyses lead us to further exciting questions: Do we possibly have too low a salary level so people leave our company regularly? This already leads us to another key metric that can be both captured as a company and compared with others.

Closely related to this is another key metric, which was the subject of heated discussion when ISO 30414 was created because it is highly political. Accordingly, the standard does not recommend it for external reporting, but only for internal reporting. It is about external personnel costs. But it is not just temporary work, which is intended to compensate for peaks in demand, that is included. Even units that are not traditionally run over the human resources' desk suddenly become visible. What lawyers' fees does the company have? How many external IT people do we employ? After all, they are part of the value chain and can have a massive influence on it.

#### **Ask relevant questions about the key topics**

And HR has to ask the relevant questions. Are we in a position to create value ourselves and ensure it in the long term? What resources do we need at what cost, and how secure is their availability in the future? And suddenly a whole new picture emerges. And HR is the place where central data converge.

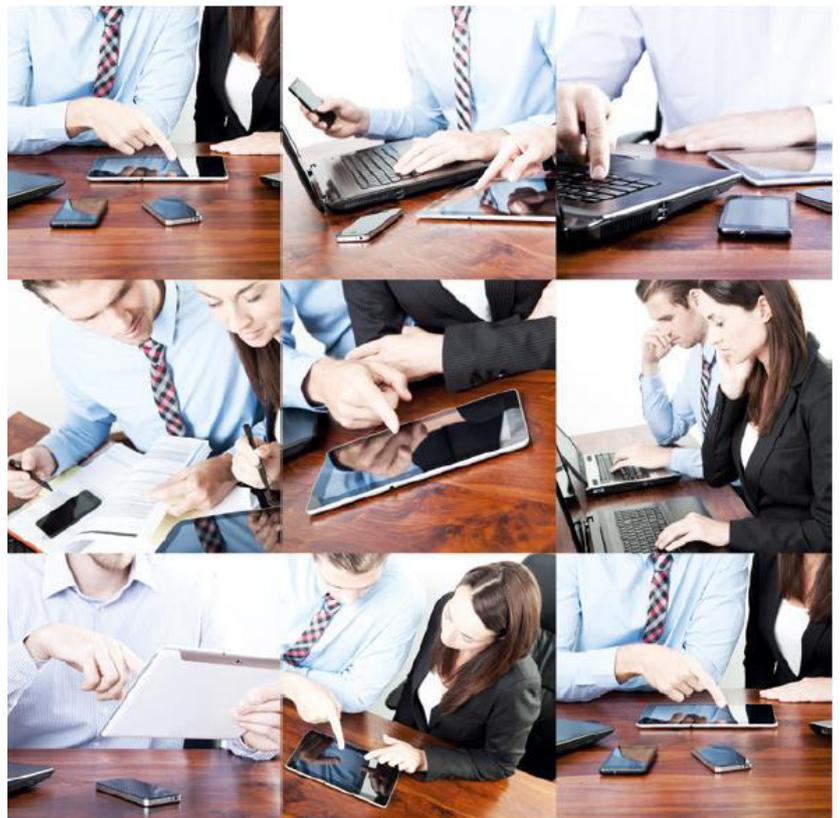
Productivity is likely to be a key issue for many companies. With the right key metrics, far-reaching strategic control and development

are possible here. What should we be interested in? For example: What is the capacity of my organization? Which market requirements can I serve to generate which sales volume? Where is the lower limit of profitability and the upper limit of resilience? How do we cope with economic fluctuations? Does it make economic sense to serve peak demand? How do we deal with weak phases in the market? The analysis possibilities are surprisingly deep.

Companies benefit from the transparency that is created within the company. Simply because metrics, which in principle are often already available, can be re-examined from an analytical point of view - and partly also compared between companies. If we know exactly where our value added is created, we also know how we can safeguard our potentials, talents and know-how and use them for the future.

The last decades have seen a gap in the strategic management of companies and their investments. The right approach to a stronger customer orientation has required investments and has always taken the underlying value creation process for granted.

Human Capital Reporting now makes this process transparent.





Thus, it enables an informed decision-making in which market requirements and performance can be better aligned. The focus is on the possibility of creating value added in the future.

**Use ISO 30414 as a checklist**

Speaking from practice and personal experience: Getting started is easier than expected, but not trivial. If you use ISO 30414 as a kind of checklist, you will find that a lot of data is already available in the company. Regarding others, you ask yourself: Why have we never come up with the idea of determining this metric in this way? In addition, it is easy to check: Are our KPIs really reasonable and meaningful? Because the possibilities are described broadly in the standard.

Because reporting is always the result of a process, a quick value added for many companies will already consist in taking a closer look at their own processes when using

the standard. The immediate value added for HR will be the ability to investigate other operational processes via the key metric system. And to influence the design of the processes by means of the metrics, their existing or non-existent explanatory power and the synopsis with other key metrics.

A major advantage of the standard is that even small companies or individual areas in the company can cope with the system and work with it in practice.

ISO 30414 is not a legally binding standard, but a recommendation based on the combined knowledge of experts from 25 countries. Nevertheless, there will be some pressure to use it in certain areas. The question of intangible assets is becoming increasingly important, especially when it comes to financing entrepreneurial investments or acquiring entire companies. At the same time, the benefit of the standard is increased by every company that applies it. This is because the publicly provided part of the information will lead to a collective, uniform database that allows benchmarking based on a wide variety of aspects.

This valuable instrument will be supplemented by a successive development of key metrics by the ISO Recruiting Committee (detailed formulas for "cost-per-hire", impact, and quality of hire already exist), workforce planning and other topics that allow a more in-depth examination of certain task areas or sub-processes. HR professionals who make use of these tools quickly realize that they can gain influence and change attitudes.

This should be incentive enough to turn to data analysis.

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