

Key metrics in HR

First international guideline for Human Capital Reporting published



Employees play a key role in determining the value of a company

The main source of entrepreneurial value creation has shifted from tangible to intangible assets, which include 'Human Capital'. According to a Harvard Business Review study of the 500 largest US listed companies, only 16 percent of the market value of these companies now consists of tangible assets (83 percent in 1975). The remaining 84 percent accounted for by intangible assets. Assets such as factory buildings, land, machinery, licenses or patents no longer determine the prospects of a company alone. Rather, networks and customer relationships, but especially minds who are decisively involved in the value creation of a company. But how can this value contribution be made transparent and more tangible?

In December 2018, the ISO 30414 standard for Human Capital Reporting was published as a result of a German initiative - HR Performance already reported on this in Issue 3/2016, 2/2017, and 6/2017. Starting in March, this will also be available as a German ISO standard. Under the official title ‚DIN ISO 30414 Human Resources Management - Guidelines for Internal and External Human Capital Reporting‘, the voluntary standard offers a guideline on how organizations can report on their most important resource, their employees, and thus make their value contribution more transparent.

New guideline helps to make the value contribution transparent

Even though the topic of People and HR Analytics is currently on everyone's lips, many people forget that the actual homework has to be done before such analyses can be carried out. That means first of all a clean database used as a basis

Human Capital Area	Scope and Content	Human Capital Area	Scope and Content
Compliance and ethics	_ 5 metrics, i.a. information on grievance filed and disputes referred to external parties	Productivity	_ 2 metrics, i.a. information on revenue per employee and human capital RoI
Costs	_ 7 metrics, i.a. information on workforce and hire costs	Recruitment, mobility and turnover	_ 15 metrics, i.a. information on number of candidates, turnover rate and time to fill vacant positions
Diversity	_ 5 metrics, i.a. information on age and gender of workforce	Skills and capabilities	_ 5 metrics, i.a. information on total developing and training costs and number of training hours
Leadership	_ 3 metrics, i.a. information on span of control and leadership trust	Succession planning	_ 5 metrics, i.a. information on succession readiness rate
Organizational culture	_ 2 metrics, i.a. information on retention rate and engagement	Workforce availability	_ 5 metrics, i.a. information on absenteeism, number of employees, and full-time equivalents
Organizational health, safety and well-being	_ 4 metrics, i.a. information on lost time for injury and number of occupational accidents		

Figure 1: Core Report Topics and Examples of Key Metrics

for a corresponding framework of key metrics.

Human Capital Reporting contributes to this.

The 'ISO 30414 Human Resource Management - Guidelines for Internal and External Human Capital Reporting' was a German initiative and is the first international guideline of its kind. It offers organizations the opportunity to move towards a more key figure-driven decision-making process in all HR areas. At the same time, companies can also meet the requirements of investors and other interest groups (e.g. legislators, trade unions, NGOs) through the external, public reporting of HR indicators by providing additional information about the resource 'employees'.

The guideline can be applied by organizations of all types (e.g. companies, government and administration) and sizes and includes recommendations on how organizations can provide internal and external key figure-based information on key areas of personnel work, such as corporate culture, recruitment, productivity, occupational health and safety and leadership (see Figure 1).

For each of these core reporting topics, the guideline provides the user with an associated set of metrics and explains why a metric is important, for what reporting purpose it should be used, how the metric is specifically defined, how it can be calculated, and illustrates a possible reporting example. In total, a portfolio of 58 key metrics is provided.

Voluntariness and practicability are important

Many practitioners rightly have reservations when they hear the word 'standard'. Isn't there already too much bureaucracy, rules and reporting requirements? ISO 30414 tries to provide answers for practical use by making recommendations for reporting - which can also be applied at a global level.

Background: ISO and DIN

ISO is the International Organization for Standardization, which is composed of the respective national standardization organizations worldwide. The German member of ISO is DIN - Deutsches Institut für Normung e.V. (German Institute for Standardization). International standards are drawn up by so-called Technical Committees, to which the national standardization organizations send their experts. The Technical Committee 260 'Human Resource Management' (ISO / TC 260), which is chaired by the US standards organization ANSI, is responsible for all personnel management issues:

<https://committee.iso.org/home/tc260>.

At the national level, the work is accompanied by a so-called mirror committee. The German body is the Working Committee on Human Resources Management (www.nadl.din.de). It is made up of experts from business and personnel consultancies, industry, associations and science and has the task of participating in international standardization work. It also decides whether international standards are to be incorporated into German regulations. For ISO 30414 Human Resource Management - Guidelines for Internal and External Human Capital Reporting, exactly this was decided. The guideline is based on an original proposal from Germany.

It was therefore important to the international experts to also consider the special features of different organizational forms. For small and medium-sized enterprises, for example, only ten indicators are recommended for external reporting. For large companies, on the other hand, 20 indicators are proposed for public reporting. These include indicators that have rarely been published by large companies - such as total personnel costs, which also include costs for external personnel (including contract workers, consultants, temporary workers and cloud workers).

Since Human Capital Reporting is a voluntary guideline, the user himself decides which of the key performance indicator systems are useful in her organization. Public reporting is also voluntary and not mandatory. We already have information from German medium-sized and larger DAX companies that they will use this guideline for their annual report in the future.



Figure 2: What does ISO 30414 offer the user?

There are many possible uses for organizations

Organizations can use the guideline in multiple ways (see Figure 2): A globally uniform proposal for reporting also makes inter-company comparisons possible - which has been common practice in the financial world for a long time. Especially in the international context, the guideline received a very good response, for example in France,

Great Britain or the USA. In addition, it supports organizations in making Human

Resources Management more tangible. This also helps with targeted control and supports the establishment of a more data-driven decision-making process in all areas of Human Resources Management.

Personnel consultants, representatives from science, personnel associations and personnel experts from business practice played a decisive role in the development of the guideline. The content of ISO 30414 was based on scientific findings, best practice and existing initiatives, such as the ‘HCR 10’ (Human Capital Reporting 10) or the ‘GRI’ (Global Reporting Initiative), for employee-related reporting.

The German-language version of ISO 30414 comprises slightly more than 50 pages and is available online from Beuth-Verlag for around 150 euros.

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