Human Resources Performance Indicators To Watch For The Most

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As no company is built with the vision and mission to fail, companies ought to find out if they are performing to the best of their ability and whether any strategies they are implementing to improve performance are producing the desired results. In the 2011 paper “Metrics pave the path to world-class” Anderson stressed the importance of measuring performance saying that unless performance is measured and benchmarked, companies will not know how they are performing and which areas need improvement. Such blindspots restrict them from identifying and focusing necessary corrective strategies and efforts on the areas that require improvement. Also, once these strategies have been implemented, companies need to be able to track their performance so that they may ascertain which strategies have been effective and which have not yielded satisfactory results. Action plans can then be made to ensure the relevant areas are addressed.

Companies should measure performance for several reasons. Monitoring performance creates a performance oriented-culture and *promotes accountability* in an organisation. It ensures that the company goals, mission, priorities are clarified and clearly understood by employees. This *improves communication between employees and managers*, as employees are made aware of their responsibilities and the expectations the company has of them. Furthermore, success criteria for the objectives of performance measurement get defined and become established within the organisation. This allows companies to formulate a rewards framework that is transparent and fairly rewards employees that perform well, as defined by the success criteria. As more and more employees aim to reach targets set for them by the success criteria, a culture is cultivated which provides opportunities for performance development especially if the continued learning and growth of employees is defined in the success criteria.

It thus becomes imperative for companies, especially the human resources departments within each company, to make *key performance indicators* a business priority as they enable businesses to make decisions that make an impact that can be measured and quantified. *Key performance indicators* (*KPIs*) are strategic measures that quantify the contribution of the human resource to the organisation's goals and mission. Gosselin (2005) defines key performance indicators as the “physical values which are used to measure, compare and manage the employees’ as well as overall organizational performance”. The Factorial Blog (2019) defines a key performance indicator as a “*metric* that measures the performance of a particular activity or process” which will then “serve as a reference depending on the process or activity on the basis of the objective you want to achieve.”

Cronin advises that when deciding on which performance indicators are relevant to a specific company managers should consider the strategies and objectives that they wish to address. This then allows managers to choose the measures that speak directly to their goals. These indicators are most effective when tracked consistently and comprehensively. Furthermore, Griffin (2004) adds that performance indicators work best when they cannot be manipulated or changed by external influences and a direct link to the company’s goals and objectives exists. This allows companies to thus be able to make actionable strategies that can be relied upon. According to Eckerson (2009), effective key performance indicators should be *specific, measurable, attainable, relevant and time-bound*, i.e. they should be *S M A R T.*

In addition to this, Eckerson furthered that effective key performance indicators are those indicators that meet the following criteria:

- *Sparse*, i.e. key performance indicators are more effective when they are few.
- *Drillable*, i.e. effective key performance indicators can have more information and detail “drilled into” them by users.
- *Simple*, i.e. effective key performance indicators are easy for all employees to understand.
- *Actionable* i.e. key performance indicators are more effective if all employees know which actions can affect outcomes.
- *Owned*, i.e. key performance indicators are assigned to individuals, who are subsequently responsible for meeting them.
- *Referenced*, i.e. key performance indicators are more effective if employees can trace the origins of the indicators
- *Correlated*, i.e. effective key performance indicators have a direct relationship with the desired outcomes.
- *Balanced*, i.e. effective key performance indicators are both financial and non-financial.
- *Aligned*, i.e. effective key performance indicators support each other in achieving the intended goals and do not contradict each other.
- *Validated*, i.e. key performance indicators are effective if no employee can find a way to outmanoeuvre and bypass the performance indicators.

The most important KPIs to watch for are those KPIs that meet the abovementioned criteria and they are as follows:

Absence rate and Absence cost

Companies must watch for the absence rate and the absence costs which are related. These two KPIs quantify the rate of absenteeism in the organisation and assign a cost, enabling companies to see how absenteeism affects the business operations. Usually, when an employee is absent, other employees must cover for them, thereby dividing their attention between their duties and those of the absentee.

The absence rate is simply a ratio of the number of days an employee was absent from work versus the number of days an employee was present at work. This can be calculated explicitly by dividing the total number of days an employee was absent by the total number of days they were at work.

The absence cost is calculated by using employee pay or other measures which quantify the cost of managing the employee’s absence.

Employee engagement index

Employee engagement quantifies an employees investment and attitude towards a company's goals. Several studies have shown that more engaged employees tend to be more productive, offer better customer service, tend to be involved in fewer accidents and make fewer mistakes, have fewer cases of absenteeism, and result in lower turnover. The employee engagement index can be found as a result of an employee engagement survey.

Benefits or remuneration satisfaction index

How satisfied an employee is with the remuneration and benefits they receive can have an impact on their decision to leave the organisation. This index can be measured through an employee engagement survey.

Employee productivity rate

The *employee productivity rate* tracks how productive an employee is by using company-specific metrics. These differ by industry and company.

Employee satisfaction index

Employee satisfaction can be measured through employee engagement surveys. The dissatisfied employee is at a greater risk of leaving the organisation than the satisfied employee.

Employee innovation index

Employee innovation index can also be found using the employee engagement survey. Innovation speaks to the ability of employees to find new effective ways to address a problem. It is thus key to the success of a business.

Internal promotion rate

The internal promotion rate finds the proportion of senior positions which were filled by internal employees. Internal promotion rate can be calculated by dividing the number of senior positions which were filled by internal employees as a way of a promotion by the number of senior positions which were filled in total. Employees who are already within the organisation and receive a promotion can hit the ground running and reduce the risk of a bad hire. In addition to this, internal hires are more likely to stay in the company longer, enabling companies to plan more effectively.

Net Promoter Score

A Net Promoter Score measures the degree to which an employee would recommend the organisation or business services to another person. Satisfied employees are more likely to recommend services to other people thereby driving up sales and would recommend the company to valuable talent. This KPI can be found in employee engagement surveys.

Percentage of cost of the workforce

For companies looking to automate processes, this KPI helps quantify the amount an organisation can save by automating. It can be calculated by dividing the cost of the workforce by the total cost incurred by the organisation.

Quality of hire

How effective an organisation is in hiring aids companies in identifying refining the organisation's talent acquisition and hiring process thereby promoting a system that ensures the best candidates are chosen. The quality of hire is calculated as a percentage of new hires that receive good ratings from their managers during their performance review.

Turnover rate

Turnover rate is an important KPI to assess especially as employee turnover can be very costly for organisations. Linked to this metric are three other KPIs.

Involuntary turnover rate

Involuntary turnover rate divides the number of resignations which were initiated by the employer by the total employees leaving the company.

Voluntary turnover rate

Voluntary turnover rate divides the number of resignations which were initiated by the employee by the total employees leaving the company.

Unwanted turnover rate

Unwanted turnover rate divides the number of good performers leaving the company by the employer by the total employees leaving the company.

90-day quit rate

The 90-day quit rate assesses the number of employees that leave the organisation within the first 3 months. This KPI assesses the quality of hires that the company is hiring.

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