

Understanding Employee Performance Measurements

written by vickyp | August 26, 2014



Gain a better understanding of performance measurement for your employees before you roll them out.

The topic of performance measurements is a frequent conversation within HR circles. How do you measure performance, what are you measuring, how do you improve performance, how do you establish performance metrics are all questions that arise. Sometimes performance expectations are set out in the employment contract, other times during annual performance or goal setting meetings and other times they are left up in the air. When you are considering performance measures the first question you should consider is what you want to measure.

3 aspects of employee performance measurement

The big picture of performance measurements includes 3 types of measurements:

- **Output or Workload:** measuring the amount of work an employee is given, processes and manages to complete. Comparisons can be made in quarter over quarter or year over year output for an employee or comparisons can be made against other employees or the aggregate of other employees.
- **Efficiency:** a measure of the balance between resources used and the results produced. Measurements made by using a ratio formula; the cost of the resources or time used in the completion of a task is compared to the results, cost savings or resource use benefit for the cost.
- **Outcome (effectiveness):** a measure of the results; the extent to which an objective has been achieved. By measuring the outcome, either alone or in combination with other measures the value or benefit of the performance of the employee can be gauged.

As alluded to above you have several options for weighing performance. You can compare performance to:

- **Individual performance:** measuring an individuals performance against that

individuals previous performance; for example month to month or year over year or based on agreed upon expectations

- **Co-worker performance:** measuring a given individual against another co-worker or the aggregate of co-workers either doing the same job, within the same department or across departments
- **Industry performance standards:** performance can be measured against the standard or aggregate of the industry for similar roles
- **Management expectations:** management can establish expectations based on needs, past experience or educated estimates

There are various ways and methods for calculating, tracking and obtaining information for the purpose of performance measurements. For a measurement tool or process to be valuable it needs to be valid, reliable, understandable and consistent, in that it is resistant to manipulation and wild swings in outcomes. The better performance measures measure not only how much service or product was produced but also how well, as in efficient and standard of quality, the work was undertaken and completed

Objective Data, Subjective Data and A Combination of Both

- 1) **Productivity tests:** quantifiable numbers based measures of performance. Establishing expectations based on productivity and/or quality and comparing an employee's performance based on these metrics. This can be used for front line workers in manufacturing, production, sales, marketing, even social work.
- 2) **Customer/client feedback results:** both a subjective and objective measure can include rankings and ratings of performance based on customer/client survey feedback
- 3) **Performance Appraisals:** These can also include subjective evaluation and subjective evaluation of objective variables. One of the most commonly used tools for performance metrics whereby management and/or supervisors establish expectations and goals and measure an employee's performance towards those goals. This can include a 360 degree evaluation process that includes feedback from colleagues and co-workers

Understanding what you are measuring and against what standard, how and why can enable you to actually derive benefit from the data you collect. Arbitrary measurements of speed or numbers may be easy to gather but if they do not demonstrate quality or benefits from the activity they do not necessarily help. Comparing employees against the standard of employees in another department, location or competitor may not be an accurate reflection of benefit. In the end you cannot squeeze oranges and apples and expect them to produce the same juice.

Before you roll out any performance measurements clarify why you are measuring something and what it will tell you about the quantity and quality of an individual's performance in the context of contributions to your organization. Sometimes an employee's contributions cannot be easily measured by numbers because the intangibles of what they offer can reverberate beyond the numbers.