Top 5 Employee Performance Metrics to Track

Employee performance metrics not only measure how staff are doing for the purposes of raises and promotions. The right metrics propel a business to success. Learn which are the top performance metrics

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Any company with employees faces the same struggle: how to measure employee performance. As a manager of teams both large and small, I've confronted this dilemma firsthand, and know it's not easy to find the best way to evaluate employee performance.

The challenge is that there's no single answer. Many human resource (HR) frameworks exist for this purpose, the most common being the dreaded annual performance review.

Fortunately, modern companies focus increasingly on a set of unconventional employee performance metrics with the understanding that when employees succeed, so does the company. After all, employees execute the nuts and bolts that keep a business running and meet the needs of customers.

Besides, applying a purely data-driven approach to measuring employee performance is doomed to failure. Why? Because employees are people, and therefore provide intangible benefits, such as leadership and mentoring, that cannot be easily quantified.

Also, as human beings, we act based on how we are incentivized. Use the wrong job metrics and employees lose motivation, which leads to direct business impacts such as reduced productivity. By providing and evaluating employees with the right set of performance metrics, you empower them to take the appropriate actions for the business and its customers.
Overview: What are performance metrics?

Every employee hungers to know how they're doing at their job. Performance metrics provide that insight.

These HR metrics are values that track an employee's contribution and performance for an organization. The values can be measurable data points like productivity, but for many jobs, particularly those requiring soft skills such as good listening for a customer service rep, performance metrics are not always easy to quantify.

Even if quantifiable data isn't available, the effort to capture these types of employee contributions in some capacity is worthwhile. Let's examine the ways performance metrics help every business.

Benefits of tracking performance metrics

By tracking employee performance metrics, you can effectively evaluate how your staff is doing. When they succeed at achieving performance targets, it improves the overall health of the business.

When performance metrics are not met, this information provides business leaders with insights to make strategic decisions that improve the situation. For instance, I worked at a company that relied primarily on a sales force to generate revenue.

By monitoring work metrics, we could forecast when sales reps were likely to fall short of revenue targets for a given month. Then, we could proactively analyze why and create solutions to get these reps back on track.

Moreover, performance review metrics allow the HR team to ensure staff are being treated in a consistent manner. The metrics clearly identify how team members are performing and are trackable through HR software, so HR can properly support the team.

Performance metrics also deliver many other advantages to an organization. Here are the most common benefits.
1. **Sets expectations**

When given a chance, most people want to do well at their jobs. When an employee fails to meet job expectations, it’s usually due to miscommunication. If you don’t communicate work expectations, you’re leaving it to chance that employees will meet them.

Performance metrics clearly define employer expectations. They also allow staff to understand what to strive for and help them identify whether or not they are achieving what’s expected of them. Even better, it sets a bar for motivated employees to exceed those expectations.

2. **Reduces turnover**

When an employee quits, it’s painful for a business. First, it’s not cheap to hire employees. Not only are there hard costs like the employee’s compensation and the time spent by the hiring manager and HR in recruiting efforts, but a business must invest in training the new hire and getting them up to speed to be fully productive. This process can take weeks or months, depending on the complexity of the job. Also, the gap left by the departure increases the workload of the other employees while a new hire is being brought in and trained.

Performance metrics can help reduce staff turnover. When workers know what’s expected of them, they are less likely to quit, but without performance metrics, they have no way to gauge if they’re doing well. When it’s time for a performance evaluation, the lack of metrics conveys a feeling that review ratings and compensation increases are arbitrary. This leads to reduced morale and increased likelihood of turnover. That’s why it’s important to establish and communicate clear performance metrics.

3. **Improves performance**

A lack of performance metrics leads to complacency, both among the organization’s leaders and its staff. Managers are less likely to address underperformers because there’s no clear definition of why someone is underperforming. Meanwhile, team members who believe they are going above and beyond may actually be doing an acceptable job, then feel resentment when their performance review reflects that.
By establishing a set of performance metrics, the team clearly sees where they're at and what it takes to succeed. The bar has been set, and staff will work to meet it. Some will even work to exceed it. When a team member is underperforming, the manager and the employee can work together to more effectively understand what's holding the employee back. Misconceptions can be cleared up, more training can be provided, or other methods of support can be applied to help the employee meet their performance metrics.

Also, during the recruiting process, the HR team and hiring manager can look for people who possess the skills to meet the performance metrics. This ensures you're starting from a position that increases the likelihood of solid work performance, which translates to business success.

5 key performance metrics you can use for your business

The subjective nature of businesses today can make establishing clearly defined workforce metrics difficult. A company may have remote team members whose contributions cannot be observed directly, or staff engaged in activities that are not easily quantifiable, such as managing customer relationships.

In addition, to stay competitive in a technology-driven world, organizations must have an eye toward promoting creativity and innovation. All of this makes it more challenging to define employee metrics.

A good approach is to identify your most important quantifiable employee performance metrics to apply to a goal-based methodology, and couple these with work metrics that encourage proactive problem solving, creativity, and innovation. In this way, you create a winning combination. Here are five employee performance metrics that allow you to do just that.

**Metric #1: Goal-based metrics**

A powerful approach to measuring employee performance is to translate company goals into specific goals for individual employees. When you align the objectives of the
employee with that of the business, it defines key performance metrics that help a business achieve its targets.

For example, sales reps might be assessed on revenue per employee since the goal of the team is to bring in sales. This, in turn, aligns with the overall company objective of increasing revenue.

**Why goal-based metrics are important**

The goal-based approach enables you to define a clear set of measurable process performance metrics that employees work to achieve, and by hitting them, each employee clearly contributes to the overall health of the business. Here’s how to make that happen.

- **Get to individual goals:** First, align a team’s objectives to those of the company. The team objectives should be based on the purpose of the team. For instance, a customer service group should be measured on factors that affect customer relationships, and since an organization wants to grow its customer count, a metric like retention makes sense. Then carve out the employee’s portion of the team goal so they are clear on their individual targets. Some performance metrics examples include turnaround time for customer inquiries, average deal size for a sales rep, and number of software bug tickets closed for an IT helpdesk.

- **Employee involvement:** Involve the employee in their goal setting. This creates immediate buy-in and ensures that expectations are aligned and understood. Also, you can take in the employee’s feedback and concerns to make the goals realistic and achievable.

- **Quantifiable objectives:** The goals should be specific and measurable. For example, an objective might be to launch a weekly newsletter that will have at least 10,000 readers by the end of the quarter. This goal then includes quantifiable actions to measure progress, such as growing subscribers by 5% each week until the 10,000 goal is achieved.

- **Stretch goals:** Part of the goal-setting can include stretch goals, which are targets that are not required but can motivate employees to go above and beyond. In the newsletter example, a stretch goal might be to reach 15,000 readers in the same timeframe.

- **A tool for one-on-ones:** Managers should use these goals during regular one-on-one sessions with each team member to discuss progress and the obstacles that are
blocking success. In this way, the manager and employee can work together to achieve not just the individual goals, but also the objectives of the company.

**Metric #2: Quality**

The quality of an employee's work is vitally important. Poor quality can translate into lost customers or inferior products. That's why it makes sense to incorporate this as a component of employee performance management metrics.

Quality metrics should align with the type of work an employee does. In a setting where productivity matters, quality can be assessed using a percentage of product defects or errors produced. For customer-facing staff, a metric like Net Promoter Score (NPS), which measures the likelihood of a customer to recommend the company, may be most applicable. For sales reps, a quality metric can involve the number of sales calls that result in a sale.

**Why quality is important**

Employees producing poor quality results can cause frustration for both customers and coworkers. Also, these employees may struggle to meet their performance goals because they don't realize that their work quality is not meeting standards. When this is corrected, they can more easily achieve their goals, so the ability to gauge a team member's work quality is valuable. Here are tips to do this.

- **360-degree feedback**: A useful approach to incorporating quality metrics, 360-degree feedback involves a manager soliciting input about an employee from peers, subordinates, and others who had substantial work interactions with the staff member, even customers. This feedback paints a more well-rounded picture of the employee while capturing a measure of quality, which can be difficult to quantify for some roles.

- **Manager feedback**: The employee's direct manager should provide ongoing performance feedback through regular one-on-one meetings. Ideally, these meetings can occur weekly. In these sessions, the manager should highlight examples from the past week that capture what the employee did well, as well as areas for improvement. These examples serve to illustrate the employee's performance around work quality and deliver close to real-time feedback that reinforces positive behaviors.
**Metric #3: Effectiveness**

Measuring effectiveness is about assessing the employee’s ability to solve challenges at work. When a company raises its effectiveness, it is better able to innovate and produce high-quality products or services.

An effective employee doesn’t simply complete tasks as quickly as possible; they come up with creative solutions to problems and continuously improve their performance to accomplish the best results.

Many metrics can be used to assess effectiveness. Some of the most common include measuring an employee’s ability to meet deadlines, to prioritize work correctly, and to achieve their goals consistently. If some staff members are clocking lots of overtime, they may need help streamlining their processes in order to complete their work in an effective manner.

**Why effectiveness is important**

Effective employees can affect the company bottom line directly in ways like reduced overtime costs. Moreover, because effectiveness can lead to unexpected benefits for the company, like streamlined work processes, it is a performance metric worth tracking. These suggestions can help.

- **Nurturing effectiveness**: Building effective employees takes time and collaboration. When an employee is new, effectiveness will be low until they get up to speed. Only then can a manager track a trend to determine if help is required. Less effective employees can get assistance from more effective peers through one-on-one coaching. Training classes can help as well.
- **Conflict resolution**: Effective employees know how to address conflict. Those lacking conflict resolution skills can be identified and coached to obtain the required skills to become effective in their jobs.

**Metric #4: Initiative**

Are your employees motivated to go above and beyond? Do they step in where needed without waiting to be asked? These are signs of initiative. An employee exhibiting initiative is one who is engaged in the business. That’s why it’s beneficial to measure initiative.
Tracking it is not always easy. The best way is to record the times you see a team member taking initiative. The other is to solicit feedback from others on the topic. In this process, be sure to track small actions as well as the obvious ones. These can include the ability to work without supervision or stepping in to resolve conflicts.

**Why initiative is important**

As a result of initiative, customer satisfaction improves and coworkers help each other. For growing and rapidly evolving businesses, the constant change makes it critical to have employees exhibiting initiative to adapt to changing conditions. Here are tips to build a culture where initiative is valued.

- **Set the tone:** Highlight to the team that proactive problem solving is valued, and encourage team members to provide feedback when they observe teammates taking initiative.

- **Learning opportunities:** Don’t penalize staff for taking initiative that results in an unwanted outcome. Instead, work with the employee to learn from the situation.

- **Building motivation:** Present individual examples of initiative to the group at team events or meetings as a way of recognizing employees and encouraging this mindset among others.

**Metric #5: Training & improvement**

Investing in your team through training programs and ongoing skills development is essential to maintaining the team’s ability to continue producing great results in the face of today’s rapidly changing competitive environment. Yet not all companies think to include this training investment into employee performance metrics.

The way to do that is to assess if employees are using what they learned. This is accomplished by comparing their performance rating in a skill before and after the relevant training. For instance, work quality can improve after a training, so the two metrics can be correlated and used together.

Another approach is to start with a baseline, like every employee undergoing the same key training sessions. The performance metric would revolve initially around how many of these sessions were completed. Then, purposefully introduce other training elements into each step of the employee’s evolution from new hire to veteran worker. Throughout this process, other metrics, like productivity, employee morale (measured through
internal surveys), and promotion opportunities can be used to show how the training helped your team grow.

**Why training & improvement is important**

Training boosts morale and employee confidence. Workers feel valued because the company is investing in their improvement. This morale boost leads to increased initiative from greater engagement with the job, and higher work quality, so this metric has a great influence on other metrics. These suggestions can help implement training as part of job metrics.

- **More than a class:** Training can involve techniques like shadowing coworkers; it doesn’t have to only occur in a classroom setting. Applying different training approaches is particularly important in order to build up employee competency in other performance areas such as effectiveness.

- **Training recommendations:** Managers should include training recommendations in performance conversations to guide team members. Discussing which skills an employee needs and which training session that employee should attend to gain them shows concern for the worker’s development and that thought was put into the recommendation.

**A last word on performance metrics**

Performance metrics play a part in the entire employee journey. During the recruitment phases, candidates can learn that performance is not simply managed but supported to ensure all team members succeed.

At the hiring and onboarding phases, the hiring manager should discuss performance expectations, how to set goals, and how the manager will support team members. During their tenure, employees are given the space for continuous improvement using performance metrics as the measurement tool to identify areas of opportunity.

As a result, the employee experience becomes one where personal success and performance management are in sync with business objectives. So move away from the outdated stick-and-carrot system of reward and punishment, and see performance
evaluations as a daily priority. In this way, you’ll build productive teams that propel a business to success.

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