Measuring Employee Performance by Using Productivity Metrics
By Sam Miller

Have you ever wondered how much an average employee contributes towards the success of your organization? Well, tremendous. Each employee or worker makes an incredible difference to the revenue that your organization generates. For this very reason it is also important to monitor and analyze employee performance periodically. Doing this is not easy. Organizations the world over have been struggling to invent methods that work best for measuring employee performance or what we call employee productivity. From conducting objective and subjective manual research and calculations to conducting complex performance appraisals systems, numerous ways have been devised to identify the importance of each employee. Such ways or methods to measure employee productivity are called Productivity Metrics.

The overall concept of these metrics

To be able to measure productivity, you first need to know the purpose, method and the desired outcome of any process that you will be implementing. You need to answer why you want to measure, how you plan to measure and after measuring what are is your desired course of action. Why you want to measure answers what goals and objectives have been set by your organization. How you plan to measure is your productivity metrics. And, course of action suggests the actions you will have to take to realize your goals and objectives. We assume that the goals and objectives are clearly outlined before productivity metrics are applied. We apply productivity metrics to identify the measure we need to take to achieve those goals and objectives which we call the Critical Success Factors or (CSFs).

How to implement it? For any productivity metric to be implemented, it is important to first identify its contributing elements completely. The elements of productivity metrics are Name of the metric, Metric description, Measurement procedure, and Measurement frequency, Thresholds Estimation, Current Thresholds, Target Value and Units. Where metric and metric description identifies what needs to be measured, measurement procedure and frequency talk about how the metric is measured and how often the metric is measured respectively. Thresholds estimation talks of how the thresholds are calculated. Current thresholds talks of the current value range that is considered normal for the metric. Target value is the best possible value of the metric and Units are the units in which the metric will be measured. After the technical dump of information let us understand this better with the help of an example.

Consider a scenario where you want to analyze the performance of your frontline sales staff. You need to do this to understand how much each employee or worker has contributed towards the growth of your retail store over a period of time. In this case, Name of metric will be Sales Performance. Metric description will state the purpose subjectively. In this case, metric description will be "To calculate the contribution of the worker towards the store's growth". Measurement procedure will identify method that you choose to measure the work done by each worker. In this case let's assume it to be a formula that returns the number of sales made per person per day for a month. Measurement frequency is the duration for measuring; in our case it should be daily. Threshold estimation in our case would mean the maximum expected number of sales that must be made by an employee per day. Current threshold would depict the number of...
sales made by the employee at present. Target value would show the difference between the expected and actual sales stating the number of extra sales the employee will have to perform to meet the target goals. Data is made available by tracking the daily sales information with the help of a scorecard or a dashboard that helps you collect and organize data over a period of time. In our case these factors that we considered will be the Key Performance Indicators (KPIs) that will help you collect, analyze, and respond appropriately.

After identifying the key elements of any metric, challenge of selecting the best possible metric arises. Selecting any metric is often not easy owing to the fact that each metric has its own set of pros and cons. Every metric that is used to track the productivity will always follow a procedure that starts with collecting data, followed by analyzing that data and finally responding to the resultant information. As we progress into the Information age, data collection is no longer a challenge. Standards, automation and technologies contribute immensely towards speeding up the procedure of productivity measurement. To be able to select the right productivity metric it is vital for an organization to completely identify its goals and objectives. This helps determine the key factors that contribute towards achieving those goals and objectives. These key factors are what we call Key Performance Indicators (KPIs). These KPIs are then used to correctly assess the present state of success and to prescribe a course of action leading towards achieving the set goals and objectives. Every industry and every organization would have its own set of KPIs to measure productivity. All depends on what you want to track and what goals and objectives is an organization trying to achieve. Some common examples of metrics that are used to measure software productivity are Order of growth, Source lines of code, Cyclomatic complexity, Function point analysis and Bugs per line of code. Other metrics that are being applied to measure any productivity in general are the Balanced Scorecard, Performance Prism [http://en.wikipedia.org/wiki/Performance_Prism], and the Cambridge Performance Measurement Process (Neely, 1996). These are designed for business-wide implementation. Other approaches such as the TPM Process, 7-step TPM Process, and Total Measurement Development Method (TMDM) are specific for team-based productivity measurement.

If you are interested in productivity metrics, check this web-site to learn more about productivity metrics.

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