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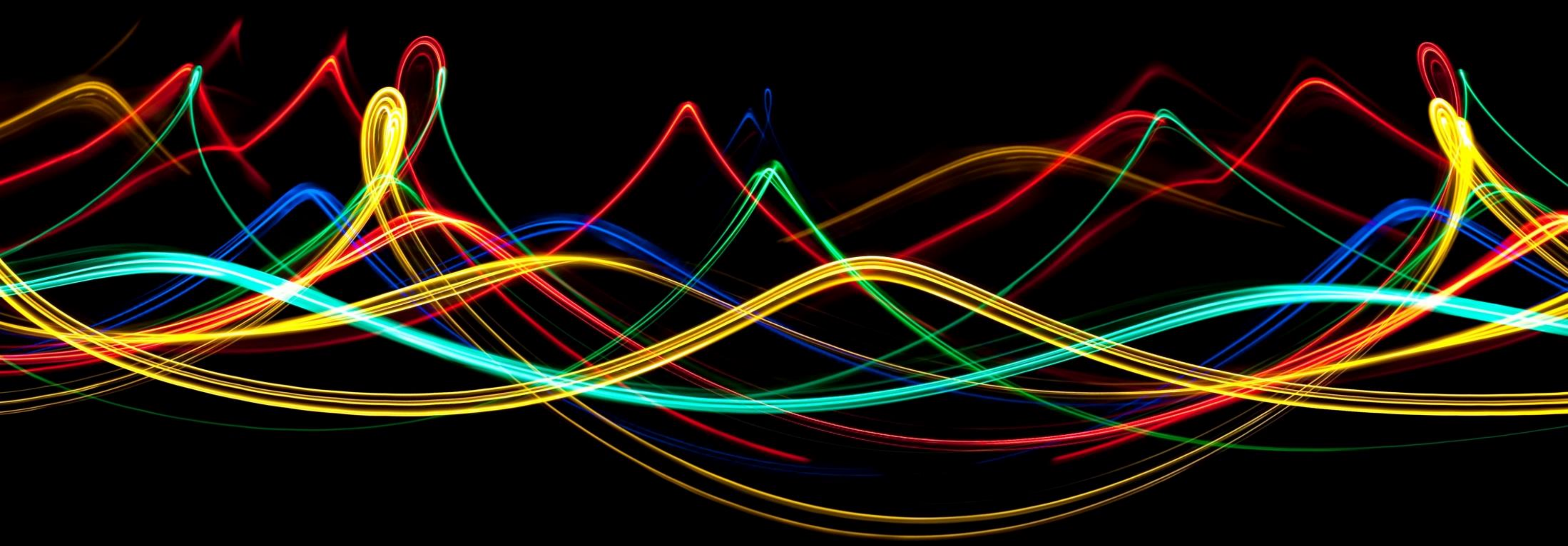
Gallup Pakistan HR Newsletter

enhancing performance through empirical understanding of HR issues

IN THIS EDITION



Welcome

to Gallup Pakistan's 6th edition of a series of HR Newsletters. In this series we principally aim to encourage empirical understanding of HR problems faced by organizations today. **By disseminating international and local research findings, Gallup Pakistan aspires to create a knowledge hub that HR practitioners in Pakistan can benefit from. In this regard, we would be borrowing extensive research from other member countries as well.**

So, starting our journey, in this edition we endeavor to bring to our readers an understanding of the **Key Performance Indicators (KPIs**) that are seminal in gauging the performance and progress of various components of businesses. Our first piece is an extract of a report by **Price Waterhouse Coopers , "Guide to Key Performance Indicators"** which will build a foundation to understanding KPIs. The second piece is a best-selling piece extracted from **LinkedIn "The KPIs Every Manager Needs to Know"** that lists out the key KPIs that HR Managers may find useful to evaluate employee performance.

Don't forget, your valuable suggestions and ideas are much awaited and appreciated. Also, we are open for partnerships with other teams working in similar domain. We look forward to a successful bjourney.

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KEY PERFORMANCE INDICATORS

PRICEWATERHOUSECOOPERS

Contributor: PWC

Guide to Key Performance Indicators*

CHOOSING KEY PERFORMANCE INDICATORS

Key performance indicators (KPIs), both financial and non-financial, are an important component of the information needed to explain a company's progress towards its stated goals. But despite this fact, KPIs are not well understood. Here are a few notes that will help lay the basics of KPI's for management of businesses to better understand their own progress:

WHAT?

HOW MANY?

HOW RIGID IS THE CHOICE?

*This article has been extracted from Forbes Online resource and can be accessed at:
http://www.pwc.com/gx/en/audit-services/corporate-reporting/assets/pdfs/UK_KPI_guide.pdf/

What is "key"?

KPIs will to a degree be conditioned by the industry in which a company operates. However, management should not feel compelled to create KPIs to match those reported by their peers. The overriding need is for the KPIs to be ***relevant*** to that particular company. Management should explain their choice in the context of the chosen ***strategies*** and ***objectives*** and provide sufficient detail on measurement methods to make comparisons to other companies' choices where they want to.

How many KPIs?

Giving the management multiple performance measures without explaining which ones are key to managing their business does not aid transparency. The choice of which ones are key is ***unique*** to each company and its strategy; it is therefore impossible to specify how many KPIs a company should have. However, our experience suggests that between ***four and ten measures*** are likely to be key for most types of company.

How rigid is the choice of KPIs?

Management should reflect on whether the KPIs chosen continue to be ***relevant*** over time. Strategies and objectives develop over time, making it inappropriate to continue reporting on the same KPIs as in previous periods. Equally, more information may become available to management, facilitating reporting of new KPIs that provide a deeper understanding of the business, or changing how an existing KPI is calculated.

Contributor: Bernard Marr, Best-Selling Author, Keynote Speaker and Consultant in Strategy

The KPIs Every Manager Needs To Know*

Key Performance Indicators (KPIs) should be the vital navigation instruments used by managers and leaders to understand whether they are on course to success or not. The right set of KPIs will shine light on performance and highlight areas that need attention. Without the right KPIs, managers are flying blind, a bit like a pilot without instruments.

Bernard Marr, best-selling author of ***Key Performance Indicators (KPI): The 75 measures every manager needs to know,*** writes about some important (and innovative) KPIs everyone should know about. There are different kinds of KPIs engineered to gauge the different aspects of a business' performance. While we will only be expanding on those KPIs that Marr mentions for measuring HR performance in a business, following are some broad categories of KPIs that businesses can also adopt.

- **To measure financial performance**
- **To understand your customers**
- **To gauge your market and marketing efforts**
- **To measure your operational performance**
- **To measure your environmental and social sustainability performance**
- **To understand your employees and their performance**

*This article has been extracted from Forbes Online resource and can be accessed at: https://www.linkedin.com/pulse/20130905053105-64875646-the-75-kpis-every-manager-needs-to-know

KPIS TO UNDERSTAND YOUR EMPLOYEES AND THEIR PERFORMANCE

1. Human Capital Value Added (HCVA)

Value Added is the difference between the cost of materials and labor to produce a product, and the sale price of a product. HCVA generates an adjusted profitability figure by each employee in the Organization. HCVA = Revenue - (Total Costs - Employment Cost) / Average Headcount.

2. Revenue Per Employee

An important ratio that looks at a company's sales in relation to the number of employees they have. It is calculated as:

$$= \frac{\text{Revenue}}{\text{\# of Employees}}$$

3. Employee Satisfaction Index

Employee Satisfaction Index is a method built on three questions that are developed to visualize in-house satisfaction in a way that is easy to measure and present to employees.

- How satisfied are you with your current workplace?
- How well does your current workplace meet your expectations?
- How close is your current workplace to the ideal one?

4. Employee Engagement Level

Engagement is two way: organizations must work to engage the employee, who in turn has a choice about the level of engagement to offer the employer. An engaged employee experiences a blend of job satisfaction, organizational commitment, job involvement and feelings of empowerment. Employee engagement is measurable; it can be correlated with performance; and it varies from poor to great.

5. Staff Advocacy Score

Staff Advocacy Score is a measure of the extent to which employees are advocates of the business. It can be measured by asking a simple question: "How likely is it that you would recommend this company as an employer to a friend?“

6. Employee Churn Rate

Churn rate is a measure of employee attrition, and is defined as the number of employees who leave a company during a specified time period divided by the average total number of employees.

7. Average Employee Tenure

Employee Tenure shows how long an employee is working for a given company. Employee Tenure can be expressed as duration in days, months, years. It is also possible to calculate Average Tenure per Employee as the ratio of total time of employment of all employees to the total number of employees hired by employer.

8. Absenteeism Bradford Factor

Bradford Factor is a way to standardize and measure absenteeism. The underlying theory behind the Bradford Factor is to judge the relative cost of absenteeism through the belief that short, unplanned absences are more disruptive than longer-term, planned absences.

9. 360-Degree Feedback Score

360-degree feedback is a feedback process where not just your superior but your peers and direct reports and sometimes even customers evaluate you. You receive an analysis of how you perceive yourself and how others perceive you.

10.Salary Competitiveness Ratio (SCR)

Salary Competitiveness Ratio (SCR) is a measure of how competitive the current salary is that a company offers for specific job roles. Salary competitiveness can be measured against specific competitors or against the general market.

Salary Competitiveness Ratio (competitor) = Salary offered by your company / Salary offered by your competitor

11. Time to Hire

Usually measured in days, time to hire broadly reflects the total elapsed time required to staff an open position.

12. Training Return on Investment

Company management wants to know that the money they are spending on training is well spent. They want to know that they are getting a sufficient return on their training investment (ROI). Improvement factors include increased productivity, reduction of waste and improved employee retention.

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