The Ultimate Glossary of Performance Management KPIs

15five

Here at 15Five, we talk a lot about the shift from transactional to strategic HR. While historically, HR has been seen as more of an island, focused exclusively on hiring and onboarding employees, managing benefits and payroll, and mitigating legal or compliance issues, it can no longer be denied that HR can and should play a key role in driving the success of the business.

But in order to truly embody that seat at the executive table, HR leaders need to adopt a more data-driven approach. Collecting and analyzing HR analytics enables people leaders to make more informed talent decisions, improve workforce processes, and create a better overall employee experience. It also empowers HR leaders to influence crucial business decisions at the highest level of the organization.

Sounds simple enough, right?

Not quite. Knowing that you need to be data-driven is one thing — but knowing what to measure — and what to do with the information you find — is key.

BETTER DATA =

BETTER INSIGHTS =

BETTER ACTIONS.

In this guide, we'll walk you through the key areas where you should be gathering data, and the top metrics to consider as you build out an HR analytics function. We've bucketed these metrics into the categories that are critical to achieving strategic people objectives.

Hiring and Retention

HEADCOUNT GROWTH:
This KPI measures the growth in the number of employees at an organization over time. Positive headcount growth indicates that the company is healthy.

TIME TO HIRE:
This metric captures the number of days between a candidate applying for a job and accepting a job offer. Knowing the average time to hire can provide insight into recruiting efficiency and candidate experience, and can help identify if there are bottlenecks that are slowing down the process.

Note: Consider breaking time to hire into individual contributor (IC) and front-line management roles, and Director and above roles. Filling Director and above roles typically takes a lot longer than filling IC and front-line management roles, so it is helpful to view this metric for these groups separately.

QUALITY OF HIRE:
This metric measures the value that a new hire adds to the company, and how their performance measures up to expectations. While there is no simple formula for measuring quality of hire, one great way to do so is by setting expectations for a hire to meet by a certain time (30, 60, 90 days, for example) and then calculating what percentage of those expectations have been met once that time period has elapsed.

IT IS CRUCIAL TO MEASURE BOTH TIME TO HIRE AND QUALITY OF HIRE, TO ENSURE THAT QUALITY IS NOT SACRIFICED FOR SPEED.

RETENTION:
(Remaining head count at end of measurement period / head count at start of measurement period) x 100

The retention rate measures the percentage of employees that stay with the organization, and gives a lot of insight into whether or not employees feel that they are valued and that there is potential for growth within the organization.

Note: When measuring retention, pay careful attention to the retention of **top performers.** These are the employees that consistently meet or exceed their goals and bring a lot of value to the organization. Losing these employees would be a detriment to their teams and the organization as a whole, so being able to retain them is a big contributor to organizational success.

TURNOVER:
(Number of employees who left during a given time / total number of employees) x 100

Turnover, the flipside of retention, is the percentage of employees that leave the organization. When measuring turnover, it is important to distinguish between regrettable and non-regrettable turnover, as they have different implications.

- Regrettable turnover measures the amount of employees that have chosen to leave the organization of their own accord, and whose turnover has a negative impact on the rest of the organization.
- Nonregrettable turnover measures the amount of employees whose employment has been terminated by the company, either because of the end of a contract or performance or behavior issues.

Average annual turnover in 2021: 47.2%

(VIEW BREAKDOWN BY INDUSTRY AND MORE AT US BUREAU OF LABOR STATISTICS)

AVERAGE TENURE:
(Combined years of service of all employees / Total number of employees)

This KPI measures the average length of time that an employee stays with an organization. A higher average tenure is better because it means that employees enjoy working for the organization enough to stay. A notable decrease in average tenure is cause for concern.

TIME TO PRODUCTIVITY:
This measures the number of days from an employee's start date that it takes to be fully operational and productive in their roles. To find the average, total the amounts for all new hires in a given time frame, and divide it by the number of new hires in that time frame.

Decreases in time to productivity are positive because they signal that the onboarding process is becoming increasingly efficient.

INTERNAL PROMOTION RATE:
(Number of promotions during a given time/ total number of employees) x 100

Higher internal promotion rates are good because they demonstrate retention and growth of top performing employees within the organization. When your employees are choosing to stay and move up the ranks rather than job hop or look for a better role elsewhere, it is a good indicator that your organization is properly investing in their growth and development.

Employee Engagement

ENGAGEMENT SCORE:

This metric is usually calculated through running employee engagement surveys. There are many different ways to look at and analyze engagement scores, including:

- Engagement scores by team
- Engagement scores by manager
- Engagement scores by level
- Increases or decreases in engagement scores

FREQUENCY OF EMPLOYEE ENGAGEMENT SURVEYS:

This measures the amount of times that employee engagement surveys are implemented within the organization. Keeping this number consistent and/or increasing means that the organization as a whole is continuing to invest time in gathering feedback from employees so that the employee experience can be continuously improved.

PERCENTAGE OF VACATION DAYS/ SICK DAYS USED:

Looking at this metric can give a glimpse into the average levels of work-life balance in the organization. If the percentage is low, or has dropped, it can indicate that employees don't feel comfortable taking time off, or feel that they have too much work on their plate to be able to take time off.

EMPLOYEE NET PROMOTER SCORE (ENPS):

The Net Promoter Score (NPS) is a metric often used in customer experience to measure a customer's loyalty to a brand/company. It can range from -100 to 100, with a higher score being more desirable. The score is calculated by asking "How likely are you to recommend (product or service) to a friend or colleague?" Respondents are categorized based on their responses:

- **Promoters** are those who answered with 9 or 10
- **Passives** are those who responded with a 7 or 8
- **Detractors** are those who responded with anything from 0 to 6. These are customers who are not likely to buy again and may even discourage others from purchasing from or working with you.

The NPS is calculated by subtracting the percentage of detractors from the percentage of promoters.

This metric can also be used by HR teams in what is called the **Employee Net Promoter Score (eNPS)**. The eNPS asks employees how likely they are to recommend the organization as a place to work, and can give a strong indication of the general level of employee satisfaction.

For the eNPS, a score over 0 is considered to be acceptable, a score over 50 is considered to be excellent, and a score over 70 is considered to be best-in-class.

Performance Management

GOAL ATTAINMENT RATE:

This metric measures the ratio between goals that are met vs. those that are not. Goals are designed to stretch and stimulate employees, and there is a delicate art to setting goals that accomplish that. If the goal attainment rate is too high, employees might leave due to boredom. On the contrary, if the goal attainment rate is consistently low, employees might be feeling that they cannot meet expectations, and could be more likely to leave as a result.

Note: If possible, try to account **for the degree to which goals are met.** There is a major difference between someone making it 90% of the way to completing a goal and someone who only hit 20% of a goal.

DEMONSTRATION OF VALUES:

This metric measures **how** employees accomplish what they accomplish — are they living out the company's values? It is typically measured by a question on a performance review.

DEMONSTRATION OF COMPETENCIES:

This can also be measured by a question on a performance review — to what extent is the employee demonstrating the established competencies for their role?

DEMONSTRATION OF VALUES AND DEMONSTRATION OF COMPETENCIES CAN BE MEASURED ON A BEHAVIORALLY ANCHORED RATING SCALE (BARS), RANGING FROM:

- **NEVER DEMONSTRATES**
- **RARELY DEMONSTRATES**
- **SOMETIMES DEMONSTRATES**
- **OFTEN DEMONSTRATES**
- **ALWAYS DEMONSTRATES**

PERFORMANCE REVIEWS PARTICIPATION RATE:

This measures the percentage of employees who have participated in the performance review cycle — the closer this number is to 100%, the better.

REDUCTION IN PERFORMANCE REVIEW CYCLE COMPLETION TIME:

This measures reduction in the amount of time it takes to complete a performance review cycle. Over time, as an organization becomes more efficient at reviews, the amount of time it takes to complete a cycle should go down.

SATISFACTION WITH PERFORMANCE REVIEWS:

Running a performance review cycle is not enough — you want to ensure that it is actually providing value to employees. Measuring satisfaction with performance reviews over time is a good way to ensure that you are continuously improving the review process and making it more effective at facilitating valuable feedback that drives positive change. You can measure this by surveying employees after a review process is complete.

When considering this metric, pay careful attention to discrepancies between satisfaction levels for different types of employees — especially managers and direct reports. In our Reviewing the Performance Review report, we found that 75% of managers agree that they are skilled at facilitating performance reviews, but only 53% of individual contributors agreed that their manager is indeed skilled at facilitating performance reviews. Furthermore, 68% of managers said that the review process improved their relationships with their direct reports, but only 43% of individual contributors agreed.

Take note of how the review process is working at all levels of the organization so that you can take the necessary steps to improve it for everyone.

PERFORMANCE MANAGEMENT RATIO:

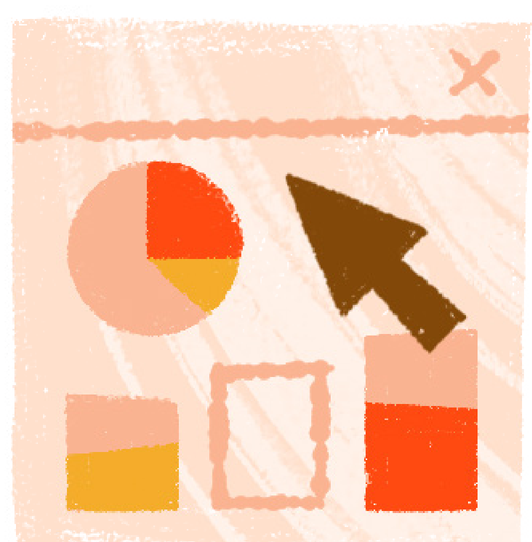
(Number of employees on a performance improvement plan/total number of employees) x 100

This KPI measures the percentage of employees with performance concerns or who are on performance management plans. Bringing this number down over time indicates that you are hiring the right people and/or that investments in employee development and training are paying off.

REVENUE PER EMPLOYEE:

(Total revenue/total number of employees)

This metric gives a broad view of how well your team as a whole is operating. It also helps you to move beyond seeing employees simply as an expense, and get a true understanding of the value they are bringing to the organization.



Manager Effectiveness

All of the metrics shared thus far can be looked at on a granular level for each manager. For example, you can view engagement scores by team, percentage of vacation days used by team, goal attainment by team, etc. Doing so will give you a good indicator of a manager's success level, and how it is improving or falling over time.

Here are some more specific metrics that can be used to measure manager effectiveness.

TEAM GOAL COMPLETION %:

This measures the extent to which team level goals are completed, and reflects how effective a manager has been in guiding and coaching the team to complete said goals. A low completion % can indicate that team members are performing below standards, but a continuous low completion % can also indicate that the manager is setting goals or expectations that are not realistic.

CHECK-IN COMPLETION RATES:

This measures the percentage of employees that complete their check-ins on a given basis. A higher number is better as it indicates that the team manager is doing a good job of conveying the importance of check-ins so that they can provide continuous support and feedback to employees.

1-ON-1 FREQUENCY:

This measures the frequency of 1-on-1 meetings that managers have with their direct reports. Note that this is separate from the check-in completion rates, because tactical check-ins and 1-on-1 meetings should be different. 1-on-1 meetings are a space for managers and their reports to talk about work objectives, but also discuss growth and development. Managers should be having consistent 1-on-1s with their direct reports, so if this number goes down, that is cause for concern.

FEEDBACK QUALITY:

This measures the effectiveness of your managers' ability to give feedback to their employees. One way it can be measured is by sending out a survey or nudge after a review cycle asking if the feedback the employee received was helpful or not, or asking employees to rate it on a scale of 1 to 10. As you invest more in training employees (specifically managers) on how to give effective feedback, this number should increase.

Diversity, Equity, Inclusion, and Belonging

Achieving excellence in the area of Diversity, Equity, Inclusion, and Belonging (DEIB) isn't only about hiring diverse talent. It's about designing each aspect of the employee lifecycle to ensure that formal and informal programs, policies and processes support equity, inclusion and belonging. Thus, all of the metrics referenced above can be examined under a DEIB lens.

Also, diversity, equity, inclusion, and belonging are different things and should be measured in different ways. Here's a quick overview:

DIVERSITY

is made up of the numerous human attributes that differentiate people from each other. It can be measured by collecting and analyzing demographic information at all levels of the organization, and then determining where disparities or underrepresentation exists.

EQUITY + INCLUSION

is about treating people fairly. It's not the same as equality, which is treating everyone exactly the same. **Inclusion** is made up of the behaviors that proactively recognize, respect and welcome diversity. Equity and inclusion can be measured by comparing demographic representation throughout the employee lifecycle, pre-hire to retire. Analyzing E&I also includes a thorough review of benefits plans, employee handbooks, reasonable accommodations processes, and other HR policies to ensure equitable and inclusive treatment of all employees. This data may involve integrations between talent acquisition, performance management, learning management, HRIS, and other systems.

MANY COMPANIES FIND THAT WOMEN ARE CLUSTERED PRIMARILY IN INDIVIDUAL CONTRIBUTOR OR LOWER MANAGEMENT ROLES. EQUITY AND INCLUSION ASKS: "WHAT ARE THE BARRIERS THAT ARE PREVENTING WOMEN FROM REACHING THE EXECUTIVE LEVEL, AND HOW MIGHT WE REMOVE THEM?"

BELONGING

is a mental and emotional state of feeling seen, valued, and supported for your uniqueness. Belonging is qualitative and can be measured through sentiment surveys and other tools designed to capture how employees feel at a given point in time.

WANT TO DIVE DEEPER INTO HOW 15FIVE DEFINES, MEASURES, AND IMPROVES DEIB? READ OUR 2022 DIVERSITY, EQUITY, INCLUSION & BELONGING ANNUAL REPORT.

Balancing Quantitative and Qualitative Data

As you lean into a data-driven approach, it is important to remember that numbers can't tell the whole story. What's missing from many dashboards and business analytics tools is the employee experience that provides context and depth. To lead with both the head and the heart, be sure to jointly leverage quantitative and qualitative data to get the full picture.

Quantitative data, for example, could include many of the metrics mentioned above, such as retention rate, internal promotion rate, goal attainment rate, performance review participation rate, and average engagement score.

Qualitative data, on the other hand, could include measurement of employees' sense of belonging through sentiment surveys, open-ended responses on performance reviews, and post-hire feedback on candidate experience.

By combining high-level data with more detailed insights, managers can more effectively support their employees in overcoming obstacles, doing their best work, and becoming their best selves. In turn, organizations can understand their people, perform better overall, and ultimately see improved business outcomes like revenue growth.

TO DIVE DEEPER INTO THIS BALANCE, WATCH [LEADING HR WITH HEAD AND HEART: WHY YOUR TEAM NEEDS DATA AND INSIGHTS ON DEMAND.]

Getting Everyone on Board

How to enlist leaders and managers in your data-driven action plans

Having a data-driven action plan is great, but what good is it if the rest of the leadership team is not on board?

The best way to get the rest of the executive team on board with your data-driven, strategic HR initiatives is to **attach HR analytics to business goals.**

By measuring the right things, you can identify threats to the organization and opportunities to improve workforce performance, engagement, and productivity — all factors directly tied to business performance, customer satisfaction, sales, and other KPIs. If you can make the case that the data-informed strategy you want to implement will affect those metrics and help realize the organization's vision, mission, and values, other executives will pay attention.

Still, it is your responsibility to make these connections clear and support them with data wherever possible. Lean into your technology partners, such as your HRIS or performance management tools, to understand how to use data and dashboards to create business cases for investments you want to make.

TO DIVE DEEPER, GET THE GUIDE TO GETTING EXECUTIVE BUY-IN FOR STRATEGIC HR INVESTMENTS.

Support Data-driven Strategic HR With 15Five

15Five's tools can support your efforts to create a more strategic, data-driven approach to HR. Our software will empower you to track and improve employee performance and engagement, align your team around top business goals, and develop your employees and managers so your organization can thrive. Through intuitive, easy-to-use software, 15Five empowers HR and people leaders to measure and manage engagement and performance in the flow of work, align your team around top business goals, and develop your employees and managers so your organization can thrive.

To keep the pulse on strategic HR topics, check out the 15Five blog — and scroll down to subscribe to our newsletter!

Want to learn more?

SCHEDULE A DEMO

TRY 15FIVE FREE