Key performance indicators examples for employees

There is a multitude of different aspects in any company. Each facet has different goals and ways to achieve them. They include projects, accounting, HR, marketing, etc. It is important to track how each department is doing as a team. There are many metrics to indicate the health of your organization. You can see this by the number of sales and other factors. Yet, when it comes to the evaluation of employee performance, you may hit a roadblock.There is no universal way to accurately calculate the effectiveness of a person's work. However, as an employer or manager, you will want to make sure each member of your team is utilizing their capacity to push the company forward. This is where KPIs come in.What are KPIs?A KPI (short for Key Performance Indicator) is a measure that helps you determine different aspects of company performance. This includes employee productivity as well. That is to say, a single metric cannot determine an employee's performance. However, combining several key performance indicators for employees can give you a real insight.The metrics you will be using depend on your industry. They are also connected to the department the specific employee belongs. For example, if you are curious about a customer support employee's statistics, you'll have to rely on specific KPIs. These are most often customer satisfaction or the number of complaints. On the other hand, some metrics aren't suitable for some positions. That is to say, it is important to make sure the KPIs you are using fit the position and the seniority of the employee(s).How to use key performance indicators for employees?Many employers use KPIs to compare employee impact to profit margins. Yet, things aren't that simple. The numbers and the bottom line are important. Yet, the quality of an employee's work doesn't have to affect them.We wholeheartedly recommend using different key performance indicators for employees to measure the quality of their work, rather than only quantity. This may mean you'll have to experiment with task delegation and employee motivation. These activities take some creativity and a lot more time than simply looking at leader boards. Yet, they are more useful in the long run. This is true since they'll allow you to improve the way your employees see both the company and you as a leader.The Best Way to Determine the Key Performance Indicators for EmployeesMultiple factors impact your choice of KPIs. We have already mentioned the position and seniority of the employees themselves. That is to say, the profit coming from a senior working in a department tightly connected to the company's profit is one thing. The profit of a newly-hired graphic designer is something entirely different.You can, however, compare different members of the same teams to each other. Compare an employee's performance to their results in the previous period as well. This is a great way to track professional development.These are the factors to consider when using KPIs. You can use them separately or combine them.Quality of workOutput quantityThe speed of workGenerated incomeSo, without further ado, here are the most important key performance indicators for employees.1. Revenue per EmployeeIt is of the utmost importance to pay attention to this KPI. You will have to compare it to your competition too. For example, your company can be making $100.000 per employee. You can find out the global players make a lot more (i.e.$200.000). Yet, this may not be the best comparison.You need to compare your revenue per employee with your direct competitors. The first step is finding their financial reports. Then, you'll need to divide the total profit by the number of employees.It is important to track this KPI on the company level, as well as for each individual employee. Additionally, you should strive for each employee not to deviate too much from the company goal.2. Profit per EmployeeThis is one of the key performance indicators for employees that can also be measured on the company level, as well as per team or employee. Yet, only certain employees are direct profiteers for the company. That is why we recommend tracking this KPI only for the employees that directly contribute to the profit. In other words, this KPI isn't suitable for, for example, administrative employees, and other similar departments.There are other KPIs you can use to determine their performance.It is important to compare this KPI to the previous periods too. This way you'll be able to track potential changes. Additionally, it is tracked in relation to the competition. If the competitors have a higher profit per employee it means they have higher prices. Additionally, their employees could work more, or simply be more efficient.3. Employee Gross MarginThis KPI should also be tracked only for the employees who directly impact the company's profit. It represents the difference between sales revenues and the direct costs of the performed service. In other words, the costs relate to the cost of labor and should be calculated on the individual level.You should look at the employee gross margin historically. To put it plainly, compare the margin to the previous period. If the margin is going up, it means your salaries are increasing at a lower rate than your sales.4. Utilization RateEmployee utilization rate is a metric that shows how much of an employee's time is spent on billable activities. It opposes this time to administrative and other non-billable tasks. This KPI is calculated in percentages. Also, it is mostly used in professional service companies.To calculate this KPI you need to know how many hours an employee has worked in a certain period. Then, you have to see how many of those hours are billable. You can calculate the utilization rate by dividing billable hours by the total working hours.5. Capacity UtilizationWe've put this metric on our list as it represents the ratio of the realistic output of a company and the maximum potential output the company could produce if it was using all of its capacity. Now we have to put it plainly and in the context of an employee-oriented KPI. The capacity utilization represents the relationship between the realistic employee performance and the maximum performance they could achieve with the resources they have.The best way to use this KPI is with employees in positions related to the production of material goods. This is true as their output can be easily calculated by the number of units they produce per hour. On the other hand, this isn't a great way to assess, for example, HR staff. Clearly, their work relates to quality rather than quantity.6. Average Billable Rate per EmployeeThis metric represents the ratio of profit and the time it took to achieve that profit. You can compare this ratio to your previous period, as well as to your competitors. This KPI represents the hourly rate you charge your client for the services of a specific employee. In other words, it is an accurate way to calculate who your top-performing employees are.7. Value of Project PerformedEarned value of projects is among the key performance indicators for employees that reflect a specific project's performance. It represents the ratio between a project's budget and the percentage of the project's completion. In other words, this metric gives you an insight into any project's health. By using it you'll be able to see whether you are staying on the predicted budget or not.This metric helps you identify the teams or individual employees who are taking more time and resources than planned. On the other hand, it can also show you the complexity of any project. Finally, it indicates whether you are charging your clients the right amount.8. Number of Clients CoveredThis metric represents the number of clients each employee is involved with. If your company heavily relies on teamwork, you should calculate this metric per team. For example, this is a good method when projects go through different phases that involve different teams.However, your company can also allocate specific clients to each employee. In this case, this KPI is a great indicator of employee efficiency and progress. You should expect the number of clients covered to grow with the time and experience your employees have at your company. Seniors will have more clients than juniors. However, there shouldn't be a significant difference in this metric among the employees of a similar rank.The exception exists, of course, when some clients are more demanding than others. That is to say, the number of clients isn't the only factor you should consider. Pay attention to the complexity of executed tasks and projects as well.9. Customer Positive FeedbackThis is another one of the key performance indicators for employees that can be used only with the employees who work with the customers directly. It is usually measured in customer service, sales, and similar positions. Some customers will go out of their way to praise your employees' service. However, most often you'll have to set up a questionnaire of some sort to make sure you know how satisfied they are with the service.You should look both at the positive feedback's quality and quantity. This way you'll be able to understand your staff's strengths and utilize them in the best way.10. Customer ComplaintsThis is the opposite of the previous KPI. For some reason, customers are more likely to leave a negative comment. Similar to the previous KPI, you should observe both the number of complaints and the issues they describe.You can use this metric to understand which employee has issues with specific parts of their job. Then, you should utilize this knowledge to guide the staff. Help them understand which specific areas of their work need improvement.Both positive feedback and complaints point you to the most important parts of the customer experience. Additionally, they show your top and low-performing employees.11. Number of Curtail Errors and MistakesThe number of curtail mistakes represents the difference between the errors an employee has made in the past and the current period. Your company should always strive to reduce the number of errors as much as possible. Of course, preventing mistakes altogether is impossible. However, the number of errors can be getting lower from one period to the next. That means your team is learning and progressing.This, further, implies that your company is a positive space for the employees who want to learn, and vice versa. Namely, if the lowering of the mistakes is accompanied by a low turnover, that means you are giving your staff a reason to stay and develop their skills as well. It is a great indicator of your team leaders' capabilities.12. Overtime per EmployeeOvertime is one of the most important time-related key performance indicators for employees. It represents all the hours that an employee spends at work outside of their usual working hours. Most companies run on the classic nine-to-five, Monday to Friday model. In that case, anything over 40 hours is considered overtime.There are three main reasons for overtime. The first reason is the employee having a lot on their plate. Thus, they are being forced to work longer hours to manage their workload. This is a sign that you should look for another employee to help them out. The second reason is overwork and burnout. This means the workload isn't necessarily increasing, but the employee still can't handle it. In this case, you should recommend some vacation time and reduce the workload as well.Finally and unfortunately, time theft can also be the reason for overtime. In this case, the employee doesn't need to stay longer. They still do so to be paid the increased overtime fees.13. Absenteeism RateThis KPI represents the rate of unplanned absence. That is to say, the reason for the absence is due to sickness or some other unpredicted factor. This rate can be calculated on the company, team, or individual level.If the absenteeism rate is lower than the norm (around 1.5%) your employees probably have an issue with taking sick days off. This is a sign of less-than-perfect company culture. To put it plainly, the best option for sick days is to stay home. On the other hand, a higher rate can indicate a problem with employee well-being.Of course, you should consider the medical and familial state of an individual employee before jumping to conclusions.14. Costs per EmployeeCCosts per employee represent the total amount an employee costs the company. These costs are comprised of salary and overhead costs. You can calculate this metric on the company, team, and individual employee levels.You can use this metric to compare employee costs to the previous fiscal period in your company. Finally, you can compare it to the other companies in your field to understand your status in the competition15. Total Hourly RateThe total hourly rate represents the total costs of an employee per hour. That is to say, it is similar to costs per employee. However, it gives you more accurate and detailed information on the costs of each employee.17. Costs per HourCosts per hour is another one of the key performance indicators for employees that show how much an employee costs the company. However, it takes multiple factors into consideration. These factors are most commonly employer taxes and employee benefits. The benefits can be related to medical and dental plans, social security, retirement plans, etc. Add them to the direct labor costs, divide this sum by the number of hours worked, and you have costs per hour.18. Profit per HourThis financial metric is critical for employers who want to make sure their business is making a progress. It allows them to determine the amount of money their company is making on a per-hour basis. When it comes to measuring profit per hour per employee, we again implore you to only consider the departments and employees who directly contribute to the company's profit.Simply put, some of your most vital departments, like HR, maintenance and accounting don't directly make you money. This doesn't make them less valuable. They are crucial to your team being satisfied, healthy, and encouraged to achieve its full potential.19. Total Hours per EmployeeThis metric represents the total number of hours an employee has worked in a specific period. It is important to keep these records. They represent a performance indicator and are a legal obligation as well. For example, DCAA compliancy requires records of employee hours.You should use a time and attendance system to make sure you take note of all hours an employee has spent working. This system can be as simple as a written form. On the other hand, it can be as complex as a time and activity monitoring platform. Of course, the method will depend on the position of the employee and whether they're using computers in their day-to-day work or not.20. Billable Hours per EmployeeOnce again, we are looking at one of the key performance indicators for employees that should be used exclusively for the employees whose position allows them to directly make the company money. For example, if you're leading a law firm, there will be a distinction between billable and non-billable hours if the employee is a lawyer. In this case, hours dedicated to specific cases and clients will be considered billable.21. Non-billable Hours per EmployeeIn contrast to our last example, non-billable hours represent the time an employee has spent on tasks that cannot be allocated to a client. This (again, in a law firm) includes administrative activities, in-firm meetings, etc.Some companies lose a lot of time and revenue on activities clients don't consider billable. This can mean a client will expect the time your team spends on meetings and phone calls with them to be free of charge. Some companies have an exceptionally high number of non-billable hours. In this case, you could consider special fees for meetings, calls, etc. The fees should include all tasks that aren't directly related to the project or case but still include working for the client.This is all to say that you should pay attention to the nature of the tasks at hand. In other words, the amount of billable and non-billable hours aren't the only factors when determining these KPIs22. Tasks per EmployeeThis is another specific KPI that cannot be used at a company level. It represents the number of tasks an employee has finished in a specific period. In other words, you won't be able to compare all departments. However, it is a useful tool to see who your top performers are on a team level. For example, the employees of sales teams have the same goals. In that case, you can use this metric and benefit from it.There are two ways to use this KPI. The first one is determining the most capable employees. Simply put, they will perform a greater number of tasks compared to their peers in the same period. On the other hand, you can compare the number of tasks a single employee has finished in the current and previous period to determine their development. This metric is especially important when it comes to new hires.23. Project per EmployeeThis KPI works on the same principle as the previous one. It represents the number of projects an employee has finished in a specific period. Again, you shouldn't use this KPI at the company level, as some departments take a longer time to finish their projects by nature. For example, a graphic design team will have a different rhythm than the customer service department. Again, you should use this metric to determine whether your employees are all pulling their weight and improving compared to their previous work.24. Employee CapacityThis metric is an excellent measure of productivity. It represents the difference between the total hours an employee has logged and their total weekly capacity. If the difference is (or has become) significant, this is a signal of possible burnout. In other words, it's a sign that you should redistribute the workload. Understanding which team members need a bit more support is a great way to show your employees you understand and care for them while simultaneously keeping the productivity of your team at a high level.To ConcludeLeading a business doesn't only mean being an expert in your field. There are many key performance indicators for employees. Thus, you should consider them to make sure everything is running smoothly.There are qualitative and quantitative metrics that can work for one department or team. Yet, they can be completely useless for another. The biggest example is, of course, the metrics relating to a department's profit.Make sure to understand which metrics are useful in which case. Don't waste time and energy on tracking business elements that can't help your company's goals.Try to utilize the metrics we've given you on the level you see most fit – the entire company, specific departments, and teams, as well as individual employees. However, make sure the measurement makes sense and can help you rather than confuse you and indicate wrong conclusions.Finally, our last tip is to make sure your employees understand why they are being tracked. Rather than giving criticism and negative feedback, try to be as constructive as possible and further develop your company culture. Bojan Radojicic, Master Degree in Economics, is a financial performance consultant with more than 15 years of experience. He is responsible for adding value services based on innovative solutions. Measurement is an important tool for management as it allows you to assess the effectiveness of your (and your team's) work, showcase the value of that work, efficiently manage resources, and focus on improving performance. Setting key performance indicators for employees provides a framework to easily track, measure, and report on their performance. Here, we'll explore how to identify, set, and measure key performance indicators for employees.Defining KPIs and Their BenefitsKey performance indicators (KPIs) are a type of measure that is used to evaluate the performance of an organization against its strategic objectives. Key performance indicators for employees, much like performance review SMART goals, help every area of your business move forward at the strategic level by providing goals and targets for your team to work towards. They are also milestones to measure progress, and insights that help employees across an organization to make smarter decisions. In sum, KPIs can help employees to stay focused, motivated, and engaged while providing clear direction for their professional growth and development.KPIs and SMART goals are often used as interchangeable terms which can cause confusion and misguide managers. It's important to understand the difference between the two to effectively implement them into your management efforts.Types of KPIsKey performance indicators for employees come in many forms. While some are used to measure monthly progress against a goal, others have a longer-term focus. Regardless of their differences, all KPIs have one thing in common: they're tied to strategic goals. Here's an overview of some of the most common types of KPIs.Strategic: Think of these as "big-picture" key performance indicators for employees. Overall, strategic KPIs monitor organizational goals and can include things like return on investment, revenue, and market share. These are the KPIs that executives typically look to determine how the organization is doing at any given time. Operational: These KPIs typically measure performance in a shorter time frame, and are focused on organizational processes and efficiencies such as customer response time, average monthly transportation costs or cost per acquisition.Leading vs Lagging: Leading KPIs can help predict outcomes whereas lagging KPIs track what has already happened. Organizations use a mix of both to ensure they're tracking what's most important.4 Steps to Setting KPIs for EmployeesOne of the most important steps in setting key performance indicators for employees is to ensure you're only measuring what will help you reach your business goals. To help determine what KPIs are right for your employees, keep in mind the components that make up effective KPIs.Setting key performance indicators for employees can be achieved by following these 4 steps:Determine goals: Talk to your employees to understand and align on the goals they'd like to achieve, and discuss how you can use KPIs to measure their progressTie them to strategic objectives: Consider the objectives of the employees department as well as the company as a whole. Every key performance indicator should tie directly back to your overall business goals.Write SMART KPIs: The most effective KPIs follow the SMART goal format. Make sure they're Specific, Measurable, Attainable, Realistic and Time-Bound.Plan to iterate: As your business and customers change, you may need to revise your key performance indicators. Perhaps certain ones are no longer relevant, or you need to adjust based on performance. Be sure you have a plan in place to evaluate and make changes to key performance indicators when necessary.Omni Tip: Starting a KPI with a verb tells you what needs to be done. Assigning a value ensures your KPI is measurable, and a timeline will do wonders for staying timely on your progress.Identifying the Right KPIs for Your Employees (+7 Examples)Now that you know what makes a good KPI, it's important to understand how to choose the right key performance indicators for employees. KPIs will vary employee to employee depending on their department, position, and overall goals. First, let's assess the steps to identifying the right key performance indicators for employees:Define Business Goals: Start by defining the business goals you want to achieve. This will help you identify the KPIs that are most relevant and valuable for measuring progress towards those goals.Determine Critical Success Factors: Identify the critical success factors that are necessary for achieving those goals. For example, if your goal is to increase revenue, a critical success factor might be to increase customer acquisition rates.Brainstorm: Once you have identified critical success factors, brainstorm potential KPIs that could be used to measure progress towards those factors. Consider both quantitative and qualitative metrics.Prioritize: Evaluate and prioritize the KPIs based on their relevance, importance, and ability to drive progress towards the critical success factors.Communicate: Communicate the KPIs clearly to employees, providing guidance on how they will be measured and how they relate to business goals. Encourage employees to take ownership of their performance and track their progress towards achieving the KPIs.By following these steps, you can identify the right KPIs for your employees, which can help drive performance, improve productivity, and achieve business objectives.Now, let's look at some KPIs as they apply to different areas of a business. Here are 7 examples of key performance indicators for employees that cover financials, marketing and sales, and HR.FinancialGross and net profit marginSetting profit KPIs helps you keep your business on track financially, and allows you to course correct early on to save money and manage your financial goals. The key difference in measuring profit margins is between 'gross' and 'net' profits.Gross profit margins calculate the percentage of revenue that remains after deducting only the cost of goods sold (COGS). It is calculated by subtracting COGS from total revenue and then dividing the result by total revenue.Example KPI: Keep gross profit margins at 40% for the year.Net profit margins calculate the percentage of revenue that remains as profit after deducting all expenses, including COGS, operating expenses, and taxes. It is calculated by dividing net income by total revenue. Example KPI: Keep net profit margins at 20% for the year.Inventory turnoverInventory turnover measures how quickly your company sells and replaces its inventory during a specific period. A higher your inventory turnover ratio, the more efficient you are at managing inventory by selling your products quickly and replacing them with new inventory. Inventory turnover is calculated by dividing the cost of goods sold (COGS) by the average inventory value. Example KPI: Maintain an inventory turnover ratio of 4 during the next production cycle.Marketing and SalesLead conversion rateMeasuring lead conversion rates allows you to assess the effectiveness of your marketing efforts. Let's look at how to calculate your website lead conversion rate, the percentage of website visitors who become leads by filling out a form or contacting your company. It is calculated by dividing the number of leads generated by the number of website visitors and multiplying the result by 100.Example KPI: Maintain a website lead conversion rate of 5% until the new website launch.Customer lifetime valueYour average customer lifetime value (CLV) measures the average revenue you can expect to generate from a single customer over the course of your relationship. It is calculated by multiplying the average purchase value by the average purchase frequency rate and multiplying the result by the average customer lifespan. A high average CLV indicates you company have loyal customers who are likely to continue making purchases in the future.For example, if the average purchase value is S$100, the average purchase frequency rate is twice per year, and the average customer lifespan is 5 years, the average CLV would be S$1,000.Example KPI: Maintain an average CLV of S$1,000 each month.Human ResourcesEmployee satisfactionThere are many ways to determine employee satisfaction. One easy indicator is by employee turnover rate, the rate at which employees leave your company. It is calculated by dividing the number of employees who leave by the total number of employees and multiplying the result by 100. A low employee turnover rate indicates that employees are satisfied with their work and are less likely to leave the organization.Example KPI: Maintain an employee turnover rate of 10% or less each quarter.Employee engagementEmployee engagement scores help HR teams measure the level at which your employees are engaged with their work and the overall company. Typically, this is measured through data gathered from employee surveys. Once this data is collected, the score is calculated by averaging the responses among participants. A high score indicates your employees are emotionally invested and likely to excel at their job responsibilities.Example KPI: Achieve and maintain an employee engagement score of 3.5 out of 5 until the next employee performance review cycle.Tracking and Measuring PerformanceKPI tracking, the monitoring of changes in KPI trends over a specific time period to understand how your business is performing, helps you keep track of the health and success of your business. To track and measure key performance indicators for employees performance, capture the necessary data for each KPI and convert it into useful metrics, then follow up with those elements by tracking and monitoring them over time. Effectively tracking and measuring the performance of KPIs also allows you to measure the overall progress of your teams, provides opportunities to make real-time adjustments to stay on track, and consistently analyzes trends.Effectively Manage Performance with OmniSetting key performance indicators for employees requires strategic input and consideration from managers, however the tracking and gathering of data can become yet another time-consuming administrative task. Omni helps you track, analyze and gain actionable insights from performance data through an automated and digitized platform. Easily and quickly gather the data you need so you can spend more time on the strategic planning necessary to drive business outcomes. To learn more about how Omni can automate and improve your performance tracking practices, schedule a demo with our team today.