PACIFIC CREST GROUP

80 East Sir Francis Drake Blvd., Suite 1B, Larkspur, CA 94939 • *office* (415) 461-2586 • *fax* (415) 461-2630 • www.pcg-services.com

Employee Performance Measurement: Why It Matters and How to Do It

By T.J. Van Voorhees
Co-Founder and General Partner, Pacific Crest Group

During the last twenty years, many business owners and managers have engaged me to help tackle challenges their companies were facing. In some instances, the hurdles involved tough new competition, or questions about financial management. But the most common issue was far less obvious, and most of my clients were surprised to learn how serious it was. I'm talking about a fundamental managerial responsibility: employee performance measurement. It has the potential to hold your business back, or set it on course for great future success.

"Employee performance measurement" is the evaluation of an individual's work based primarily on objective, quantitative metrics. I believe it is critical to understanding how your employees are developing professionally and how they are contributing to your business. While subjective evaluation of performance has its place—for example, observations of work ethic or collaboration with others—empirical measurement offers significant benefits. It may also be instituted for every position in your organization, thereby creating more of a level playing field. While developing an employee performance measurement system may seem daunting, making it happen is not actually that difficult. In fact, I have a proven five-step process that works very well.

Step 1: Define the Value of Every Position

Before you can evaluate employees, you need to understand and articulate what kind of value they bring to your company or department. In some positions, such as Sales, that's easy; at the end of every month, you know how much revenue your employee generated. In others, such as administrative or customer service roles, the value may be less directly quantitative, but you can still identify concrete deliverables and key behaviors that benefit the company. In all of these cases, ask yourself how each position contributes to your organization's goals; without some alignment between an individual's objectives and the company's overall direction, you won't make the best use of your resources.

Step 2: Establish Realistic, Measurable Objectives

Once you've defined the manner in which each job position adds value, the next step is to establish performance parameters. In the case of a Customer Service Representative, for example, you could expect a certain number of completed calls per day. But how many calls are reasonable? If you pick a number by gut feel, do some simple math to make sure you're being realistic.

Let's expand the CS Rep example to illustrate this point. If we expected him to make 80 calls per day, and found that he was consistently failing to make even half that amount, should we conclude that he's underperforming? What if each call takes 10 minutes to complete? That makes six calls an hour, 48 calls total in an eight-hour workday—assuming the CS Rep is on the phone non-stop for eight hours. No wonder he can't even get close to 80 calls! A more realistic objective would recognize that no employee is 100% productive all the time, as just about every role needs time for collaborating with others, taking care of administrative busywork, and simply clearing one's head. For most jobs, a more reasonable productivity level is 75%; applying that to our eight-hour day, we get six hours of dedicated calling time, from which we could expect the CS Rep to complete 36 calls.

Step 3: Create and Use Measurement Tools

After establishing measurable objectives for each employee, you need to monitor them on a regular basis. You can do some of this through routine observation and interaction with your team, but in many cases it's useful to have automated tools that track performance. In some cases, again such as Sales, your Financials systems will likely already be configured to record the results of each employee. In other instances, you may need to create or purchase a measurement tool that monitors success—for example, the number of calls made by a CS Rep per day, the average call time, and other business intelligence.

If it's not possible to build or buy a system for tracking work, you and your supervisors will need to rely on regular interaction with employees to make sure objectives are being met. In some cases, periodic sampling works well, while in others, its valuable to monitor performance more frequently.

Once your tools and processes are in place to measure performance, use them! This sounds like a no-brainer, but it's amazing how often managers don't follow through on this crucial step. Whether it's checking statistics each week, running a monthly report, or having casual, sit-down review every quarter, you need to be disciplined to use the measurement tools that you put in place. Feeding the information and insights you gain from them back to your employees also means that there will be no surprises when that year-end performance review rolls around.

Step 4: Get Everyone On Board

It's not uncommon for some employees to believe that their roles are beyond measurement. This is absolutely not true: every position can be measured in some way, and doing it just requires a bit of thought and planning. Allowing employees—even VPs and Executives—to work without performance metrics means that you're not holding them (or yourself!) truly accountable for your contribution to the organization.

As an example, let's look at a Human Resources Manager. She's in charge of new employee paperwork and benefits administration, and has a number of important "soft skills" that keep everyone in the organization happy and motivated. Does that mean her work can't be measured and evaluated? Not a chance. Some possible performance metrics include the employee turnover rate, the accuracy and completeness of employee files, and compliance with State and Federal regulations. By holding he HR Manager accountable to elements like these, it will be far easier (and more fair) to gauge her performance than by subjective, gut feel alone.

Step 5: Connect Measurement Standards to Company Goals

The last step is to ensure that your employee measurement standards are consistent with your organization's overall goals. If your Customer Service Manager is evaluating CS Reps solely on the number of calls completed, regardless of quality, but your corporate mandate is to improve customer relations, you may have a problem. That's a scenario in which the CS department's goals are not properly aligned with the company's direction, and therefore need to be modified. Establishing expectations for both the number and quality of customer service calls would be one way to resolve the discrepancy.

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Remember, every employee position can be measured. If you can't measure an employee's performance, you should question why have that role at all. Sometimes it's easy, and sometimes it's complex, but every position can be measured objectively given proper thought and planning. It's your job to understand how employees bring value to your organization, and then to create realistic performance standards and a transparent measurement process. Doing so will not only help you increase employee productivity, but also cultivate better manager-staff relations. When people know how and why they're being evaluated, they are far more likely to work towards concrete goals and be receptive to constructive feedback. And that's where the *real* value in employee performance measurement lies: it's not just about measuring how many sales, calls, or widgets were done in day, but rather about building stronger, enduring relationships that take your business to the next level.

T.J. Van Voorhees is one of Pacific Crest Group's co-founders. He brings two decades of business experience to PCG's clients, including expertise in finance, information technology, and strategic planning. T.J. provides comprehensive and clearly defined plans that focus on measurable results. He meets regularly with the Boards of Directors for a number of surgery centers in the Bay Area as a business and financial advisor.

T.J. is also active as the CEO of McKendree's, Inc.; the CFO of Marin Ophthalmic Consultants, Inc.; the Board Chair of Stickney & Co, Inc.; the Board Chair and President of WPIA; and a member of the Finance Committee for the West Point Inn Association. Previously, he developed the infrastructure to provide Internet connectivity to a number of school districts and governmental organizations in Kansas. T.J. holds a B.S. in Applied Science and Business from University of San Francisco, and a B.S. in Geography from University of Nevada, Reno.

You can reach T.J. at (415) 461-2586 or by email at tjvanv@pcg-services.com.

