16 Ways to Measure Employee Performance
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Once an annual ritual, performance appraisal has become a continuous process by which an employee's understanding of a company's goals and his or her progress toward contributing to them are measured. Performance measurement is an ongoing activity for all managers and their subordinates.

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Performance measurement uses the following indicators of performance, as well as assessments of those indicators.

1. Quantity: The number of units produced, processed or sold is a good objective indicator of performance. Be careful of placing too much emphasis on quantity, lest quality suffer.

2. Quality: The quality of work performed can be measured by several means. The percentage of work output that must be redone or is rejected is one such indicator. In a sales environment, the percentage of inquiries converted to sales is an indicator of salesmanship quality.

3. Timeliness: How fast work is performed is another performance indicator that should be used with caution. In field service, the average customer's downtime is a good indicator of timeliness. In manufacturing, it might be the number of units produced per hour.

4. Cost-Effectiveness: The cost of work performed should be used as a measure of performance only if the employee has some degree of control over costs. For example, a customer-service representative's performance is indicated by the percentage of calls that he or she must escalate to more experienced and expensive reps.

5. Absenteeism/Tardiness: An employee is obviously not performing when he or she is not at work. Other employees' performance may be adversely impacted by absences, too.

6. Creativity: It can be difficult to quantify creativity as a performance indicator, but in many white-collar jobs, it is vitally important. Supervisors and employees should keep track of creative work examples and attempt to quantify them.

7. Adherence to Policy: This may seem to be the opposite of creativity, but it is merely a boundary on creativity. Deviations from policy indicate an employee whose performance goals are not well aligned with those of the company.

8. Gossip and Other Personal Habits: They may not seem performance-related to the employee, but some personal habits, like gossip, can detract from job performance and interfere with the performance of others. The specific behaviors should be defined, and

goals should be set for reducing their frequency.

9. Personal Appearance/Grooming: Most people know how to dress for work, but in many organizations, there is at least one employee who needs to be told. Examples of inappropriate appearance and grooming should be spelled out, their effects upon the employee's performance and that of others explained, and corrective actions defined.

Performance indicators must be assessed by some means in order to measure performance itself. Here are some of the ways in which performance is assessed from the aforementioned indicators.

10. Manager Appraisal: A manager appraises the employee's performance and delivers the appraisal to the employee. Manager appraisal is by nature top-down and does not encourage the employee's active participation. It is often met with resistance, because the employee has no investment in its development.

11. Self-Appraisal: The employee appraises his or her own performance, in many cases comparing the self-appraisal to management's review. Often, self-appraisals can highlight discrepancies between what the employee and management think are important performance factors and provide mutual feedback for meaningful adjustment of expectations.

12. Peer Appraisal: Employees in similar positions appraise an employee's performance. This method is based on the assumption that co-workers are most familiar with an employee's performance. Peer appraisal has long been used successfully in manufacturing environments, where objective criteria such as units produced prevail. Recently, peer appraisal has expanded to white-collar professions, where soft criteria such as "works well with others" can lead to ambiguous appraisals. Peer appraisals are often effective at focusing an employee's attention on undesirable behaviors and motivating change.

13. Team Appraisal: Similar to peer appraisal in that members of a team, who may hold different positions, are asked to appraise each other's work and work styles. This approach assumes that the team's objectives and each member's expected contribution have been clearly defined.

14. Assessment Center: The employee is appraised by professional assessors who may evaluate simulated or actual work activities. Objectivity is one advantage of assessment centers, which produce reviews that are not clouded by personal relationships with employees.

15. 360-Degree or "Full-Circle" Appraisal: The employee's performance is appraised by everyone with whom he of she interacts, including managers, peers, customers and members of other departments. This is the most comprehensive and expensive way to measure performance, and it is generally reserved for key employees.

16. MBO (Management by Objectives): The employee's achievement of objective goals set in concert with his or her manager is assessed. The MBO process begins with action

statements such as, "reduce rejected parts to 5 percent." Ongoing monitoring and review of objectives keeps the employee focused on achieving goals. At the annual review, progress toward objectives is assessed, and new goals are set.

There are as many indicators of performance as there are companies and jobs. The various assessment methods can be used in combinations. It is important to choose indicators that align with your company's goals and assessment methods that effectively appraise those indicators