

### DESIGNING EFFECTIVE KPIS

Question:	Example:	Comment:
1) Why does this area of the business exist? What are the main one or two outcomes that it contributes to the organisation?	The purpose of the recruitment area is to enable an organisation to employ and retain the best people for the business.	Focus on the ultimate raison d'etre of the area
2. How can you objectively measure this?	<i>Quality:</i> The number of new recruits each month that achieve performance targets in their fourth month of employment. <i>Quantity:</i> The number of vacancies filled, less turnover.	Note that if you can't come up with a way to objectively measure a business outcome, then it cannot be used for the purposes of KPIs.
3) What systems do you need to create?	<i>Quality:</i> A standard agreed method on the performance targets indicative of a good recruit. <i>Quantity:</i> A standard agreed method to measure staff turnover every month.  <i>Support systems:</i> A monthly KPI form for employees to tally up their overall progress on each measurement and a whole department spreadsheet that collates all the individual results.	Often some new systems might need to be created before KPIs can be implemented.  This valuable information can then be used as an analysis and reporting tool for executive discussion and the objective data helps everyone make more informed decisions
4) How can you use KPIs to monetarily incentivise people (if required)? a) First work out the total salary for this position and how much you want to be incentives.	Let's say the average market salary for a recruiter is \$70,000 so an organisation might decide on a base wage of \$50,000 plus \$20,000 in incentives - \$10,000 for achieving quantity outcomes and \$10,000 for achieving the quality incomes. This equates to \$833 per month in each category.	The amount of incentives should be enough to act as real motivation.
b) Now determine the current average achievement in each category	<i>Quality:</i> The number of vacancies filled, less turnover, currently averages 8 each month per recruiter. <i>Quantity:</i> The current average number of new recruits reaching performance targets at the 4 month mark is 6 per recruiter.	If this criteria has never been measured before this will involve a month or two of assessment.
c) Now divide the \$ incentive amounts by these averages to get real incentive payment figures.	<i>Quantity:</i> The number of vacancies filled, less turnover $\$833 \div 8 = \text{approx. } \$100$ A recruiter earns \$100 for every vacancy filled each month, less \$100 for every new recruit that leaves the business that month, having stayed less than 3 months with the organisation. <i>Quality:</i> The number of new recruits each month that achieve performance targets. $\$833 \div 6 = \text{approx. } \$140$ A recruiter earns \$140 for every new recruit that they have employed, who in their 16th to 20th weeks, achieves or exceeds all of their set performance targets.	Make sure you define each aspect of the incentive in a detailed system. For instance, in this example is it 3 calendar months or 90 days? Also remember that even if an outstanding recruiter has all 8 of their new recruits reach sales targets for the month and the organisation has to pay out an extra \$280, they've already recouped several thousand from the increased productivity of the frontline sales person.

## MAGIC KPIS

**Monthly** - Effective KPIs can be tracked and reported monthly, so have continuous 'real time' relevance to the employee.

**Achievable** - The KPI's are realistically attainable yet still act as real motivation. Too often companies put in place impossible stretch targets and of course are then happy to pay bonuses for superhuman performances.

**Goal-oriented** - The KPIs are aligned with the desired business outcomes of the individual's actual job role and drive real business achievement.

**Individual results** - KPIs are most productive if a person feels they are in direct control of the outcome, so work best when they are based on the individual's performance, and not on team results.

**Clear and simple** - KPIs are objective, not subjective and simple enough that the employee is able to calculate them in his head and doesn't require a degree in complex logistics to work them out. Only 1-3 per job role.