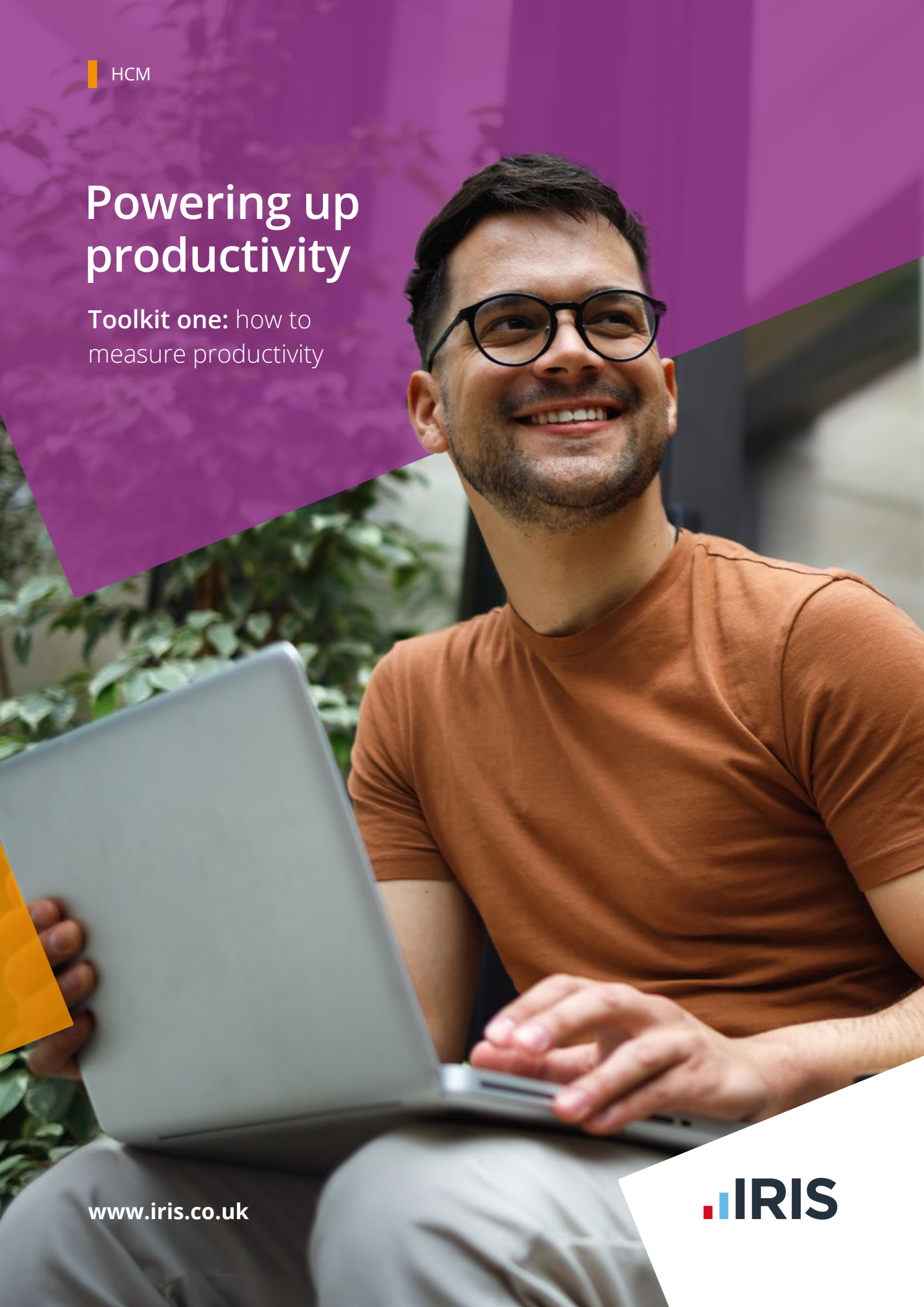
HCM

Powering up productivity

Toolkit one: how to measure productivity



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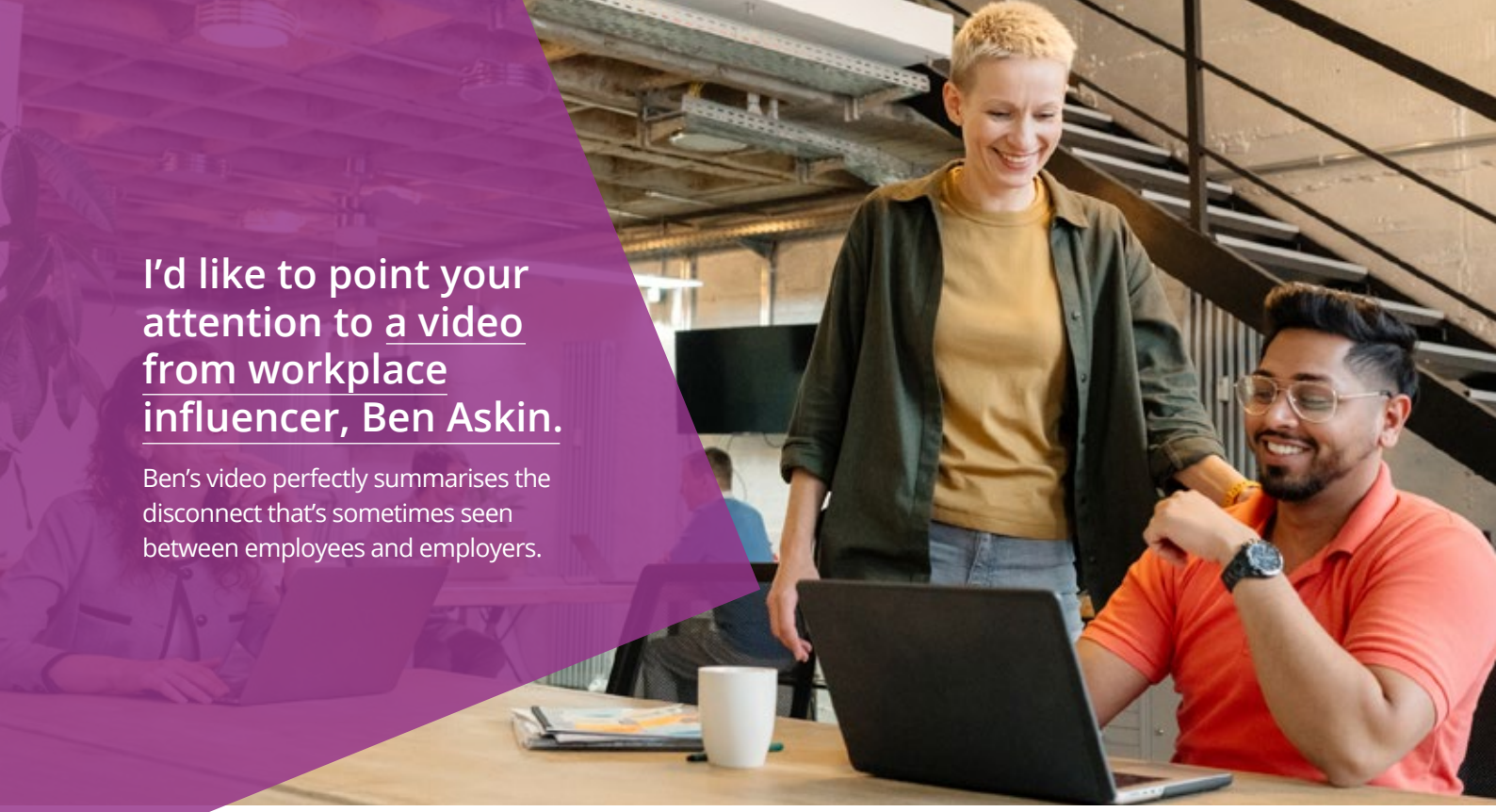

I'd like to point your attention to a video from workplace influencer, Ben Askin.

Ben's video perfectly summarises the disconnect that's sometimes seen between employees and employers.

For those who'd prefer a quick summary instead of watching the video, Ben is commenting on a clip in which a business owner disputes the feasibility of staff working from home (WFH), claiming Gen Z abuse it and run personal errands during the working day.

Defending the worker, Ben states that one of the main benefits of WFH is that people can better manage their personal lives alongside work; Ben advocates that in his business, as long as the work is done to an acceptable standard, he cares little for when it's done.

This isn't a one-time debate! You needn't look far to see countless articles covering both sides of this workplace conflict.

Global household brands, such as Uber, JD Sports, and Santander, have all **introduced Return to Office (RTO) policies**, cutting down on staff working from home in a bid to improve productivity, innovation and cultural connection.

On the other hand, there are **multiple studies** covering how some staff are happier and more productive when working from home; in fact, **recent research found** that 75% of remote workers believe going back to five days a week in an office would damage their wellbeing.

So, what's the real issue here? Fundamentally, the way in which businesses monitor productivity was challenged by the widespread adoption of WFH, with many organisations struggling to truly adapt.

Without actually seeing bums on seats within an office, many managers still find it hard to gauge staff productivity – although, let's face it, just having people sitting at a desk for eight hours each day doesn't directly translate to 'productivity' anyway.

To create a productive and motivated workforce, businesses must adapt their management styles and focus on employee engagement to make people want to do their best at work.

In this handy toolkit, we'll cover the theory behind staff productivity, as well as tangible ways to better manage staff in a modern environment.

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Understanding productivity

What is productivity? The question seems simple until you attempt to answer it.

Yes, some departments, such as sales or customer service, have obvious targets that help them better understand productivity – the number of calls made to prospects or the number of customer queries answered, for example.

However, even these departments have nuances, which create added complexity, and for other teams and professions, measurement can be more challenging.

Fortunately, **Public Health England** has published a useful document on gauging productivity, outlining three distinct measures.

The economist

This measure looks at how efficiently a business converts inputs into outputs.

For those using this measure, both the input and output should be expressed in quantifiable terms.

For example

A factory produces 1,000 chairs (outputs) in one month using 500 hours of labour (inputs). In this case, labour productivity is calculated as 1,000 chairs divided by 500 hours, resulting in a productivity rate of 2 chairs per hour.

So, with this measure, productivity refers to the efficiency with which a business turns input (labour) into output (chairs).

Public Health England also details that **total-factor productivity** includes all inputs and outputs, while **partial-factor productivity** focuses on specific ones.

Outputs can also be divided by the labour used to produce them, a measure referred to as 'labour productivity' – for example, it takes one person X amount of time to produce one chair.

The accountant

'The accountant', while similar to 'the economist', focuses more on the financial aspects of input and output.

As such, this measure focuses on the £-to-£ ratio of productivity.

How much money is spent on operational elements such as payroll, resources and training (the input) compared to the profit generated from these efforts (the output).

For example

A business spends £100,000 annually on its sales team, including the salaries, commission and training. The sales team returns £300,000 annually, meaning for every £1 spent, £3 is returned.

This approach can be especially useful for certain business areas, such as sales and marketing, which have a clear monetary output.

However, as this focuses purely on financial efficiency, determining productivity and ROI in areas that are not directly revenue generating, such as HR, finance and IT, can be difficult.

Using HR as an example, while the department doesn't directly generate sales, employee engagement initiatives can improve productivity, staff morale, employee satisfaction and retention, ultimately benefiting the bottom line.

The manager

The ‘manager’ approach is the broadest of the three, considering a wide array of factors that can impact productivity, such as:

- **Customer satisfaction**
- **Output quality**
- **Work disruptions**
- **Absenteeism**
- **Employee turnover**

As this approach considers such a wide range of factors, ‘productivity’ can be defined and measured in various ways, with elements such as role, business and sector all playing a part.

For example

This approach could be seen in a customer service department. Productivity might be measured not only by the number of customer queries resolved but also by the quality of those resolutions, the time taken to resolve tickets and how satisfied the customer was.

Productivity measurement: four common challenges

For many businesses, truly measuring productivity can often feel out of reach, intensifying the fear that staff aren't 'doing enough'.

Without defined measures, how do you know if people are actually being productive and making a difference?

Being aware of the common pitfalls can serve as a useful tool when revamping your strategy.

So, here are four of the most common hurdles.

Understanding what to track

One common issue that businesses run into when looking to accurately measure productivity is knowing what to track.

Focusing on irrelevant data can result in inefficient strategies and unwanted outcomes, wasting valuable time and resources.

Clearly outlining your company and departmental goals can help pinpoint the metrics that truly matter when evaluating productivity.

For example, if your company's overall goal is to increase business revenue, then:

- **The sales department needs to close more deals**
- **The marketing department needs to increase the number of leads they bring in**
- **The HR department needs to ensure staff are well trained, performing well and staying with the company**
- **The finance department needs to ensure customer invoices are paid on time and revenue is being tracked effectively**
- **The IT department needs to ensure all key business systems run smoothly, ensure data security and reduce downtime**

Measuring 'good work'

Purely measuring quantitative data often overlooks the quality aspect of work, which is just as critical.

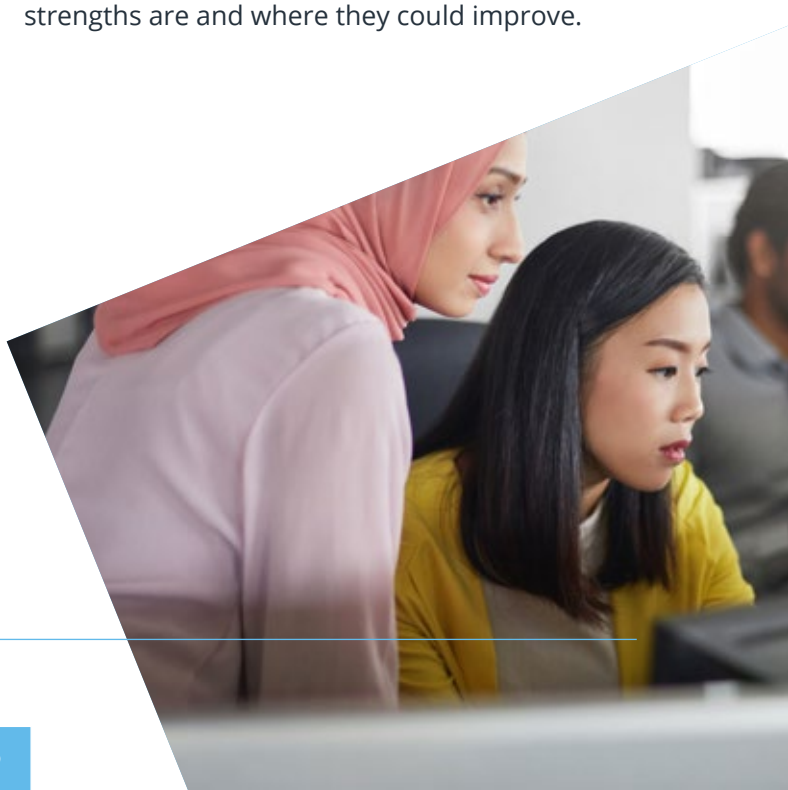
It's great if an employee is delivering a lot of output, but if the level of quality isn't there, it's wasted effort.

Take a coffee shop for example: if the barista is pumping out a load of coffee during the lunch rush, on the surface that may seem great. But if the customer experience is lacking and the coffee is of poor quality, while they may have fulfilled the sale, the likelihood of customers returning is unlikely, ultimately damaging the business in the long run.

When it comes to measuring quality, I urge businesses to adopt things like setting objectives and KPIs (key performance indicators)

Additionally, managers should run regular meetings with staff and host performance appraisals, where they can sit down with an employee and have an open and honest discussion based on the work they've been doing.

I'd also recommend using peer-to-peer feedback to understand from their colleagues what their strengths are and where they could improve.



Managing remote workers

As alluded to in the introduction of this toolkit, a huge challenge for many businesses today is accurately measuring the productivity of those working from home.

For too long, managers have relied on physically seeing people in an office as a gauge for productivity.

In reality, time spent at their desk isn't a direct sign of productivity.

Clear objectives and measures are needed, no matter the employee's location, so you can accurately assess how they're performing and whether they're delivering what the business needs.

The 'why' behind your measurement

Another challenge is the mindset behind measuring productivity.

A fear that staff aren't being productive can often lead to 'productivity paranoia', where leaders are so worried that their staff aren't busy that they become micromanagers.

Ironically, this undermines genuine efficiency by over-measuring and diminishing trust.

It's important that employees understand what you're measuring, and why.

If staff see how your measurements link directly to the company's performance – and how they can play a part in the company's success – it can help them feel motivated.

Also, it's crucial that you recognise and reward employees when they're hitting their targets and objectives.

Consider incentives like company bonuses, an 'employee of the month' initiative, gift vouchers or a simple shout-out in a team meeting.

Thanking your employees is so important for creating an environment where they want to work at their best.

Checklist: five productivity measures you can monitor

☐ Profitability

Profitability can often reflect productivity; however, other factors can influence profit.

Top tip: conducting a detailed cash flow analysis can help determine the precise cause of profitability, or lack thereof.

☐ Completed jobs

Track completed tasks over a set period rather than total time spent working.

This approach is great for those working from home as it uses quantifiable measures rather than simply observing people 'work'.

☐ Input vs. output

Informed by the productivity measures on page 5, track productivity by looking at the outputs of production compared to the resource(s) utilised.

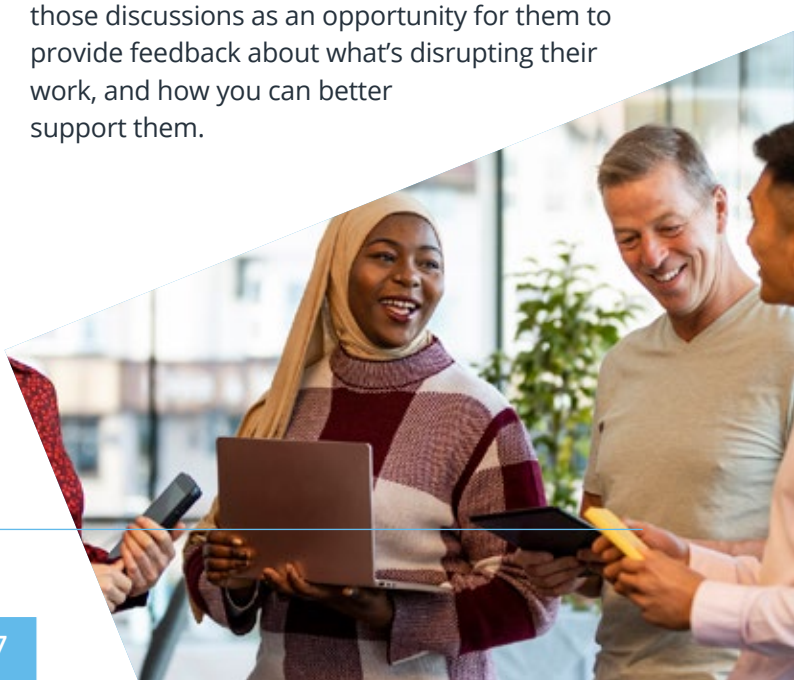
☐ Feedback

Ultimately, team performance relies on individual contributions, making feedback from other colleagues a valuable tool for measuring staff effectiveness.

Encourage staff to use a 360-degree feedback process, where they reach out to their colleagues, requesting feedback on things that are working well and areas that could be improved.

☐ Honest discussion

Speak with your staff on a human level and use those discussions as an opportunity for them to provide feedback about what's disrupting their work, and how you can better support them.



Efficiency vs. effectiveness

For those looking to better understand productivity, I urge you to consider the difference between efficiency and effectiveness.

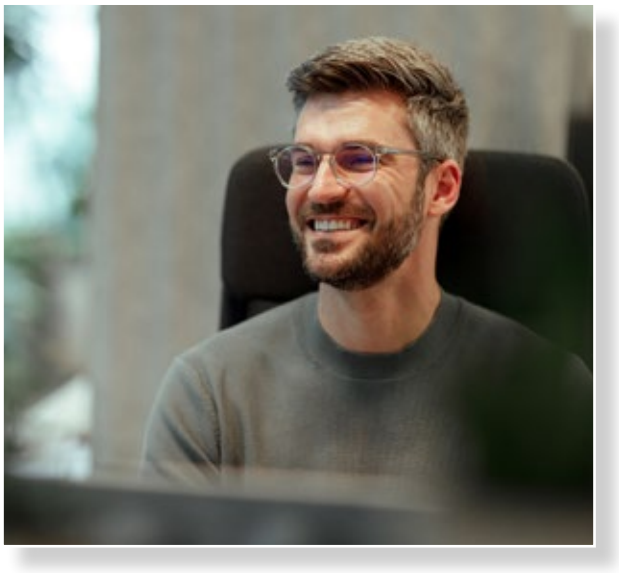
Efficiency is typically more straightforward, focusing purely on the output relative to the input.

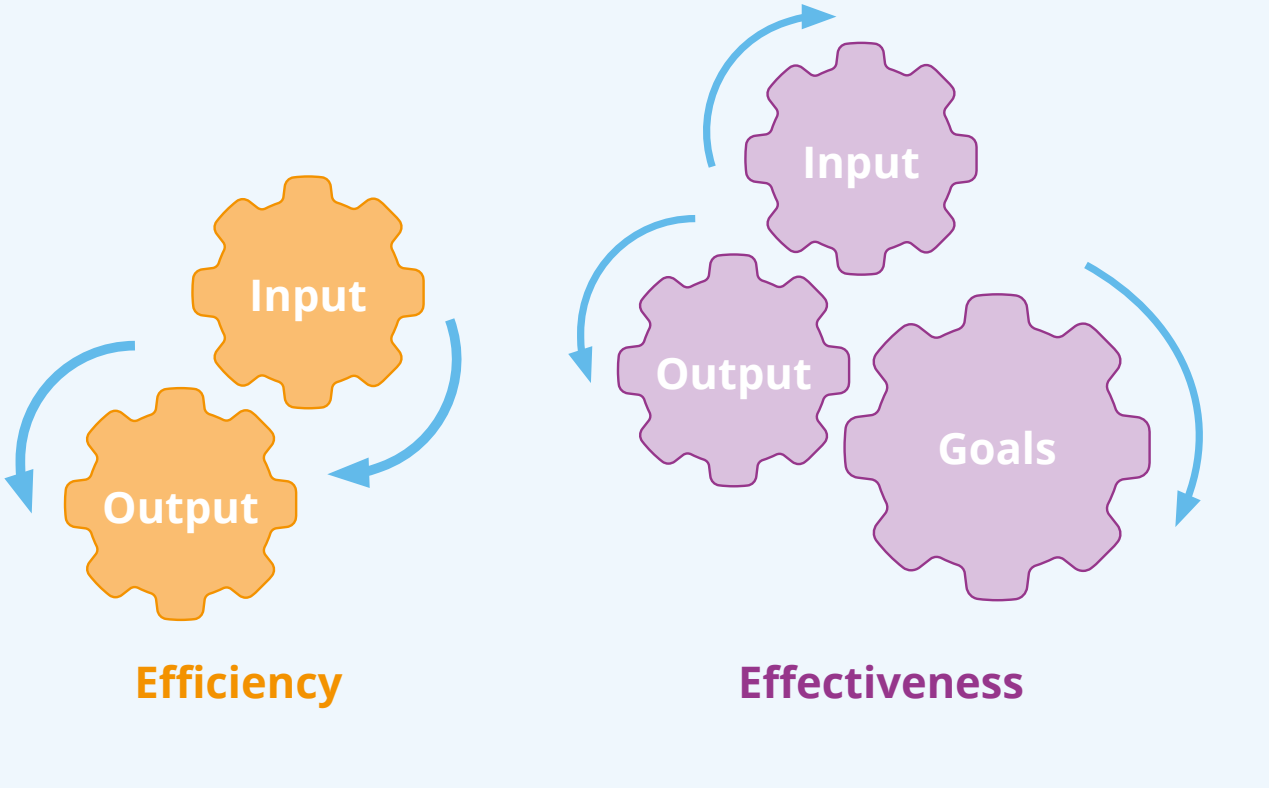
Essentially, how much input was required to get the desired output.

Note: purely relying on efficiency measures can have limitations as they exclude critical factors like output quality, customer satisfaction, training and resources used.

On the other hand, effectiveness also measures input to output but takes into account a wider goal.

For example, if the overall goal is business growth, rather than just looking at the number of sales, factors such as generating repeat customers and scoring positive reviews should also be considered.





Learn from an award-winning workplace

Now that we've discussed what productivity is all about, it's time to cover how you can better manage it.

What better place to use as an example than our own business – I'm incredibly proud to say that IRIS has been recognised as a Great Place to Work in the UK for five years.

We've spent years cultivating a culture that empowers employees, champions accountability and strives to push the boundaries of success.

How? A critical part of IRIS' success is having clear goals that outline what's expected from staff in addition to facilitating positive and constructive communication between managers and employees.

Objectives and Key Results (OKRs)

Do your employees know exactly what they're working towards?

I'm not referencing what's on their to-do list, but rather how their day-to-day tasks link to the company's wider goals and objectives.

At IRIS, we use **the Objectives and Key Results (OKRs)** model, which outlines what needs to be achieved (Objectives) and provides a measurable outcome that informs how close you are to achievement (Key Results).

Objectives are typically ambitious, qualitative and inspirational, motivating teams to aim higher.

Key Results, on the other hand, are specific, quantitative and time-bound, enabling progress tracking and accountability.

We believe the OKR model helps foster transparency and alignment across teams and individuals.

How IRIS works

We set employees three objectives that align with the wider business goals each quarter. Doing so provides employees with direction throughout the year and flags opportunities for us to support them if needed.

By setting clear objectives with measurable results, we can ensure that everyone is driving the business forward.

OKR examples

Marketing

Objective: increase brand awareness in target markets.

1. **Key result one:** launch a new social media campaign and achieve 50,000 impressions in Q4
2. **Key result two:** increase website traffic by 20% by the end of the quarter
3. **Key result three:** generate 100 new leads from content marketing efforts

Product

Objective: enhance customer satisfaction through product improvements.

1. **Key result one:** reduce product bug reports by 15% by the end of the quarter
2. **Key result two:** implement three new customer-requested features by the end of H1
3. **Key result three:** achieve a Net Promoter Score (NPS) of 4 or higher

Sales

Objective: drive revenue growth in key regions.

1. **Key result one:** close deals worth £150,000 by the end of the quarter
2. **Key result two:** improve sales conversion rate from 20% to 25% within three months
3. **Key result three:** schedule at least 30 product demos with qualified prospects

Human Resources

Objective: strengthen employee engagement and retention.

1. **Key result one:** conduct two company-wide surveys to gather employee feedback and achieve a response rate of at least 70%
2. **Key result two:** increase employee training participation rate to 80% this quarter
3. **Key result three:** reduce the turnover rate by 10% compared to the previous quarter

Step-by-step guide to creating meaningful objectives

For those keen to modernise the productivity tracking and use an OKR model, or something similar, follow these steps.

Identify key metrics

Determine the metrics you need to measure.

These should align with your business goals and will likely differ based on the role or department.

For example:

- **Sales: revenue**
- **Marketing: leads**
- **Finance: profitability**
- **IT: technology infrastructure**
- **Operations: efficiency**

By outlining key metrics that align with the wider business mission, it's far easier to see how departments and employees are performing.

Leading and lagging metrics

'Leading metrics' look to the future, focusing on actions that influence outcomes.

For example, the number of client calls made today could predict future sales.

On the other hand, 'lagging metrics' measure past performance, highlighting results already achieved.

An example is total revenue earned last month.

Using both together helps guide proactive adjustments while also offering an opportunity to reflect on whether goals have been met.

Establish clear goals

Setting clear goals helps employees understand expectations and how their performance will be measured.

Implementing SMART goals – Specific, Measurable, Attainable, Relevant and Time-bound – makes it easier to track progress and outcomes.

S

SPECIFIC

Objectives should be focused on a specified task or behaviour and should be directed at achieving a particular result.

M

MEASURABLE

This may be in terms of cost, quality or quantity.

A

ATTAINABLE

Ensure the goal is realistic and possible given the knowledge, time and resources available.

R

RELEVANT

The objectives should align with the company's broader goals and priorities.

T

TIME-BOUND

Both employees and managers should always agree on a realistic deadline.

Benchmark

Benchmarking allows you to assess your company's productivity against industry standards or past data.

Doing so helps ensure that objectives are ambitious but realistic.

To find this information, research is your best friend! Simply search online the profession and 'benchmarking data', and you'll find various articles covering key stats which can help inform your strategy (just make sure it's from a reputable source and written in the last couple of years).

Networking with professionals and seeking external guidance can also provide valuable insights into what other successful organisations are doing.

Setting objectives: guidance for managers

These are the guidelines we follow at IRIS, explaining the process managers should follow when setting objectives:

- Familiarise yourself with the company's key priorities for the year
- Remind yourself of your function's departmental goals
- Hold a meeting with each of your employees to discuss and agree their objectives
- Document the agreed objectives, ideally within HR software, and formalise confirmation from staff
- On a regular basis, check in with your employee to make sure they're on track to achieve their objectives
- Repeat this process at the start of each quarter

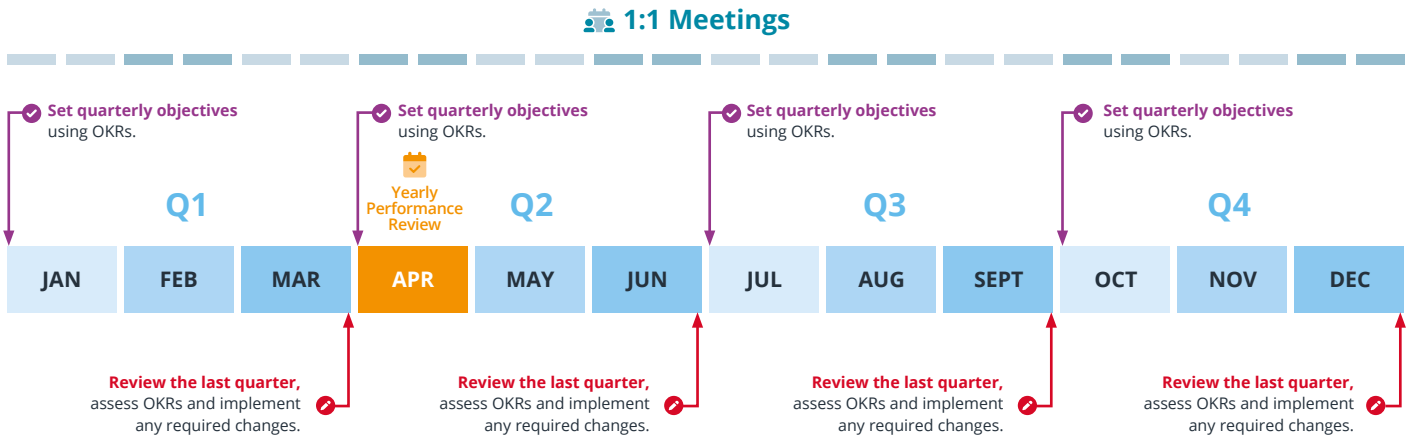
Open up the conversation

Setting clear objectives is only half the battle.

You must also regularly connect with staff to help address emerging challenges and ensure they stay on track.

I'm not suggesting that you micromanage your staff, asking for every tiny detail.

Rather, I advise that you conduct dedicated one-on-one (1:1) meetings regularly to solve issues and answer questions as they arise, alongside quarterly reviews to assess whether OKRs are being met and a longer yearly review to recap the last 12 months.



1:1 meetings

These are regular catch-ups, typically held weekly or fortnightly, between the manager and their direct report.

The goal of these meetings is for employees to update managers on current projects and flag any issues, providing an opportunity to resolve immediate challenges.

1:1 meetings also offer a great opportunity to discuss career growth, ask questions and share feedback.

Quarterly reviews

At the end of each quarter, these reviews provide a structured way to check progress on OKRs, objectives or any other targets that have been set.

The aim is to ensure employees remain aligned with wider goals, reviewing performance and identifying areas to work on.

Quarterly reviews are a great middle ground between frequent check-ins and long-term evaluations, helping keep everything on track.

Yearly reviews

Ah, yearly reviews, the big one!

The goal of this meeting is to take a step back to review the bigger picture, assessing an employee's performance and achievements over the past year.

These meetings are sometimes linked to salary reviews, bonuses or promotions.

Either way, they're a great opportunity to discuss the employee's career ambitions for the year ahead, and how they align to what the company will need in the next 12 months.

How should managers prepare for 1:1 meetings?

I advise holding 1:1 meetings at least once a week, lasting around 30 minutes.

For the best results, I recommend your 1:1 meetings have a set agenda to ensure all important areas are covered.

As a starting point, look to discuss these five topics:

Progress/updates: cover what's being worked on, the results and how things are going.

Risks/blockers: provide staff with an opportunity to call out what is currently a problem/might be a problem in the near future.

Feedback: ask staff for recommendations and feedback, identifying strategic ways to improve work, the department or wider business.

Wellbeing: ask employees to provide an overview of how they're feeling, using this as an opportunity to offer support, if needed.

Added support: encourage employees to flag any additional support they need.

Share this agenda with staff in advance and encourage them to prepare, ensuring you both maximise the value of these meetings.

At the end of each meeting, be sure to document actions for both parties.

1:1 support document

You may wish to share a 1:1 template document with employees to help them think about the topics in advance.

Encourage staff to fill out the document and send it back to you before the call.

1:1	***Employee name**	***Department**
Date: 20/09/2024	Personal status this week: 1 = great, 5 = burning out 1 2 3 4 5 Why? *Employee to input their answer.	
Progress/updates		
	*Employee to input their answer.	
Risks/blockers		
	*Employee to input their answer.	
Added support		
	*Employee to input their answer.	
Feedback		
	*Employee to input their answer.	
Key actions from today:		
- *Employee - *Manager		

How should managers prepare for quarterly and yearly reviews?

Before holding each conversation, you'll need to think about:

- What great things does your team member do now that they should continue doing or increase?
- What two things should your team member start doing that will help them improve their performance?
- What might you suggest to them as a developmental goal and associated activities to help them improve current performance and work towards their career aspirations?
- Your direct reports may wish to collect feedback from their colleagues and peers on their performance, known as 360-degree feedback – you can ask them to share this feedback with you, so you get a broader picture of how they're doing

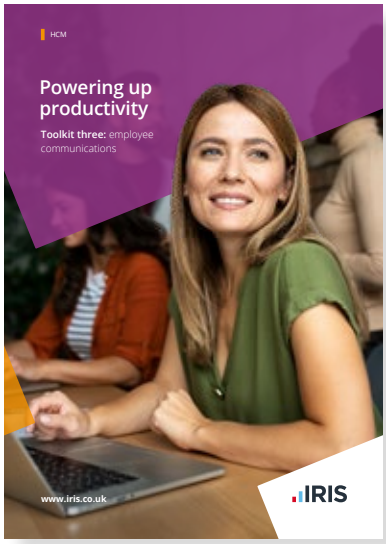
How to improve productivity

Now that we've covered productivity and measurement in detail, I'm sure the next question on your mind is: how can I improve productivity?

You're in luck!

As part of our **powering up productivity** series, we've created three other toolkits on improving staff productivity.

Download Here



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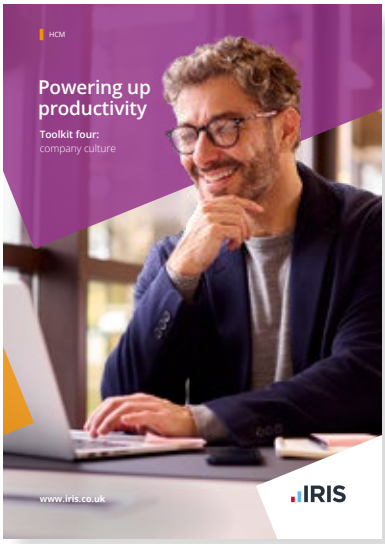

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How HR can become more productive

There is so much for HR professionals to manage, and cracks in the industry are beginning to show as burnout within HR is becoming increasingly common.

In just the last few months, multiple studies have surfaced with headline stats such as ***a third of HR professionals are considering quitting due to burnout*** and ***more than 40% of HR teams feel overwhelmed.***

How can HR be expected to effectively support the workforce if they themselves are struggling?

In our recent guide, we've compiled short-term advice to support with stress and burnout, as well as long-term software strategies your business can implement to streamline your people management.

Download Here

You can also view IRIS' award-winning HR solutions here.

www.iris.co.uk

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