

KEY PERFORMANCE INDICATORS SPECIFIC TO THE HUMAN RESOURCES DEPARTMENT

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Abstract: *In this paper I want to present the value that the human resources department brings to the organization of which it is part. It consists in its ability to fulfill its role of activating the development of human capital and its sustainability. Long-term performance and market leadership could not be achieved by organizations without motivated, hard-working employees and a strong sense of loyalty to the employer. Throughout the process that employees go through since joining the organization, the human resources module needs to be aware of the importance of actively implementing performance management tools in order to monitor key activities. In order for performance management to function optimally in a department, the objectives and functions to be performed by this team must be identified in accordance with the organization's strategy. Then, the most representative and relevant key performance indicators are chosen for the mutually agreed objectives. And in the second part of the paper, I will present a case study of the application of these key performance indicators on the units of the Romanian Army.*

Keywords: *KPI; human resources; performance; indicators; efficiency; recruits; retention.*

Introduction

The new operational requirements, generated by the changes brought about by Romania's accession to NATO and the transition from a mass army to a modern army, have brought with them new changes in terms of resource management, both human and material. The requirements of standardization and interoperability have generated new approaches to performance appraisal in order to meet the proposed objectives and missions.

In this paper I will exemplify through a case study the importance of the Key Performance Indicators (KPI) at the level of the Human Resources (HR) department of the Romanian Army.

A KPI is a measurement which evaluates how a company executes its strategic vision. The term strategic vision refers to how an interactive¹ strategy is integrated into a company's strategy as a whole. It is important that everyone involved in the company strategy agrees on what the strategy represents and how its variations are interpreted (Jacques 2011).

1. Theoretical Background

1.1. Essential activities of the HR Department

Given the variety of obligations that an HR department may have within an organization, a number of KPIs can be identified for each area of responsibility. The 8 areas of obligation presented below cover the most important functions of the HR department.

- Key Compensation and Benefit Performance Indicators capitalize on the value of reward systems
- Key Performance Indicators for Efficiency and Effectiveness can be used to measure productivity.
- Key Performance Indicators in the delivered services sector reflect the responsibilities of the HR division.
- The Key Performance Indicators set for the recruitment process reflect the overall effectiveness of this process.

- Key Performance Indicators related to employee retention emphasize employee satisfaction, including their involvement in the organization and the rate of employee loss.
- Key Performance Indicators for Talent Development (KPIs) focus on maximizing the potential of human capital in the development and growth of the organization.
- Key Performance Indicators related to the work environment focus on strengthening a productive work environment that takes advantage of the potential of the workforce.
- Key Performance Indicators for the workforce refer to the fact that this group is an integral part of the entire performance management system.

Based on the organizational and departmental strategy and depending on the objectives set, certain key performance indicators can be chosen in order to monitor the performance of all key or priority areas of activity.

2. Performance Indicators

The most used KPIs in the functional area of human resources belong to the following sub-categories (KPIInstitute 2015):

- Retention
- Recruitment
- Compensation and benefits
- Efficiency and effectiveness
- Talent development

1.2.1. Retention

Staff turnover – This performance indicator forms a very accurate picture of employee satisfaction, since dissatisfied employees are more inclined to leave the organization. At the same time, this indicator can have a very strong impact on the organization and its results.

Employee Emotional Involvement Index - Employee involvement is the employee's emotional commitment to the organization and its goals. This emotional commitment means that the employees involved actually care about their work and company.

The net emotional index is a single number between -100 and +100 that tells you how happy - or unhappy - your people really are.

Employee Retention Rate - The retention rate answers the question of how successful the company has been in keeping employees in the organization. Attracting, recruiting, training and developing talented staff is time consuming and costly. (KPIInstitute 2015)

Retention rate

$$= \frac{\text{Total number of employees who left the organization during the period}}{\text{Average total number of employees during the period}} \times 100.$$

Employee Satisfaction Rate - These are the three questions on which the Employee Satisfaction Index (ESI) is based (Myskova 2011):

- a. How satisfied are you with your current job?
- b. How well does your current job meet your expectations?
- c. How close is the current job to the ideal one?

Together they establish the ESI of a company. Employees answer questions on a scale of 1 to 10. Where 1 is the lowest and worst rating and while 10 is the highest and best value.

Then calculate the ESI value according to this formula:

$$ESI = [((\text{average value of question} \div 3) - 1) \div 9] \times 100$$

The company's ESI results can range from 0 to 100, where a higher number, or index, indicates more satisfied employees. In addition, you can use this index to compare with previous results or to compare with another company's ESI.

Average seniority of employees in the organization - It is necessary for companies to understand how long employees remain in their organization on average. The average long-term employee period usually indicates that employees are more loyal and dedicated to the company. In general, it will help reduce the cost of recruitment and training. The average long term of employees may also indicate that employees may be too comfortable in their occupation and that not enough new and innovative ideas may be brought into the company.

$$\text{Average duration of employees} = \frac{\text{Sum of all terms}}{\text{umber of employees}}$$

Cost of Leaving - These factors include:

- Recruitment costs: the cost of hiring a new employee, including advertising, interviewing, screening and hiring.
- Boarding costs: the cost of boarding a new person, including training and management time.
- Loss of productivity: a new employee can take one to two years to reach the productivity of an existing person.
- Lost employment: other employees with a high turnover tend to shut down and lose their productivity.
- Customer service and errors: new employees take longer to complete their work and are often less adept at solving problems.
- Training costs: in two to three years, a business is likely to invest 10% to 20% of an employee's salary in training.
- Cultural impact: every time someone leaves, others take time to ask why.

One of the reasons why the actual cost of employee turnover is such a mystery is that most organizations do not have exit cost tracking systems, including recruitment, interviewing, hiring, guidance and training, loss of productivity, potential customer dissatisfaction, downsizing, or business. lost, administrative costs and lost expertise.

Cost of staff turnover - The cost of employee turnover is calculated by taking the cost of filling the vacancy plus the cost of filling the vacancy plus the costs of integration and guidance plus the cost of increasing productivity multiplied by the number of employees lost in that position in a given year multiplied by 12 to give you the annual rate.

1.2.2. Recruitment

To identify the performance of the human resources module in terms of recruitment, we have identified a number of performance indicators that describe the overall effectiveness of the process.

a) *Applications received per vacancy* - represent the percentage of applications that the organization has reached, depending on the positions available at a given time. (KPIInstitute 2015)

$$= \frac{\text{applications received}}{\text{positions available}}$$

b) *Cost per hire* - is the total cost of employment and includes salary, taxes, bonuses, social security, overtime pay, recruitment costs, but also other costs generated by extra benefits (settlement of services, settlement of the shuttle, etc.). The rate of hiring costs may vary depending on the purpose of the organization, depending on its expenses. Thus, in an organization that emphasizes the endowment of expensive equipment, employees' salaries will be lower, but in an organization that does not invest in equipment, but in the services provided by human resources, then employees' salaries will be bigger. This index can be used in assessing the competitiveness at the salary level, in relation to the company's expenses in terms of equipment. (KPIInstitute 2015)

$$= \frac{\text{total costs of hire}}{\text{total costs of company}}$$

c) *External hire rate* - is the total percentage of jobs held by external candidates compared to the total number of new employees in a given term (KPIInstitute 2015)

$$= \frac{\text{external hires}}{\text{internal promotions/hires}}$$

d) *Applications received by recruiting source* - represents the percentage of applications received, depending on a particular recruitment channel (internal sources, external sources) in a certain time horizon or for a certain position. (KPIInstitute 2015).

$$= \frac{\text{applications}}{\text{channel}}$$

e) *Job offer acceptance rate* - represents the percentage of the launched offers and the offers accepted by the candidates (KPIInstitute 2015).

$$= \frac{\text{launched offers}}{\text{accepted offers}}$$

f) *Time to fill a vacant position* - is calculated by the number of days/months between the job being settled and the new candidate starting their job. The duration of a position is closely linked to the resignation or departure of employees from the organization because, if they believe that they do not have the chance to be promoted within the organization, then they will look for new opportunities outside it. (KPIInstitute 2015)

$$= \frac{\text{total number of days invested in "n" selected processes}}{\text{number of selection processes in questions}}$$

1.2.3. Efficiency and effectiveness

Efficiency and effectiveness as indicators of performance keys can be used to measure the productivity of the organization, illustrating the essential attributes and responsibilities of the Personal Module. There is a significant difference between the two concepts. Effectiveness consists in fulfilling certain objectives and tasks, in a time horizon and at a predefined standard, the effectiveness implies the appearance of some effects, appeared as a result of efforts exerted in order to obtain them.

To measure de efficiency and effectiveness we identified some indicators. (Strickera N. 2017)

a) *High performing employees* - are a way of measuring efficiency through the contribution they make to the organization. If the human resources structure brings in the organization competent people, suitable for the positions for which it applies, then the efficiency and effectiveness of the structure is validated by the contribution brought by the high performance of the employees.

b) *Profit per employee* - is represented by the profit brought by each employee through the activities they carry out.

c) *Human Capital Return on Investment (ROI)* - is a performance measure used to assess the effectiveness or cost-effectiveness of hiring a candidate.

d) *Time to process payroll* - it is the time horizon required to pay the payroll based on the profit made by employees through the efficiency and effectiveness of the task.

e) *Lost time accounting* - every day, in any organization, no matter how organized the program is, there is invisible lost time. This leads to a decrease in performance, due to the inefficiency with which certain tasks are solved. Their identification and accounting are methods of counteracting the invisible lost time.

f) *Performance appraisal participation rate* - is another objective of the human resources structure through which they can evaluate the performance that an employee brings at the level of the organization and if it fulfills its objectives efficiently and effectively.

In order to measure the performance of human resource structures from both battalion to army level, it is important to establish valid performance keys that are applicable at all levels. This chapter is aimed at establishing and defining the indicators of the performance keys applicable in the whole spectrum of military human resources. They cover the stages in which human resources departments work directly throughout their military careers: recruitment, efficiency and effectiveness, and retention, validated by a number of key points.

2. Key human resource performance indices applied to the military units in the Romanian Army

In order to verify the applicability of the KPI, I conducted a case study based on the topics covered in the first chapter and applied them at the level of human resources structures within the Romanian army.

At the level of the military units in the Romanian army, a series of personnel **retention** plans are being implemented. Resignations and transfers to the reserve are becoming more frequent, as staff are either aging and have reached retirement age, or staff are no longer in the organization. Another reason that generates a large flow of resignations is the very low remuneration of soldiers. To explain how these plans are being implemented at the military unit level, I have used a number of indicators, which I will address as follows.

Staff turnover. In the Romanian Army units, there is currently a large staff turnover, the first factor being the monthly salary, the second factor would be the high workload, and the third factor would be the difference between unrealistic self-imposed expectations and the reality within structure.

Employee Emotional Involvement Index. In military units, the emotional commitment to the institution is the loyalty to the groups it belongs to and the desire to improve the quality of training and achievement of objectives. In recent years, due to staff turnover, this emotional involvement tends to drop to zero, as young people no longer have role models.

Employee retention rate. Military units organized recruitment and training of new employees to provide all this at home, to be able to do the training 600 km from home. This gave the institution a large number of new employees. And the talented staff for a certain field was sent for specialization and used in those places where he is trained and where he likes to work.

Employee satisfaction rate. The above questions can be answered in general for the Romanian Army military as follows: To question number 1, 80% of the staff would answer with grades between 8 and 10, because even if the remuneration is low, these soldiers have that intrinsic motivation that keeps them in the system. To question number 2, the military will answer 70-80% with grades between 5 and 7 because, due to the more frequent departures from the system and the increased number of activities, it puts many in a position to perform more functions, only with the same remuneration. And to question number 3, at the moment each military unit has a fairly large number of personnel who want to move to other units, either for personal reasons or for professional reasons.

The average length of service of employees in the organization. The average length of service in the military organization is 15-20 years, because starting with 25 years of age and accumulated those working conditions can go into reserve benefiting from military service pension, and this average of 15 years, it is due to many exits from the system by resignation to a maximum of 2 years after employment.

The cost of leaving the post. To train a professional soldier in the army, the Army allocates a sum of money, then for its equipment it allocates another sum of money, and these sums reach an average of 10,000 lei, which is lost when the soldier resigns in reserve. And the

cultural impact that these resignations have is very high, because the remaining ones will have to fulfill its function as well.

Cost of staff turnover. In the event of staff turnover, the military does not lose money for productivity or vacancies, because when a military man retires to the reserve either by resignation or by reaching retirement age, that function must continue to be performed, and it will be carried out by cumulation, the only implication being the cultural impact.

At the level of the Ministry of National Defence, **recruitments** are made according to a series of well-established laws and regulations, according to a clearly defined process. To exemplify how recruitment is organized at the level of the Romanian army, we used a series of indicators, which I explained earlier.

Applications received per vacancy are influenced by a number of external factors, as candidates must follow a set of rules and follow a strict flow, but at the same time, even if there are vacancies at the unit level, they cannot be all the time published for occupation. For example, at the zonal centers, selections are made annually for the training of officers, military foremen, non-commissioned officers and soldiers, depending on the requests made by the military units, the projection of personnel movements for the coming years, but also the budget available.

The *cost per hire* in the Ministry of National Defence is determined by the category of personnel who want to be hired, the position they want to hold, but also the place of the military unit in the ministry. Moreover, compared to other companies, the cost of hiring from external sources is done by going through training programs, spread over a certain period of time, depending on the position and position in the hierarchy for which candidates are preparing. For example, in order to train an officer at the base of the military hierarchy, it is necessary to go through a selection program (eliminary tests and theoretical tests), admission to an academy and then follow some forms of training, in different lengths of time, depending specialization (combat weapons take 3 years, technical weapons 4 years, and military doctors 6 years). On the other hand, the costs of training a professional soldier are lower, as the training time is much shorter and its complexity is reduced.

At the level of the Ministry of National Defense, there is the possibility of hiring personnel from *external sources*, depending on the level and specialty of training they must have to fill a position. An example in this respect is the employment and subsequent promotion of officers or non-commissioned officers of psychologists, construction specialists or engineers, as no training programs are organized at the ministry level or those that are organized do not cover the deficit at ministry level. In this way, from external sources, psychologists, doctors, engineers of different specialties were hired.

Recruitments at the level of the Ministry of National Defence are done by different methods, depending on the positions to be filled (*applications received by recruiting source*). For civilian staff, recruitment is done by publishing the positions in the official monitor and organizing selection competitions. On the other hand, for military personnel, the source of recruitment can be either internal (within the unit or ministry) or external (by activating eligible civilian personnel, after completing certain stages). Also, assignments can be made either by publishing the positions in the Army Newsletter or by moving to the same position, from different units.

Job offer acceptance rate is influenced by a number of factors such as the location of the military unit (a position in a large city will be easier to occupy than a position in a unit located in an isolated area), the possibilities of advancement in career, the conditions imposed by the job. For example, at the level of units in the capital, the rate of acceptance of job offers is higher than in the case of small towns in the mountain area, as the opportunities offered by jobs in the capital are better than others.

Within military organizations, the **efficiency and effectiveness** with which a member of the organization fulfils its objectives dictates the performance of the structure and at the same time the success of the entrusted missions. The human resources structure has a defining role in terms of efficient management of employee performance, being the main responsible for this resource. People are the most important resource of the military organization, and the environment in which they carry out their activity influences their individual and group performance. In this respect, the human resources structure is directly responsible for managing situations that may adversely affect the success of the operation caused by a human error. The effectiveness of fulfilling the main responsibility of the human resources structure is measured by the quality of the people it recruits.

The military organization is not a for-profit organization, for this reason, we cannot evaluate employees according to the *profit* they bring to the organization, but they can bring material losses to the units in which they are employed, so as to harm the state patrimony.

Time to process payroll. The military organization is not a for-profit organization, for this reason, we cannot evaluate employees according to the profit they bring to the organization, but they can bring material losses to the units in which they are employed, so as to harm the state patrimony.

Lost time accounting. Although the program at the level of the military organization is a clearly established one, and most of the activities are carried out according to different synchronization models, battle rhythms, as in other organizations, there are invisible lost time, generated by different causes. The main causes are caused by external factors, which cannot be controlled. For example, a ceremony is organized at the battalion level, attended by various important personalities from both the military and civilian circles. Invisible lost times are materialized by the delay of a participant in the ceremony, detained in traffic or other activities. In this way, although the activity is ongoing, the members of the band are actually waiting until the assistance is completed. These activities must be well managed so as not to create syncope in the achievement of the proposed objectives or delays in carrying out other missions.

Performance appraisal participation rate. Staff evaluation is a very important process in the military organization. This activity is led by the human resources department and carried out by the direct heads of staff. It is organized centrally, annually, based on an evaluation form. The evaluation form is prepared by the evaluator, based on the requirements of the job description and the objectives proposed at the beginning of the year. Moreover, staff evaluations can be made when they change their job or whenever needed.

To sum up, this chapter aimed to validate the key performance indicators previously established, by exemplifying them and their applicability within the human resources departments of military units: recruitment, efficiency and effectiveness, and retention.

Conclusions

Continuous measurement of organizational performance, as shown by numerous studies, through key performance indicators is a newer concept used by many modern companies. KPIs are both financial and non-financial indicators that help organizations to illustrate the success of their business. A defining condition for formulating an efficient and effective performance measurement system is the organization of activities in a standardized way.

The implementation of KPI projects is basis of the measurements used to analyse the performance of the human resources department at the level of the Romanian Army. KPIs can be used to measure performance and identify solutions for syncope has been identified, in order to improve a sustained optimization effort.

In conclusion, at the level of military structures, unlike other organizations, staff retention is very difficult at the tactical level (battalion, brigade, division), as most of the causes for which staff migrate to other structures or leave the organization are salary factors, which do not they can be managed by the human resources departments at this level, but only by the decision-makers at the ministerial level. There are also soldiers in the system who have been working for more than 20 years, but their salary conditions were different, and leaving the organization does not benefit them at the moment, as they could no longer benefit from a military pension. It should be noted that the release of a function by resignation, replacement or relocation, the system does not have much to lose in the short term, as that function will be performed by cumulation by another person at a lower level of performance, but the goals will be met.

Recruitment is a performance indicator that can be easily verified at a tactical level as the human resources department has direct implications in this process by tracking the career path of the military, but also by identifying vacancies and sending them to employment. Although the recruitment process at the level of the Romanian army is an extensive one, the human resource structures at the lowest level have a decisive role in filling the vacancies.

In terms of efficiency and effectiveness as a performance indicator of the human resources department, this is easily validated by efficient time management, the correct assessment of the fulfilment of function-specific objectives, as well as the promotion of individuals with a high level of performance.

To sum up, this study aimed at applying the KPI within the human resources department at the level of the Romanian army, in a general framework and to illustrate the processes that take place in order to increase the performance of both the department and the organization.

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