

The Impact of Using Key Performance Indicators on Employee Performance

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Abstract: Every organisation has guidelines or ways to assess the performance of its employees, which can be done using the Key Performance Indicator. The purpose of this study was to determine the effect of the Key Performance Indicator on the performance of employees of PT Sawitta Unggul Jaya (SUJ) Tanah Tinggi Negeri Baru District Bilah Hilir Labuhanbatu Regency, North Sumatra Province. The results of the study indicate that the Key Performance Indicator variable and employee performance have valid and reliable criteria, for the simple regression equation obtained the results $Y = 6.878 + 0.383 X$, this shows that there is a positive direction coefficient of the Key Performance Indicator on employee performance, then the partial hypothesis results that the Key Performance Indicator has a positive and significant effect on employee performance, this is the result of the regression equation. Key performance indicators have a positive and significant impact on employee performance by providing clear objectives, motivating employees, enabling performance monitoring, encouraging accountability, enabling fair performance appraisals, and encouraging continuous improvement efforts within the organisation.

Keywords: Key Performance Indicator, employee performance.

INTRODUCTION

Human Resources (HR) in an organization refers to all individuals who work in the organization and HR performance is very important because it is the main driver of organizational success which in turn will have a positive impact on overall organizational performance. The success of employee performance cannot be separated from the fulfillment of employee expectations for an objective performance appraisal because an objective assessment will create a sense of justice about the rights and responsibilities of employees so as to influence, mobilize, and direct an action in a person or group of people to achieve certain goals in certain situations. (Stefanus & Putra, 2022) and the way to measure employee performance can be used with Key Performance Indicators, Key Performance Indicators (KPIs) is a management tool or instrument so that an activity or process can be followed, controlled (if it deviates, can be recognized for correction), and ensured to achieve the desired performance (Setiawan & Purba, 2020), where Key Performance Indicators are quantitative benchmarks that are applied to measure employee performance and achieve company goals ((Torres, *et al.*, 2012), the organization must set the right KPIs so that the achievement of organizational performance can be measured in accordance with the organizational goals stated in the organization's strategic plan. (Soemohadiwidjojo, 2015). Good key performance indicators (KPIs) are measurable indicators that relate directly to specific organizational goals, Key Performance Indicators are typically used to assess business conditions and

what actions are needed to address those conditions (Sanosra, *et al.*, 2022), and provide meaningful insight into the performance of a process, department, or the entire organization. Good KPIs should be relevant, measurable, aligned with strategic objectives, and actionable to help track progress, identify areas for improvement, and drive positive results, and are critical to defining and standardizing all processes within the organization. (Velimirovi, *et al.*, 2011), KPIs are needed to measure organizational performance not only for profit organizations but also for non-profit organizations for non-profit organizations (Nurchahyo, *et al.*, 2015).

Likewise, PT Sawitta Unggul Jaya (SUJ) Tanah Tinggi Negeri Baru, Bilah Hilir District, Labuhanbatu Regency, North Sumatra Province, which is a business entity engaged in oil palm plantation agribusiness that focuses on crude oil processing, which in its work process applies Key Performance Indicators as a guide for its employees to achieve organizational goals, and to measure the success of Key Performance Indicators can be done by productivity, quality of work, goal achievement, time management, team collaboration, adaptability and innovation, customer satisfaction, absenteeism rate, employee engagement (Lastir, 2023). Although the Key Performance Indicator has been implemented, there is still inconsistency in the management of the Key Performance Indicator, this can be seen in the lack of teamwork between employees, because employees are still often late for work, then the ability of adaptation and innovation that

employees are still unable to develop in the process of achieving their performance. When the company's performance indicators are not in accordance with the company's expectations, it will hamper productivity, and disrupt workflow, and when not everything goes well, then this will certainly disrupt the organization and also have an impact on the performance of employees in the organization.

Key Performance Indicators implemented in organizations can influence employee performance, and help set clear expectations for employee performance (Persson, 2023), by setting specific and measurable goals, employees can better understand what is expected of them and can better target their efforts, KPIs serve as a bridge between the strategic goals of the organization and the daily activities of employees (Tang, 2024), it encompasses the quality, quantity, efficiency, and effectiveness of an employee's work (Simatupang, et al., 2024). Performance is a crucial component of organizational success, contributing to increased general productivity, financial success, and worker satisfaction (Silalahi, et al., 2023), Employee performance refers to how well an individual performs his or her job duties and responsibilities within an organization. It includes factors such as productivity, quality of work, reliability, collaboration with colleagues, compliance with company policies, and achievement of goals or objectives. It involves setting clear expectations, providing feedback and support, recognizing and rewarding good performance, and addressing any questions or concerns that may arise in a constructive manner, employees with higher morale tend to be more productive, more satisfied with their jobs, and more engaged at work (Simatupang, et al., 2023), the more engaged employees are in their work, the better their performance will improve (Sofyan, et al., 2022).

Employee performance can be measured by quality of work, punctuality, attendance and ability

to work together (Bangun, 2017; Rony, et al., 2024), performance can be defined as the degree of realization of the goal (Alyahya & Alsabban, 2021), however, employee performance has not yet achieved results in accordance with the wishes of the organization, because the amount of work is that there are employees who are not effective in using time at work so that it is difficult to achieve work targets. Meanwhile, for attendance, there are employees who are not on time to come to work, causing work to be slower than it should be. By effectively managing employee performance, organizations can maximize productivity, engagement and overall success. It is critical to create a supportive and transparent environment where employees feel motivated to excel and receive the guidance and resources necessary to reach their full potential.

RESEARCH METHODS

This research used quantitative methods, and was conducted at PT Sawitta Unggul Jaya (SUJ) Tanah Tinggi Negeri Baru, Bilah Hilir District, Labuhanbatu Regency, North Sumatra Province, with 57 employees, if population is less than 100 then really need to survey all of them (Bullen, 2022; Nasution, Erlina and Bukit, 2024). To find out that the research instrument has valid results, the correlation criterion ≥ 0.30 is used. (Taherdoost, et al., 2014), furthermore, the reliability test uses a Cronbach's alpha value measure ≥ 0.70 . (Eisingerich & Rubera, 2010). To get the results of the direction coefficient of the study, a simple regression equation $Y = \beta_0 + \beta_1X + e$. (Bevans., 2020), then conduct a partial hypothesis test so that the answer to the hypothesis can be given, where the hypothesis is that the Key Performance Indicator has a positive and significant effect on employee performance.

RESULTS AND DISCUSSION

A. RESULT

1. Validity and Reliability

Table 1: Validity and Reliability Test

Variables	Validity Test			Reliability Test		
	Correlation	t count	Criteria	Cronbach's alpha	t count	Criteria
Key Performance Indicator	0,30	0,506	Valid	0,70	0,903	Reliable
Employee Performance	0,30	0,576	Valid	0,70	0,855	Reliable

Table 1, shows the results for the validity test tcount for the Key Performance Indicator (KPI) variable is 0.506 while the validity test for employee performance is 0.576. The correlation

limit for the validity test is 0.30, to obtain the validity test results by means of the tcount value \geq the validity test correlation, where the tcount value of the Key Performance Indicator (KPI) and

employee performance \geq the validity test correlation limit. This shows that the Key Performance Indicator (KPI) and employee performance variables are valid. Furthermore, the reliability test can be measured by the Cronbach's alpha value formula ≥ 0.70 , where the results from table 1 the tcount value of the Key Performance Indicator (KPI) is 0.903 and employee

performance is 0.855, and from these results it can be concluded that the Key Performance Indicator (KPI) and employee performance have valid criteria, because the Cronbach's alpha value ≥ 0.70 .

2. Simple Regression Equation

Table 2: Simple Regression Equation

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6,878	3,993		1,723	,091
	Key Performance Indicator	,383	,038	,802	9,966	,000

a. Dependent Variable: Employee Performance

Table 2, shows a result for the simple regression equation $Y = 6.878 + 0,383 X$, from these results it can be concluded that Key Performance Indicator (KPI) has a positive coefficient on employee performance. Having effective KPIs is very important because they provide clear and objective guidance on what is expected of employees and the organisation. When KPIs have a positive coefficient on employee performance, this means that there is a positive correlation between achieving KPIs and improving employee performance. KPIs provide a clear picture of what is expected of employees. When employees know the targets to achieve, they can work more focused and directed to achieve them, able to motivate employees to work harder and smarter. Seeing their progress against KPI targets can provide a

psychological boost and increase morale, and employee performance can be measured objectively. This helps reduce bias in performance appraisals and provides a fair basis for rewards and recognition, even helping them see the impact of their work on the overall goals of the organisation, identifying areas where employees need to develop. If an employee persistently does not achieve certain KPI targets, and a basis for providing constructive feedback. Employees can receive specific feedback on areas where they need to improve and celebrate successes in areas where they are performing well, helping to reduce wasted time and resources by directing effort to the most productive activities.

3. Hypothesis

Table 3: Hypothesis Test

Model	t	Sig.
(Constant)	1,723	,091
Key Performance Indicator	9,966	,000

a. Dependent Variable: Employee Performance

Table 3, shows the value for the t count of the Key Performance Indicator (KPI) is 9.966 and the calculated significance is 0.000, to get the answer to the hypothesis can be done with the formula the degree of freedom is $(df) = (n-2) = 57 - 2 = 55$ the result is 2.004 and the value for the signification limit is $\leq \alpha 0.05$. The conclusion is that the t value of the Key Performance Indicator count $9.966 \geq t$ table 2.004 and the significance count $0.000 \leq \alpha 0.005$, this shows that the Key Performance Indicator has a positive and significant effect on

employee performance. Key Performance Indicator play a vital role in providing a clear understanding of employee performance against the goals and objectives set by the organization, organization can effectively track progress, identify opportunities for improvement, and make informed decisions to improve overall performance.

DISCUSSION

Exploring the context of business issues associated with improving KPIs is critical to providing insights and recommendations for organizations

looking to optimize their performance measurement systems. (Ulhaq & Febriansyah, 2023). Key performance indicators (KPIs) for employee performance can vary by job type, industry, and organization, because Key Performance Indicator (KPI) is one of the most common tools used by the employees of companies to help manage more effectively and guide their progress (Rangian & Tumewu, 2014), organizations can assess their progress in achieving strategic and operational goals using the framework provided by the Performance Indicators. (Purwoko, *et al.*, 2023), KPIs are then able to provide a comprehensive framework for evaluating employee performance in all aspects of their roles and responsibilities. However, for effective performance management, KPIs must be tailored to specific job functions and company objectives, in order to create a reasonable process that is used by both implementers and leaders in managing organizational efforts to achieve good results or performance. (Hidayat, *et al.*, 2017). The results showed that Key Performance Indicators (KPIs) have a significant positive effect on employee performance. (Fatmawati, *et al.*, 2020), because Key Performance Indicators (KPIs) play an important role in improving employee performance in various organizations, the higher the employee performance, the better the company performance (Sardjono, *et al.*, 2020).

Key performance indicators have a positive and significant impact on employee performance by providing clear goals, motivating employees, enabling performance monitoring, promoting accountability, enabling fair performance appraisals, and driving continuous improvement efforts within the organization, by setting objective performance standards and benchmarks of success, KPIs provide a clear roadmap for employees to follow, when employees perform well, it will certainly be able to increase company productivity. When employees have not been able to meet the KPIs that have been given, they will try harder until they can fulfill them (Dipura & Soediantono, 2022). Effective implementation of Key Performance Indicators has a significant impact on employee performance by providing clarity, motivation, monitoring mechanisms, transparency, skill development opportunities, recognition, and fostering a culture of continuous improvement within the organization, developing KPIs for optimal employee performance is a multifaceted process that involves strategic selection, alignment with business objectives, effective communication,

leveraging technology, and continuous improvement (Waite, 2023).

Setting clear expectations, encouraging goal-oriented behavior, fostering a sense of purpose, and increasing accountability and transparency, KPIs play an important role in driving employee motivation and engagement, as employee satisfaction is key to the success of any organization (Bhatti, *et al.*, 2014), satisfaction and commitment are related to performance, but engagement seems to be a better predictor of employee performance overall (Aswani, *et al.*, 2016). It is the only way for organizations to see if their employees are heading in the right direction and meeting their objectives in terms of the goals and objectives that have been set (Isha, 2023), Implementing KPIs in the performance appraisal process can be challenging and requires careful consideration of a variety of factors, including defining, aligning, selecting, and monitoring KPIs, overcoming resistance, managing data accuracy, and providing feedback (Aparanji, 2023), and feedback systems of key performance indicators (KPIs) are essential for companies to monitor their goals (Lepold, *et al.*, 2018), employees can produce a better quality of performance if the results of the appraisal are used to improve the quality provided (Atikno, *et al.*, 2021), and when KPIs are aligned with organizational goals, tailored to individual roles, easy to understand, and integrated with continuous feedback mechanisms, they can improve performance outcomes across multiple sectors, performance indicators help control service delivery by enabling comparisons between planned and achieved results (Meier, *et al.*, 2013)

CONCLUSIONS

Using KPIs can improve employee performance by providing clarity, motivation, accountability, feedback, and alignment with company goals. However, it is important to ensure that KPIs are chosen carefully, communicated clearly and reviewed regularly to maximize their effectiveness and avoid unintended consequences such as gaming the system or focusing too narrowly on KPIs at the expense of wider business objectives.

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