

# Goals, Metrics, and Key Performance Indicators

Procurement Excellence Network Training

December 14, 2022



**HARVARD** Kennedy School  
Government Performance Lab

***Welcome! In the chat:***

Share your name &  
what government you  
represent

# POLL: How much do you know about your procurement operations?

Please select from the list below all the things that your jurisdiction can measure:

- ☐ How many solicitations are run?
- ☐ How long does a solicitation take, on average?
- ☐ How many responses do solicitations receive?
- ☐ Are solicitations resulting in the best possible / best value contracts?
- ☐ Are contracts achieving their intended impact?
- ☐ Are contracts supporting the local economy?
- ☐ Are all types of suppliers able to do business with your entity?

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# Agenda

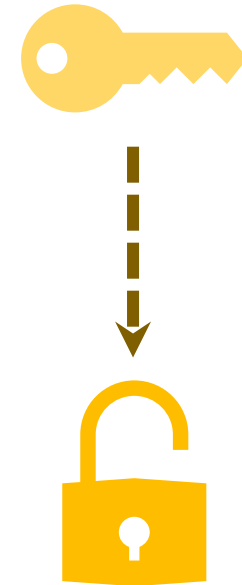
- **Introductions & Poll**
  - **What can you gain from using data and metrics in your procurement operations?**
    - Commonly used metrics
  - **Activity: Looking at Sample Data**
  - **Lessons from our work**
    - Memphis, Tennessee
    - Long Beach, California
  - **Activity: Metrics Wishlist Jamboard**
  - **Next Steps & Additional Resources**
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**What can you gain from using data and metrics in your procurement operations?**

# Data can be the key to more effective procurement

**Using data in your procurement operation is the first step to:**

- Diagnosing bottlenecks in the procurement process
- Improving process efficiency
- Facilitating proactive decision-making
- Understanding where contract outcomes can be improved
- Maximizing the impact and value of contracts
- Advancing economic development goals



# Regular data reporting will illuminate problem areas where you'll want to focus strategic attention

## Step 1. Understand your goal

*Why* are you using data? Is there a change you want to make? A question to answer?

### Goal

*What you are trying to accomplish*

**Get more or better responses to solicitations**

# Regular data reporting will illuminate problem areas where you'll want to focus strategic attention

## Step 1. Understand your goal

*Why are you using data? Is there a change you want to make? A question to answer?*

## Step 2. Pick the right indicator(s)

Are you on track to meeting your goal?

### Key Performance Indicator (KPI)

*Goal: Get more or better responses to solicitations*

- ✓ **Response rate:** average number of responses (proposals or bids received) per solicitation
- ✓ **Rate of competitive solicitations:** percentage of solicitations getting more than a target number of responses (2+ responses, 3+ responses, etc.)
- ✓ **New vendors:** number or percentage of new vendors (who have never worked with the government) that are awarded contracts each year

# Regular data reporting will illuminate problem areas where you'll want to focus strategic attention

## Step 1. Understand your goal

*Why* are you using data? Is there a change you want to make? A question to answer?

## Step 2. Pick the right indicator(s)

Are you on track to meeting your goal?

## Step 3. Collect & analyze your data





Where will you get the data? How often will you analyze it?

### Data Source

*KPI: average number of proposals bids received per solicitation*

- eProcurement Software
- Enterprise Resource Planning (ERP) Software
- Procurement records (excel logs, paper records, etc.)
  - Pick a sample of RFPs with data on paper to capture electronically and analyze

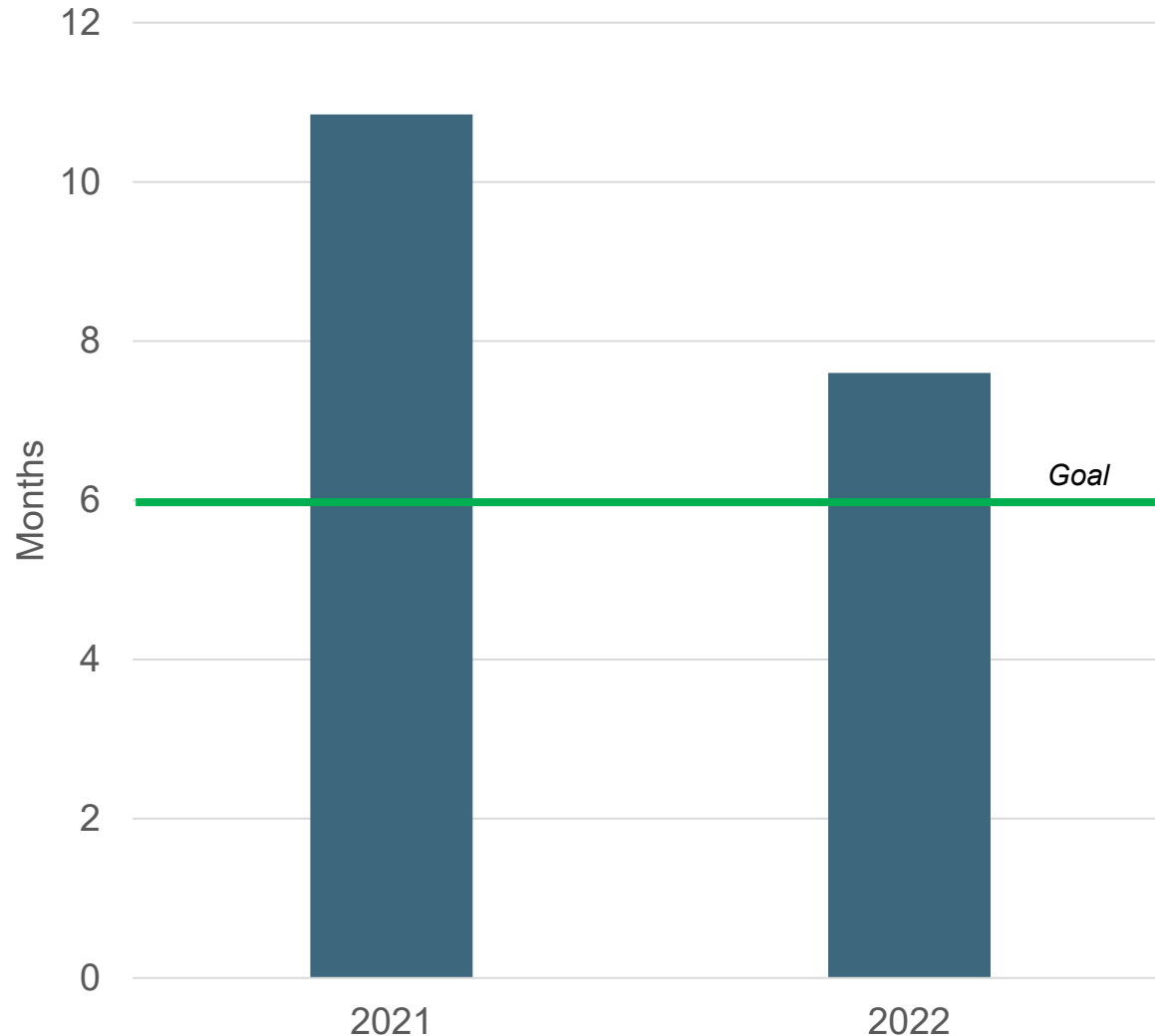
# Other Commonly Used Metrics

| Use Case  |  | Sample Metrics   |
|---|--|--|
|    | <b>Efficient</b><br>Make procurement processes faster  | <ul style="list-style-type: none"><li>• <b>Cycle time:</b> average number of days per procurement stage, per solicitation</li><li>• <b>Rebids:</b> frequency of solicitation cycle repetitions due to cancellations or failed solicitations</li></ul>  |
|    | <b>Equitable</b><br>Increase vendor diversity by contracting with more small, local, and diverse firms                             | <ul style="list-style-type: none"><li>• <b>Diverse vendor participation:</b> number or percentage of small, local, or diverse businesses participating in the procurement process at each stage</li><li>• <b>Diverse spend:</b> dollars or percentage of contracted dollars spent with small, local, or diverse businesses</li></ul> |
|   | <b>Results-Driven</b><br>Receive more responses to solicitations, especially from firms who have never worked with your government | <ul style="list-style-type: none"><li>• <b>Response rate:</b> average number of responses (proposals or bids received) per solicitation</li><li>• <b>Rate of competitive solicitations:</b> percentage of solicitations getting more than a target number of responses (2+ responses, 3+ responses, etc.)</li></ul>                  |
|  | <b>Strategic</b><br>Improve the knowledge of staff in your government to run procurements effectively                              | <ul style="list-style-type: none"><li>• <b>Staff trained:</b> number or percentage of staff trained in procurement, or trained to write RFPs that will improve the results of contracted programs or services</li></ul>  |

# Activity: Looking at Sample Data

# Goal: reduce cycle times to less than 6 months

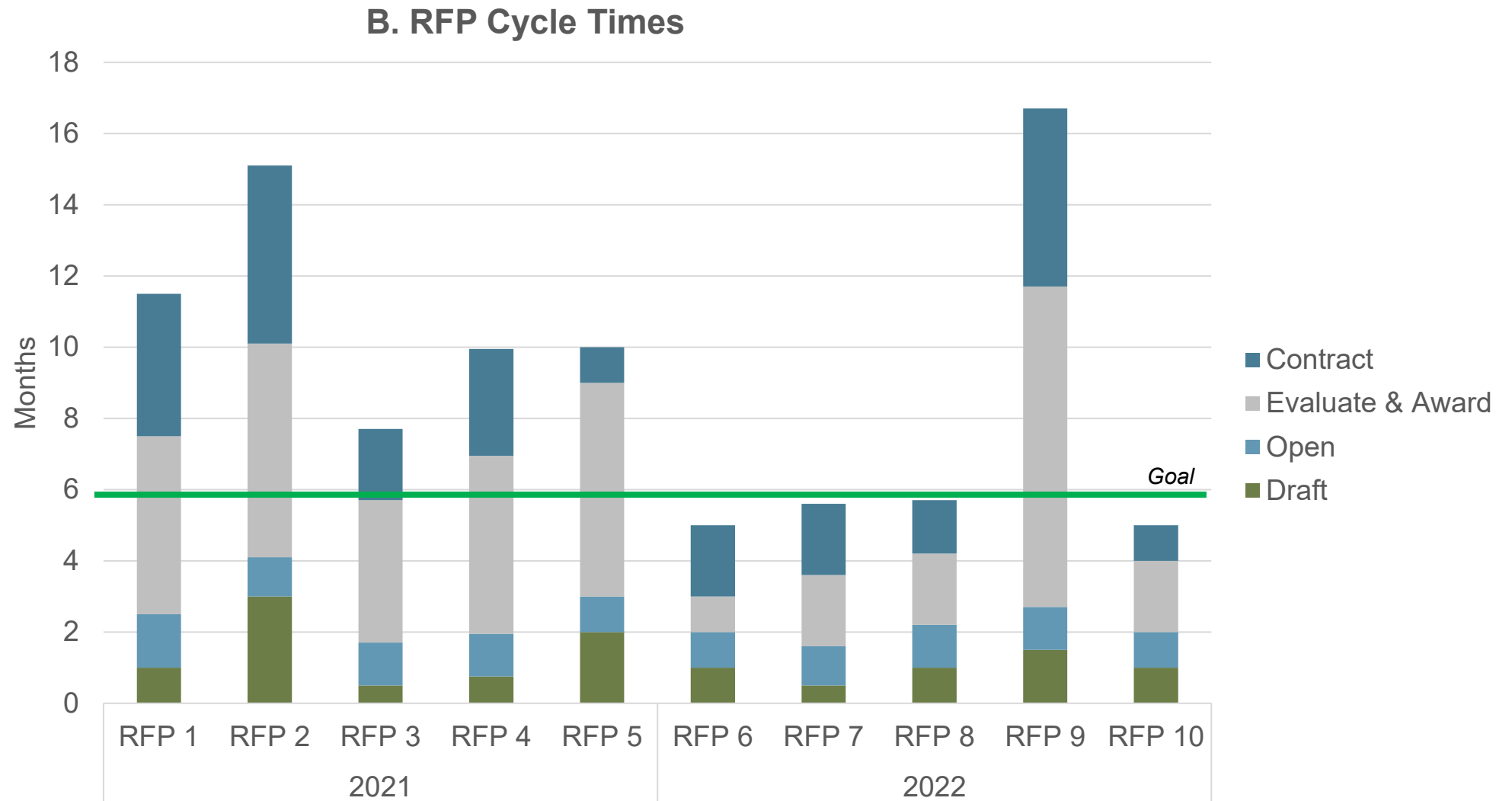
A. Average RFP Cycle Times



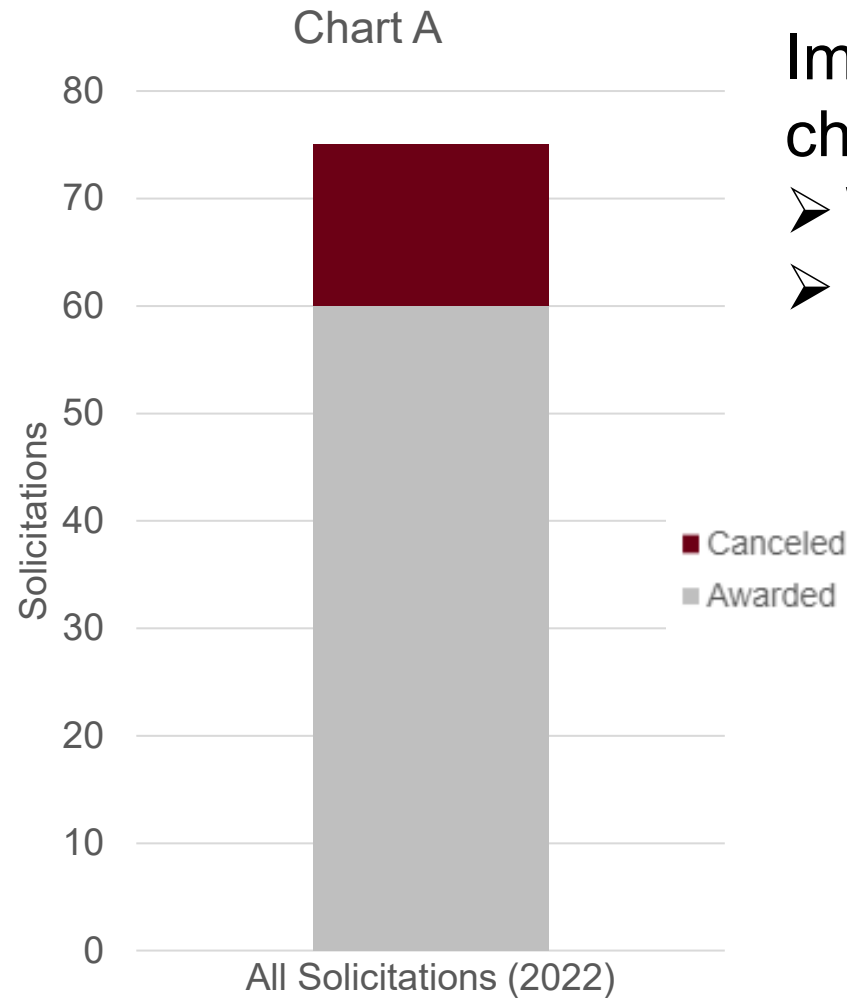
**Imagine your staff shares this chart with you.**

- **Have you solved the problem?**
- **What questions do you have?**

# Looking at the data a bit more in depth



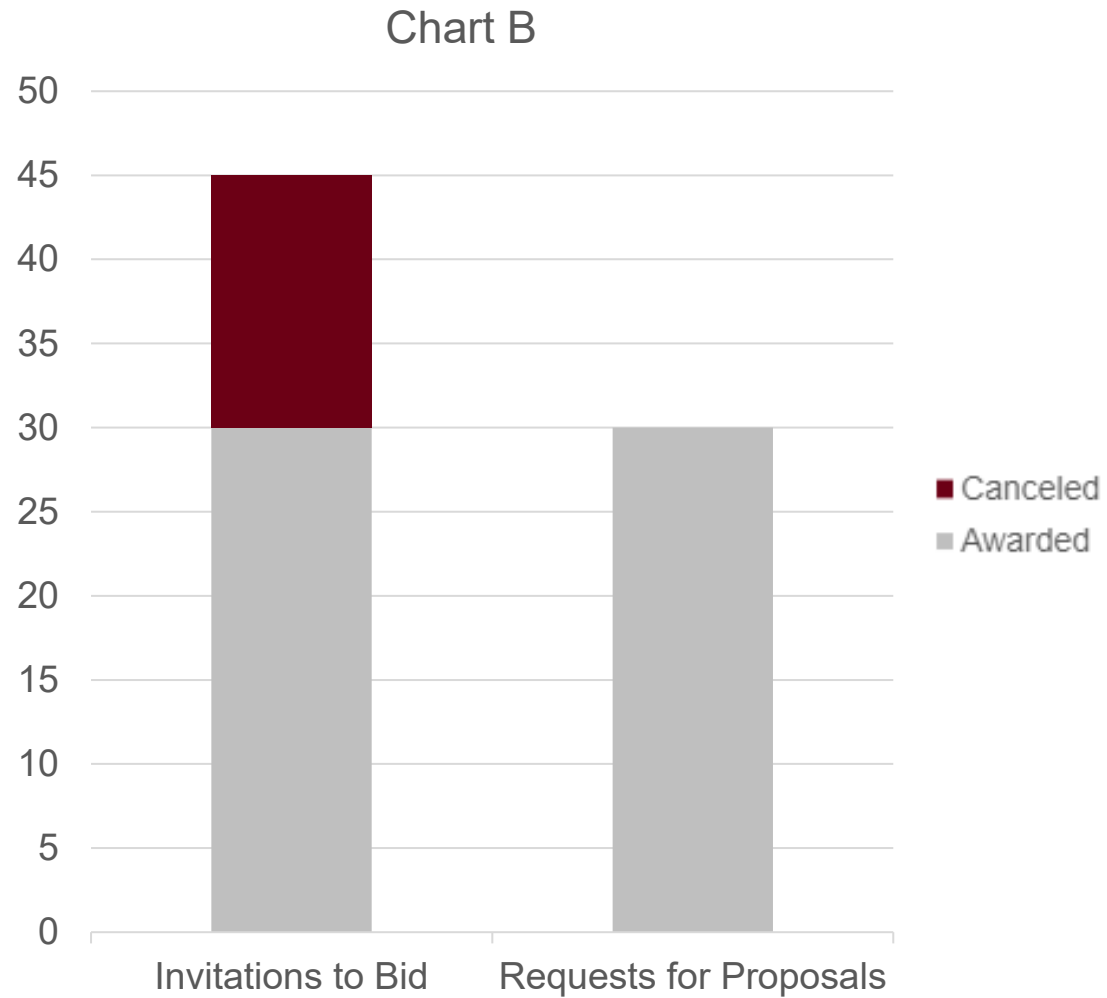
# Goal: award 100% of solicitations



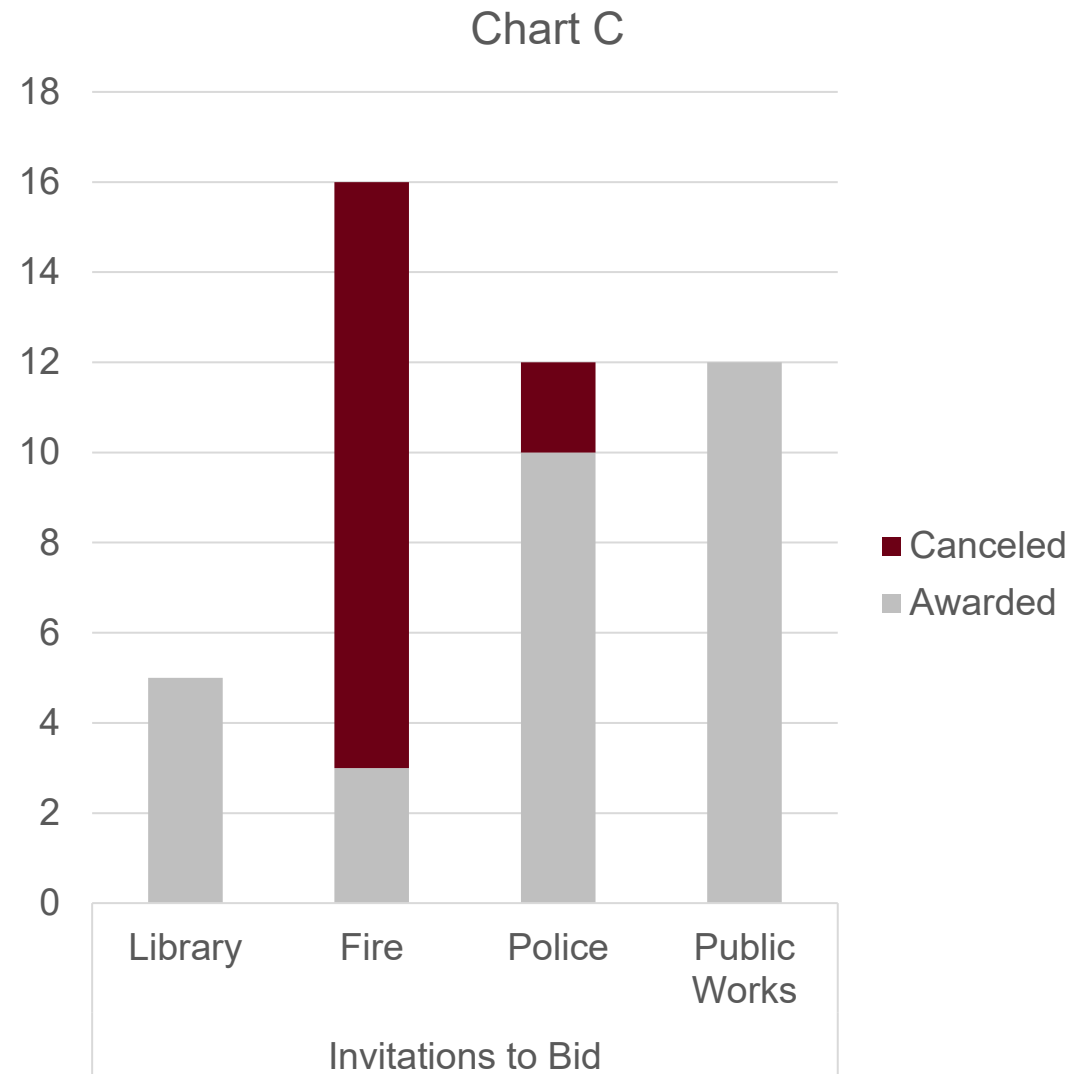
Imagine your staff shares this chart with you.

- What questions do you have?
- Have you solved the problem?



# Goal: award 100% of solicitations



# Goal: award 100% of solicitations



# What's the real story the datasets are telling us?

| Techniques to Reveal Patterns in Data |  |   |
|---------------------------------------|--|---|
| Visualize the data                    |  | <ul style="list-style-type: none"><li>•Charts</li><li>•Tables</li><li>•Maps</li></ul>   |
| Disaggregate the data                 |  | <ul style="list-style-type: none"><li>•Solicitation type</li><li>•Department</li><li>•Buyer</li><li>•Vendor</li><li>•Industry</li><li>•Good / service</li><li>•Month, quarter, year</li></ul> |
| Create ratios                         | 10:1   | <ul style="list-style-type: none"><li>•Unit costs</li><li>•Workloads</li><li>•Throughput</li></ul>  |

# Lessons from our work: Memphis, Tennessee

# Memphis faced common procurement problems



**Treated as a back-office,  
administrative function**

**Focused more on  
process compliance than  
outcomes**

**Unable to anticipate  
upcoming work or  
distinguish between high  
and low priority contracts**

# Memphis analyzed procurement data to improve operations and outcomes

## Approach

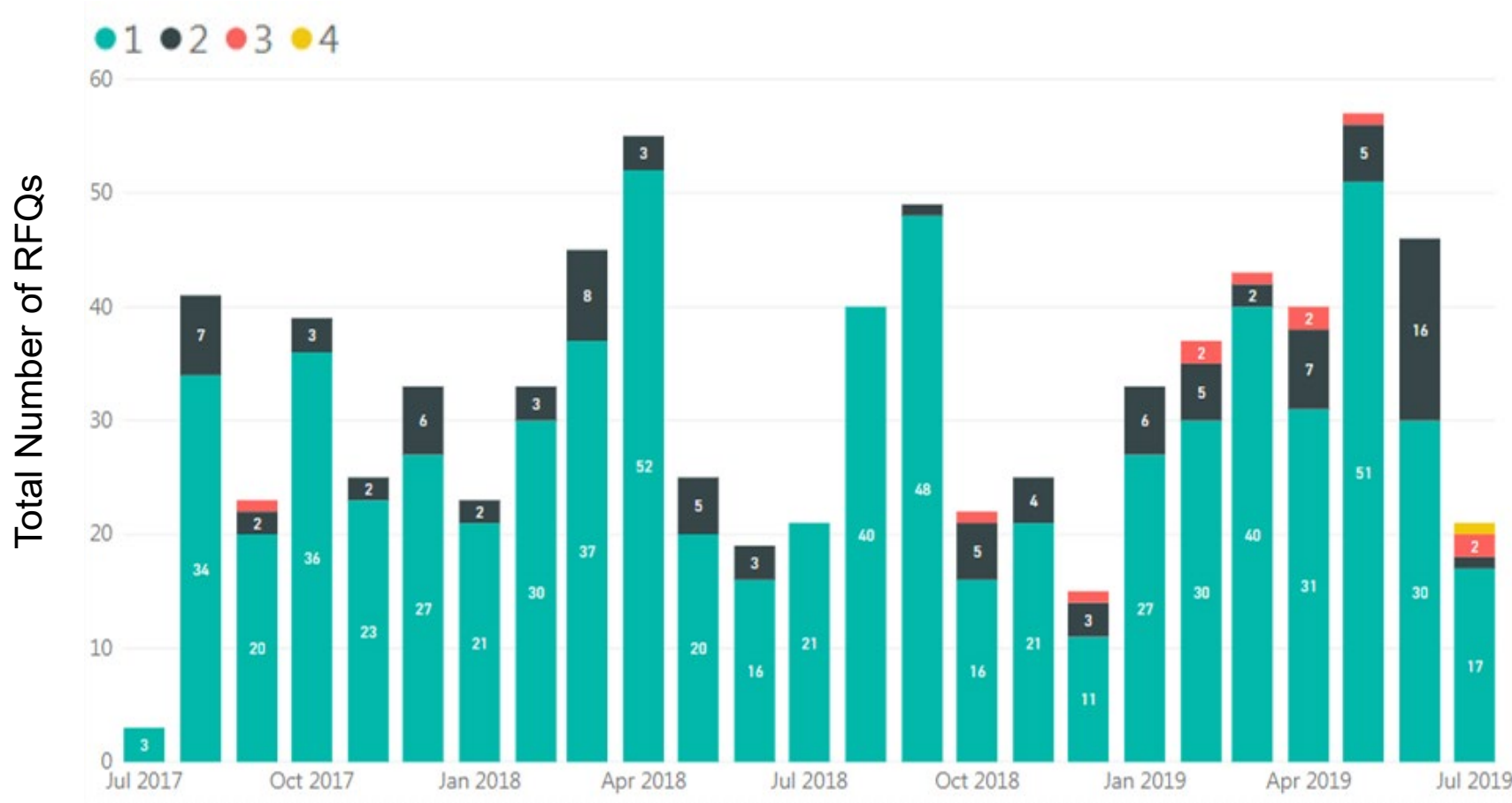
- Developed a dashboard to streamline procurement processes and prioritize contract performance
- Reviewed procurement data and priority procurements monthly with City leadership
- Met with leaders from City divisions with highest contracting volume to identify and plan for upcoming high priority procurements

# Memphis leveraged data momentum to improve and elevate procurement

## Opportunities

- New Chief Procurement Officer
  - Invested in addressing process challenges and turning procurement into a strategic function
- Data-driven management practices among senior leadership
  - Mayor's monthly Performance Review Meeting provided forum for cross-departmental collaboration and data-informed decision-making
  - Office of Performance Management supported analysis of procurement data

# Procurement data revealed low procurement competition in Memphis



*\*As of August 2019*

**20%**

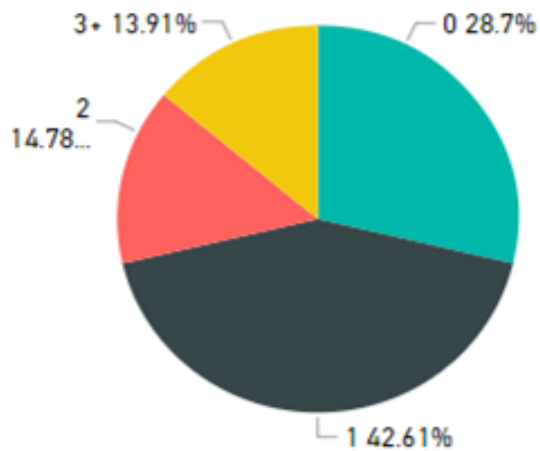
RFQs that were re-releases of earlier RFQs that received no responses

# Low competition persisted across supplier target markets

114

SBE Only RFQs

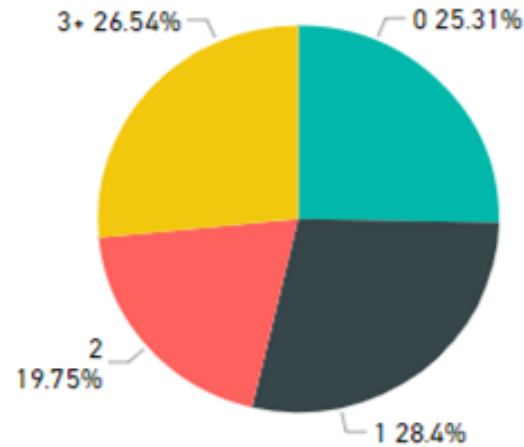
SBE RFQs by Number of Bids



158

Non SBE RFQs

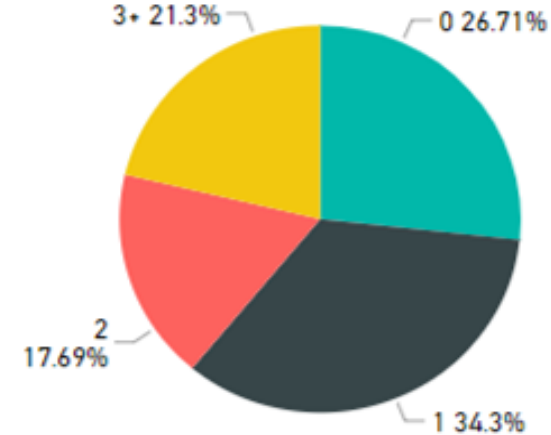
Non SBE RFQs by Number of Bids



272

Total Number of RFQs

All RFQs by Number of Bids



60%

RFQs that received zero or one response

*\*As of August 2019*

# Lessons from our work: Long Beach, California

**In 2020  
Long Beach  
launched an  
Extreme  
Procurement  
Makeover**



# The City formalized its goals to be accountable for making measurable progress

## Model Procurement Plan | City of Long Beach

### Our Mission

Partnering with City departments and the business community to provide the best outcomes for Long Beach.

### Our Values

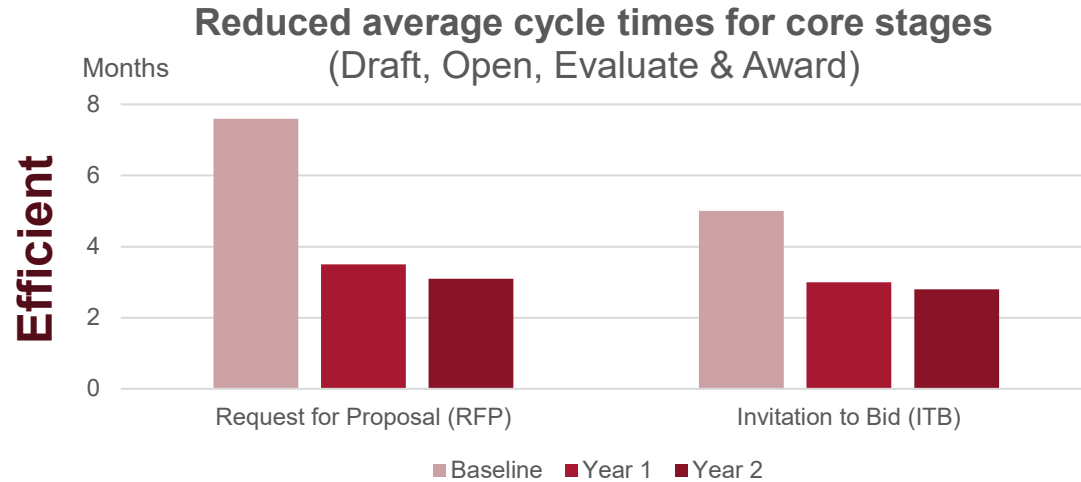
- Results-Driven.** Procurement and contracting practices enhance the impact of City programs.
- Best Value.** Goods and services are procured based on price and quality.
- Service.** City departments are supported to procure the goods and services required to meet the needs of the Long Beach community and taxpayers.
- Efficient.** Implement policies and remove barriers to ensure actions are meaningful and time, effort, and money are not wasted.
- Competitive.** Encourage a large and open pool of vendors, where everyone who wants an opportunity has an opportunity to be successful in the procurement process.
- Fair.** Decision-making and actions are always unbiased and without preferential treatment, in line with the City's code of ethics.
- Equitable.** Continuously engage a diverse set of vendors, and apply an equity lens to purchasing policies and practices.
- Transparent.** Information on the public procurement process is available to the public at large to promote trust and accountability.

### Our Goals

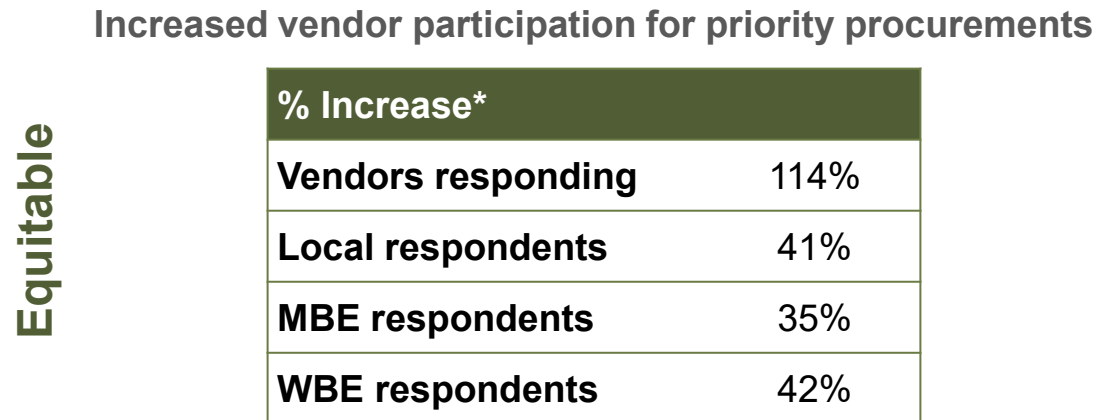
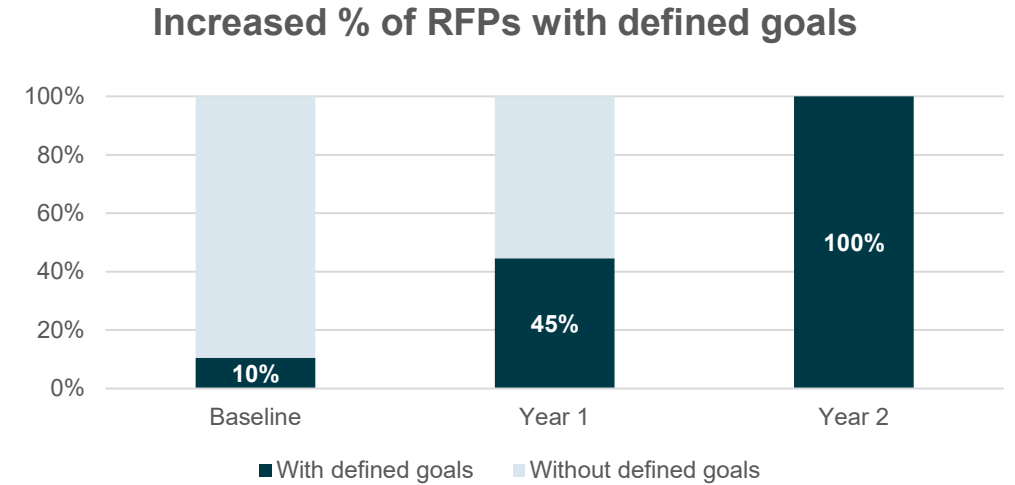
The Purchasing Division has set goals to ensure we are delivering against our values. The following key performance indicators (KPIs) will be reviewed quarterly along with metrics that inform the Division's management decisions.

- Results-Driven.** In 95% of high priority contracts strategic goals are defined; contract performance is managed and used to inform renewal decisions.
- Best Value.** >85% of citywide staff report procurement processes result in high quality goods and services, at competitive prices.
- Service.** >95% of citywide staff responsible for procurement functions are trained on procurement best practices and results-driven contracting strategies within six months of assuming the role.
- Efficient.** 30% reduction in cycle times for RFPs (<6 month average cycle time for RFPs and ITBs).
- Competitive.** >85% of solicitations are competitive (receive ≥3 responses).
- Fair.** No solicitations receive a protest that is substantiated by a neutral independent source.
- Equitable.** Small/ Local/ Diverse/ Disadvantaged vendors bid at rates that match availability.
- Transparent.** >85% of bidders believe the solicitation process is transparent.

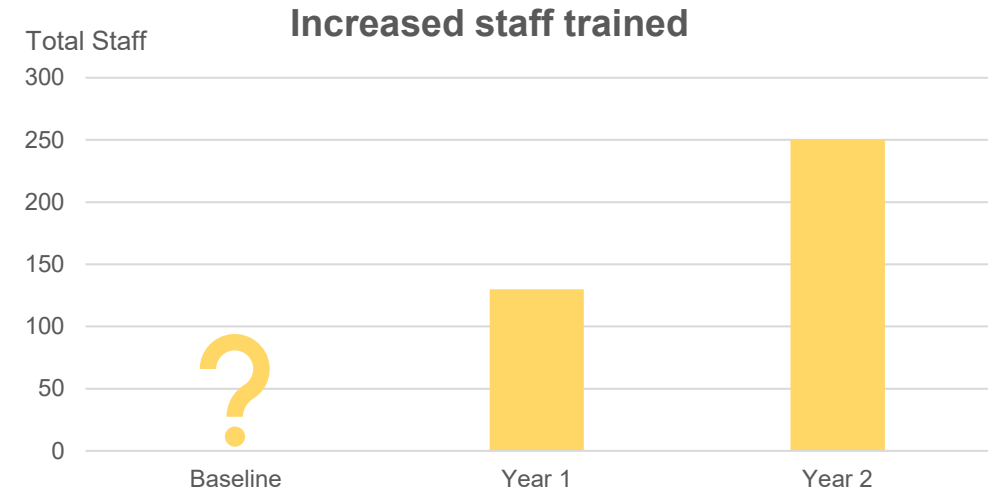
# Long Beach has achieved impact across all four pillars of procurement excellence



## Results-Driven



## Sustainable



Baseline: Oct 2019 – Sep 2020 (FY20; average cycle times include FY18-F19 due to limited data)

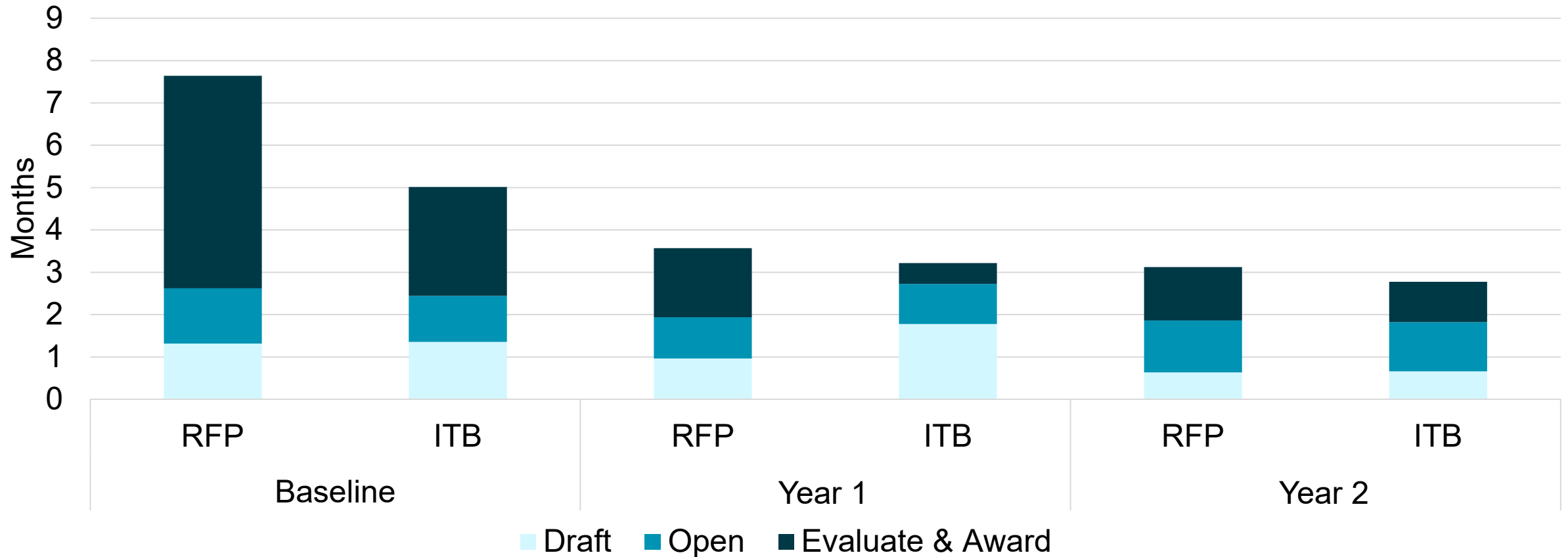
Year 1: Oct 2020 – Sep 2021 (FY21)

Year 2: Oct 2021 – Jul 2022 (Q1-Q3 FY22)

\*% Increase in vendor response rates for ARPA procurements, where inclusive procurement strategies were piloted, compared to FY21 City averages

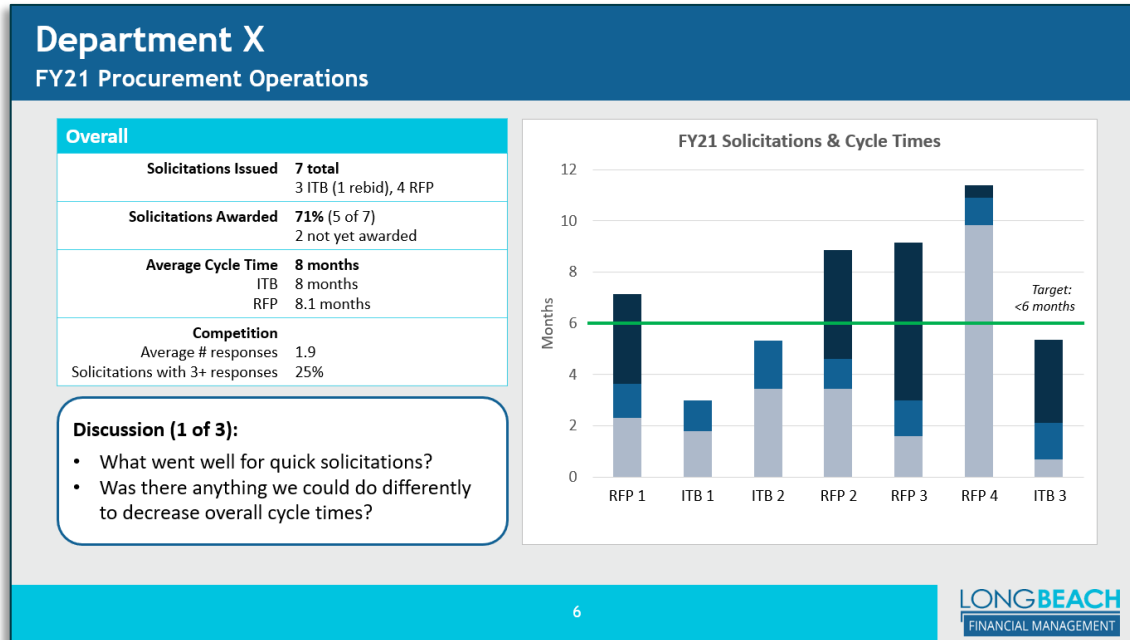
# The City has tracked a 60% reduction in core cycle times for RFPs

Average cycle times for core procurement stages\*



\*Excludes drafting prior to submittal to Purchasing, and contracting stages  
Acronyms: Request for Proposals (RFP), Invitation to Bid (ITB)

# Procurement data is reviewed annually with Department staff



## Department X

### Procurement Competition

| Solicitation  | Title                  | Vendors Notified | Responses Received | Awards |
|---------------|------------------------|------------------|--------------------|--------|
| RFP 1         | Example Services 1     | 410              | 2                  | 1      |
| ITB 1         | Example Good 1         | 75               | 1                  |        |
| ITB 2         | Example Good 2         | 51               |                    |        |
| ITB 2 (REBID) | Example Good 2 (Rebid) | 52               |                    |        |
| RFP 2         | Example Services 2     | 412              | 1                  | 1      |
| RFP 3         | Example Services 3     | 921              | 6                  | 1      |
| RFP 4         | Examples Services 4    | 120              | 4                  | 1      |
| ITB 3         | Example Good 3         | 104              | 1                  | 1      |
| Grand Total   |                        | 2145             | 15                 | 5      |

**Key**

- Competitive (3+ responses)
- Non-competitive (<3 responses)
- Not Awarded

**Discussion:**

- Were there solicitations where you expected more responses than were received?
- How might we improve response rates to future solicitations?

LONG BEACH FINANCIAL MANAGEMENT

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Purchasing meets with each Department annually to review the past year's procurement data (# solicitations issued, % solicitations awarded, cycle times, vendor participation), identify areas for improvement, and plan for the year ahead.

# Lessons learned

- **Keep it simple.** One metric per procurement goal.
- **Prioritize practicality** over perfection.
- **Share and discuss data**, and reflect it back to your key stakeholders.



# What metrics do you currently keep track of? What's on your metrics wishlist?

Link to Jam Board:

[https://jamboard.google.com/d/1Nf1O6YIFJ1WVhB-w4FpktSKp4TYld6F\\_ysjL2roRZls/edit?usp=sharing](https://jamboard.google.com/d/1Nf1O6YIFJ1WVhB-w4FpktSKp4TYld6F_ysjL2roRZls/edit?usp=sharing)

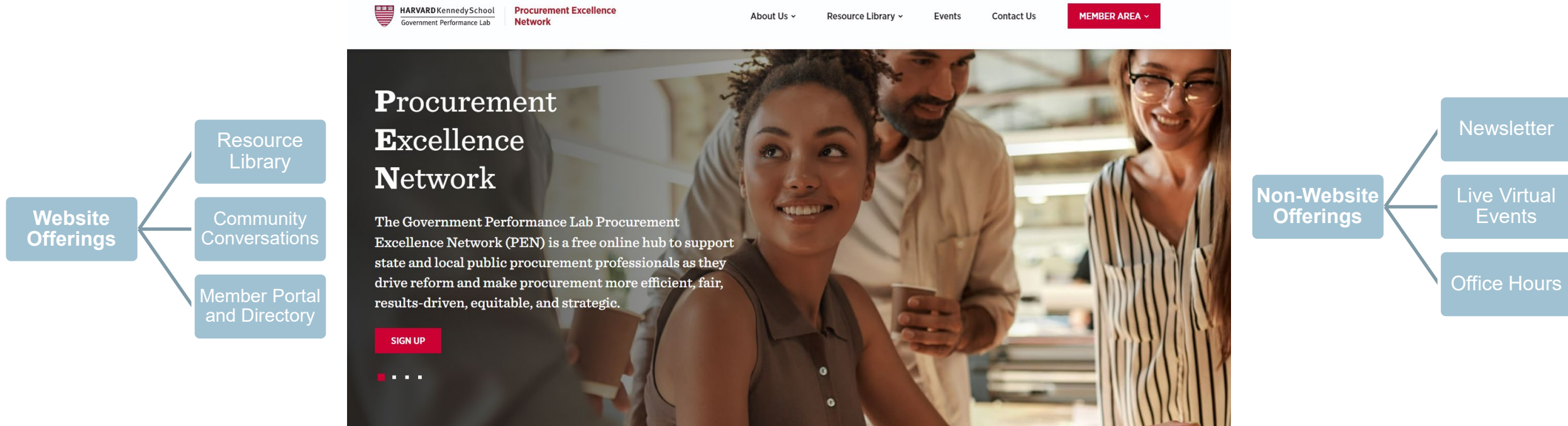
# Next Steps & Additional Resources

# It's ok if your data isn't perfect. Start with what you have and build on it.

Tips for getting started:


- **#1: Know your objective.** Why are you using data? What will you do with it?
- **#2: Start small!** Choose two performance metrics that you can start tracking in 2023
- **#3: Choose indicators that are important, but realistic:** this might mean planning to collect or analyze the data less frequently or sampling a smaller but representative subset of users or solicitations


# What is the Procurement Excellence Network?



The Procurement Excellence Network is a community for procurement professionals who know procurement is a tool for effecting lasting change, a place where innovators and change-makers in state and local government can come together to share best practices, find resources, and refine their craft.

# Goals, Metrics, and Key Performance Indicators Resources

**How-To Guide**




## Using Data to Improve Procurement Operations and Outcomes

Authors: Kailey Burger Ayogu and Rebecca Graffy


Contributors: Elena Hoffnagle, Danielle Kavanagh-Smith, Laura Merryfield, and Hope Patterson


**In this how-to guide you will:**

- Learn how to start using data to track the effectiveness of procurement operations, which can result in overall improvements to how contracted services are delivered
- Review common key performance indicators used by purchasing offices
- Understand how to discuss these metrics regularly within your purchasing team and how to use them as a tool to elevate challenges and opportunities to leadership

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## Procurement Excellence Template Series

### Essential Procurement Performance Metrics to Track Regularly


Author: Rebecca Graffy

Contributors: Kailey Burger Ayogu, Maja Gray, Elena Hoffnagle, Danielle Kavanagh-Smith, and Hope Patterson

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This tool suggests common key performance indicators used by purchasing offices to take a data-driven approach to improve procurement operations. If you are new to using data to track and assess your procurement operations, we recommend starting by reading this [how-to guide](#) as a primer.

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