

CRITICAL SUCCESS AREAS AND KEY PERFORMANCE INDICATORS FOR PROCUREMENT OFFICES

As a part of NASPO's ongoing efforts to develop tools to help states measure how well the central procurement office is performing, the Performance Measures Work Group, formed under the Best Practices Committee, reviewed the 2016 Performance Measures Work Group performance measures used by a select group of top state performers. Ten states were included in this 2016 study:

- California
- District of Columbia
- Michigan
- Minnesota
- Nebraska
- Ohio
- Oregon
- Pennsylvania
- Virginia
- Washington

The work group has identified— four potential critical success factors/areas and key indicators that the state central procurement organization should focus on to be successful. In other words, achieving significant results as indicated by the key metrics identified for each area will ensure successful performance for individual state central procurement offices.

Additionally, NASPO selected key performance indicators (KPIs) representing the most common measures used in each area. These KPIs quantify the identified success factors and enable the measurement of the strategic performance around each area identified as critical to success. The four factors and corresponding KPIs are intended to be a sample of potential tools to help public procurement professionals measure performance.

NASPO recognizes that it is not possible to create universal, ready-to-use KPIs that all 50 states can use. However, NASPO suggests using the limited number of metrics defined under each critical success area, based on the 2016 working group,—"...under each critical success area, based on the 2016 working group, as central to the successful as central to the successful performance of the state procurement organization. NASPO encourages each office to develop its own KPIs that are strategic, actionable, relevant, and in line with statutory requirements, statewide strategy, and the goals set for the individual central procurement office. Additional metrics can be defined by each central procurement office to accommodate specific statutory/regulatory requirements as well as individual targets and baselines that are meaningful to each central procurement organization.

CRITICAL SUCCESS AREA #1

EFFECTIVE MANAGEMENT AND INCREASED EFFICIENCY OF THE PROCUREMENT PROCESS

Recommended key factors of successful performance for this category include:

- Regularly tracking and measuring key qualitative and quantitative functions and processes from requisition to supplier payment
- Using integrated online electronic procurement systems to automate processes and generate savings and efficiencies
- Performing data analysis to make informed decisions regarding sourcing and contract awards
- Achieving measurable cost savings
- Achieving optimal procurement cycle times

KPIs recommended for this category quantify the above success factors and enable the measurement of the strategic performance identified as critical to success.

Critical Success Area #1 Recommended KPIs/ Metrics	Metric Definition/Action to Achieve Success	Outcome Metric	Process Time Metric	Savings/Return on Investment Metric	Efficiency Metric
RFP cycle time, inception to execution	Use this metric to baseline previous RFP cycle time and set goal to reduce the time to complete an RFP.		X		X
Purchase order (PO) cycle time	Use this metric to baseline previous PO cycle time and set goal to reduce.		X		X
Cycle time on new contracts	Use this metric to baseline previous number of days from initiation to award and set goal to reduce.		X		X
% of solicitations completed within the agreed upon timeline	Set target based on previous completion rate.		X		X
% of actual contract awards/rebids completed within projected time	Use this metric to measure the success of your planning. Compare the number of contracts committed to projected to award/rebid in your planning to the actual number identified as completed. Set goal to increase completion rate within projected time.		X		X

Critical Success Area #1 Recommended KPIs/ Metrics	Metric Definition/Action to Achieve Success	Outcome Metric	Process Time Metric	Savings/Return on Investment Metric	Efficiency Metric
Contract usage dollars of statewide contracts/ % of spend on statewide contracts	Increase contract usage dollars of statewide contracts/ Increase percentage of spend on statewide contracts.	X		X	X
Savings - contract estimated savings through negotiations, sourcing	Increase contract estimated savings through negotiations, sourcing. Use previously-awarded contracts to establish baseline and goal considering changes in the current market consumer price index (CPI).	X		X	X
Operating costs	Procurement operating costs as a percentage of managed spend.			X	X
Dollar value of the negotiated hard savings or cost avoidance realized due to the efforts of procurement staff	This measure illustrates the outstanding return on the taxpayers' investment provided by the central procurement office.			X	
% of spend using cooperative contracts	Increase % of spend using cooperative contracts.				X
% of procurement spend under management	Increase % of procurement spend under management.	X		X	
Cycle time for Chief Procurement Officer (CPO) approval for agency requests for delegated authority	Cycle time that the CPO approves agency requests for delegated authority within a set number of days.				X

ADDITIONAL KPIS - CRITICAL SUCCESS AREA #1

Below are additional key metrics recommended for this category. **They are meaningful only to states that have minority-owned business enterprise (MBE) or small business set asides established by their statutes or procurement codes.**

Critical Success Area #1 Recommended KPIs/ Metrics	Metric Definition/Action to Achieve Success	Outcome Metric	Process Time Metric	Savings/Return on Investment Metric	Efficiency Metric
Achieve compliance with MBE set aside program requirements	Actual MBE set aside %, of the value of eligible contracts awarded (YTD).				X
% of contracts that include state small businesses	% of contracts that include state small businesses.				X
Total value of purchase orders awarded to small business/MBE, etc.	Total value of purchase orders awarded to small business/MBE, etc.			X	X
# of certified disadvantaged businesses	Increase # of certified disadvantaged businesses. Measure focused on promoting equity in the state contracting practices.			X	X

CRITICAL SUCCESS AREA #2

CREATE CUSTOMER-FOCUSED ENTERPRISE- CONTRACT MANAGEMENT AND SUPPLIER PERFORMANCE

Successful performance in this category relies upon established laws: procurement procedures governing central procurement office activities with regard to delivery, relationship management, and contract administration.

Recommended key factors for this critical success area include:

- Achieving high levels of customer satisfaction measured by how well the procurement office meets the needs of its internal customers (user agencies)
- Achieving high levels of customer satisfaction measured by how well the procurement office meets the needs of its external customers (suppliers)
- Tracking feedback from contractors and user agencies, and analyzing data by each key constituent group
- Requiring supplier performance reporting

KPIs recommended for this category quantify the above success factors and enable the measurement of the strategic performance identified as critical to success. They include process metrics, outcome metrics, and customer satisfaction metrics for both suppliers and state agency customers.

Critical Success Area #2 Recommended KPIs/ Metrics	Metric Definition/Action to Achieve Success	Outcome Metric	Process Time Metric	Savings/Return on Investment Metric	Efficiency Metric
Average internal customer satisfaction score from monthly or annual customer satisfaction surveys	Maintain satisfaction scores of 4.5 out of 5 or higher. A letter grade scale of A through F can be used if preferred.			X	
Supplier performance	Measure supplier performance via vendor report cards.			X	
Average external customer satisfaction score from monthly or annual customer satisfaction surveys	Maintain satisfaction scores of 4.5 out of 5 or higher. A letter grade scale of A through F can be used if preferred.		X		
# of contracts extended beyond maximum term to avoid contract lapses	Reduce # of contracts extended beyond maximum term to avoid contract lapses.		X		
# of supplier trainings completed by due date	Maintain 100% completion rate for supplier training by due date.		X		X

CRITICAL SUCCESS AREA #3

INCREASED TRANSPARENCY, OPENNESS, AND ACCOUNTABILITY OF THE PROCUREMENT PROCESSES

Key factors defining success for the procurement office for the purpose of this category include:

- Spend transparency (more visibility into state expenditures) - this includes a I look at expenditures, posting payments by agency, and P-card spend on the agency web site
- Promoting open competition
- Tracking and public posting of all sole source/non-competitive procurements
- Maintaining publicly-available searchable websites for all contracts from all state agencies
- Posting public procurement information online. This includes results of procurement:
 - bids
 - procurement regulations
 - annual reports submitted to legislators and published online
 - procurement manuals

KPIs recommended for this category quantify the above success factors and enable the measurement of the strategic performance identified as critical to success.

Critical Success Area #3 Recommended KPIs/ Metrics	Metric Definition/Action to Achieve Success	Competition Metric	Transparency Metric	Accountability Metric
Timely posting of bid opportunities online	Timely posting of all bid opportunities on the required websites.			X
Timely posting of procurement information online	Posting of procurement information online within seven days of award of contract. Provides better transparency and compliance with governing laws and policies.			X
% of active contracts published on the website	Timely posting of all active contracts on the required websites.		X	X
Reduced # of sole source procurements and unnecessary emergency procurements	Reduce # of sole source procurements and unnecessary emergency procurements.	X		

CRITICAL SUCCESS AREA #4

INCREASED PROFESSIONALISM OF THE PROCUREMENT WORKFORCE

Successful performance in this category relies upon the procurement office receiving funding (state appropriation or other funds) sufficient to support optimal procurement workforce levels to handle the volume of public procurement processes and contracts.

Key success factors include adequate procurement procedures and practices that ensure:

- Monitoring adherence to training and certification plans
- Improved skills and proficiency of procurement professionals through training programs to ensure consistent standards and practices are followed

KPIs recommended for this category quantify the above success factors and enable the measurement of the strategic performance identified as critical to success.

Critical Success Area #3 Recommended KPIs/ Metrics	Metric Definition/Action to Achieve Success	Outcome Metric	Process Metric	Internal Customer Satisfaction Metric
# of procurement staff that completed mandatory training programs	Maintain 100% completion for mandatory training for procurement staff.	X		
# of procurement staff that acquired a procurement certification	Increase # of procurement staff with procurement certifications.	X		
Effective procurement training	Measured based on training evaluations. Maintain satisfaction level of 4.5 out of 5 or higher. A letter grade scale of A through F can be used if preferred.	X		X
Training spend	Increase amount of spending per full-time procurement professional for professional development or training.	X		
Average # of professional development hours per full-time procurement professional	Increase number of hours spent on professional development and training for full-time procurement professionals.	X		
% of employee performance evaluations completed on time	Maintain 100% completion of employee performance evaluation.		X	