



How Do You Do? An Introduction to Key Performance Indicators (KPIs)

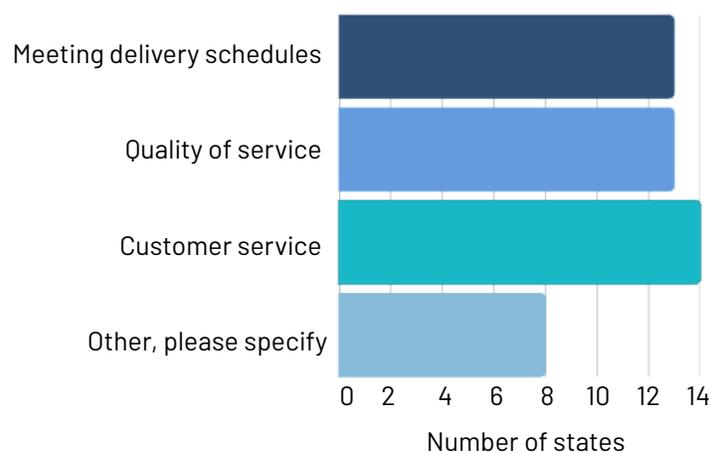
Key performance indicators (KPIs) measure how an organization or program performs its essential or critical functions. Public procurement offices should take a strategic approach to processes, programs, and policies that provide value to their stakeholders and promote progress toward measurable goals and objectives. These metrics provide an evidence-based way to understand and communicate whether your office meets expectations and objectives.

What Are KPIs?

At their core, KPIs have two very basic components: data and goals. It starts with data – what does (or should) your office collect? Is it available, reliable, complete, or useful? That is the foundation for your metrics and the source of your measurements. **Metrics** are used to define and measure the criteria that you want to track to determine performance or progress. When you connect those metrics to specific outcomes, goals, or requirements, then you have KPIs.

You may already be using KPIs without knowing it. Supplier performance metrics such as meeting delivery schedules and quality control for goods/services are common among state procurement offices, with 45% reporting using similar measures.¹

What KPIs for supplier performance does the state central procurement office record? (Select all that apply.)



These metrics could be used as KPIs for assessing contract management practices, supplier relations, agency customer satisfaction, or as a leading indicator for future contract usage.

¹"2024 Survey of State Procurement Practices," NASPO, February 2025, <https://www.naspo.org/research-and-innovation/survey-of-state-practices-page>.

Why Try KPIs?

The strategic use of KPIs can produce a myriad of benefits for procurement offices. Implementing valid, reliable KPIs can allow the procurement office to:

- **Effectively monitor performance:** providing insight into operations and outcomes to determine if objectives are being met.
- **Demonstrate value:** quantifying contributions towards the overall goal or the benefit generated for stakeholders.
- **Communicate impact:** converting technical processes and their outcomes into relatable, useful information.
- **Identify pain points and potential risks:** diagnosing issues before they become critical, finding opportunities for improvement, or justifying the redirection of resources.
- **Encourage participation or adoption of initiatives:** monitoring implementation of new processes and programs or compliance with policies.
- **Inform decision making:** providing evidence to support strategic actions or changes to policies and processes.

Key Terms

- **Performance Measure:** the actual value measured for a specific criterion. For example, the number of responses received to a solicitation is a performance measure for supplier engagement.
- **Metrics:** standards of measurement used to monitor performance. These may be comprised of multiple performance measures. For example, metrics used to gauge the effectiveness of solicitation language and scope of work could include the number of amendments or addendums issued, the number of questions received from suppliers, and the number of responsive bids received.
- **Reliability:** the consistency of a measure - meaning that the measurement can be performed repeatedly over time, and resulting values can be compared or tested for correlation. Other aspects of reliability can include a measure's applicability across different teams, departments, or functions. For example, the spend data collected from an eProcurement system for a specific contract year-to-year is a reliable measure.
- **Validity:** the effectiveness of a measure or metric - the extent to which the resulting values accurately capture or reflect the criteria being measured. A valid performance measure or metric is an appropriate tool for gathering, assessing, and tracking data relevant to the intended subject or area. For example, total spend with targeted businesses is a valid metric for a supplier diversity program.

- **Lagging Indicators:** metrics that measure outputs or outcomes as an indicator of past performance or accomplishment. For example, average cycle time for RFP development is a lagging indicator of process efficiency since it is calculated based on past performance.
- **Leading Indicators:** metrics that are potentially indicative of future performance or trends by measuring activities that impact outcomes. For example, job satisfaction scores are a leading indicator for employee retention rates, as low satisfaction is a predictor of increased turnover.

It is possible for metrics to be both leading and lagging. The distinction is in how they are used. The percentage of invoices that match agreed-on prices can be a lagging indicator of effective contract management or a leading indicator of agency customer satisfaction. A prevalence of price discrepancies can indicate the need for better compliance monitoring and also be predictive of lower agency customer satisfaction.

Categories of KPIs

For procurement offices, goals and objectives and their KPIs can be broadly sorted into four categories based on the area of performance. Internal and input-focused KPIs often measure operational performance from the perspective of resource management. External and output-focused KPIs typically focus on productivity and volume measurements. Efficiency-focused KPIs essentially tie the previous categories together by measuring output in relation to inputs. [Outcomes-focused KPIs](#) look beyond productivity to measure impact and help demonstrate how the work of an organization has contributed to a broader goal or change in conditions.²

Broad Categories for KPIs	
<p>Internal and input-focused:</p> <ul style="list-style-type: none"> • Recruitment • Retention/Turnover • Operating costs • Percentage of staff trained in procurement processes 	<p>External and output-focused:</p> <ul style="list-style-type: none"> • Generated cost savings • Count of training/Outreach events • Count of businesses/Buyers trained • Average number of responses per solicitation
<p>Efficiency focused:</p> <ul style="list-style-type: none"> • Solicitation development time • Purchase request turnaround time • Operating costs compared to spend • Count/Percentage of contracts awarded within target timelines 	<p>Outcomes focused:</p> <ul style="list-style-type: none"> • Return on investment • Targeted business participation/Spend • Customer satisfaction • Supplier performance

²Gourde, Becky, "Considering Outcomes (Not Just Outputs) through Your KPIs," NASPO Pulse, October 11, 2022, <https://www.naspo.org/news/considering-outcomes-not-just-outputs-through-your-kpis/?newsType=pulse-blog>.

Specific KPIs can fit into more than one of these categories, depending on the context in which they are used and their corresponding goals. Each procurement office should define metrics to accommodate their prescribed statutory/regulatory requirements, as well as the specific targets and benchmarks that are meaningful to each organization. They should be tailored to fit the size and complexity of each organization, process, or project to be assessed.

Common Procurement-Related KPIs and State Examples

Beyond broad categories, KPIs can also be organized by the scale of their subjects. Within the procurement office, KPIs are commonly used to track performance at the program, process, and project levels.

PROGRAM-LEVEL KPIs

Program-level KPIs provide evidence for measuring and communicating the value that procurement provides to the government entity and its stakeholders. A common example is measuring the generated cost savings through purchases from statewide/enterprise contracts. Common metrics for measuring savings include:

- Measuring the difference between contracted prices and market prices for every purchase from a statewide contract.
- Measuring the approximate hours of staff time saved by purchasing from an enterprise contract over conducting a new solicitation.

KPIs used for procurement program goals such as sustainability or supplier diversity measure procurement's impact as part of a broader economic or social goal from executive leadership. Common KPIs in these areas include tracking carbon emissions and waste reductions, resource conservation, and small or diverse business participation in contract opportunities.

As part of their goal to generate cost savings through procurement, Minnesota's [Office of State Procurement](#) tracks and reports negotiated savings as a key performance indicator. The metric is measured by comparing the original price to the negotiated price per item per purchase. One of their performance measures is the number of negotiations engaged in because those negotiations are the opportunities needed to produce savings.³ This is a valid leading indicator for savings because the more frequently they engage suppliers, the more likely that OSP will generate cost savings through their contracts.

³ Doran, Andy, "Key Performance Indicators for the Procurement Office," Presented at NASPO REACH Conference, Philadelphia, July 2024.

PROCESS-LEVEL KPIs

Process-level, internally focused KPIs measure the procurement process or core office functions and are an essential element for continuous process improvement. At this level, KPIs track and demonstrate the efficiency and effectiveness of the services the purchasing office provides. Common KPIs include:

- Process/cycle timelines
- Customer feedback
- Contract management practices
- Protests filed

Missouri's Division of Purchasing implemented a turnaround time management process that enables both leadership and staff to make strategic decisions with time and resources. Using widely available project management and data software platforms, they were able to benchmark turnaround times for each phase of their procurement process. Using turnaround time as their KPI, they developed granular goals for each phase. Data is reviewed on a weekly basis and provides the necessary information for prioritizing projects, making operational decisions, and identifying potential issues or bottlenecks. It also provides staff with visibility into all current procurement projects, allowing buyers to manage their own workloads more effectively for better outcomes.⁴

PROJECT-LEVEL KPIs

Project-level KPIs are specific to individual projects or procurements and often focus on supplier performance or contract performance. Common KPIs include:

- Tracking compliance with delivery schedules
- Quality control
- Number of disputes or complaints
- Timeliness and correctness of administrative fees

The performance measures used should be included in contracts so that suppliers know how their performance is being measured. Tracking such metrics is helpful for informing correspondence with suppliers, identifying and mitigating potential issues, and conducting supplier reviews.

⁴Missouri Division of Purchasing, "Operational Improvement Through Turnaround Time Management," In 2024 Cronin Submission Booklet, NASPO, 2024, https://cms.naspo.org/wp-content/uploads/2024/11/2024_Cronin-Booklet_Annual_Updated_Aug26.pdf.

Massachusetts's [Operational Services Division](#) (OSD) uses three layers of supplier performance KPIs: (1) administrative KPIs, (2) customer service KPIs, and (3) sustainability KPIs. Their customer service KPIs are separated out into commodities and services. KPIs for commodities include delivery schedules, order accuracy, and the quality of products. KPIs for services include service quality and customer satisfaction. Administrative KPIs apply to all contracts and include sales reports and the collection of administrative fees. Another metric for supplier performance is whether they are meeting their subcontracting supplier diversity goals. They use KPIs to report internally on quarterly performance and externally through aggregated annual reports.⁵

Creating Effective KPIs

[NASPO's resources](#) have repeatedly encouraged the development of KPIs that are "strategic, actionable, relevant, and in line with statutory requirements, statewide strategy, and the goals set for the individual procurement office."⁶ A previous NASPO study identified four broad areas of scope that are vital to effective and successful procurement office operations, and suggested KPIs to target these areas:⁷

- Effective management of the procurement process
- Contract management and supplier performance
- Transparency and accountability
- Professionalism and development of procurement staff

These critical areas also align with the four pillars of procurement excellence identified by the [Harvard Government Performance Lab's Procurement Excellence Network](#).⁸ They have provided a useful [matrix](#) of common KPIs for data-driven improvement in procurement offices.⁹

When examining your current metrics or starting on your KPI journey, consider these helpful approaches and exercises to guide you toward effective metrics and measures.

⁵ Bennett, Ann Maria, "Key Performance Indicators for the Procurement Office," Presented at NASPO REACH Conference, Philadelphia, July 2024.

⁶ "Critical Success Areas and Key Performance Indicators for State Central Procurement Offices," NASPO, last updated September 2023, https://cdn.naspo.org/RI/CriticalSuccessAreasandKeyPerformanceIndicatorsforStateCentralProcurementOffices_UpdatedSeptember2023.pdf.

⁷ "Critical Success Areas and Key Performance Indicators for State Central Procurement Offices," NASPO.

⁸ "Essential Procurement Performance Metrics to Track Regularly," Harvard Government Performance Lab Procurement Excellence Network, November 2022, <https://gplpen.hks.harvard.edu/wp-content/uploads/2022/11/Essential-Procurement-Performance-Metrics-to-Track-Regularly.pdf>.

⁹ "Procurement Excellence Template Series," Harvard Government Performance Lab Procurement Excellence Network, accessed March 3, 2025, <https://gplpen.hks.harvard.edu/wp-content/uploads/2022/11/Essential-Procurement-Performance-Metrics-to-Track-Regularly.pdf>.

USE SMART GOALS (SPECIFIC, MEASURABLE, ATTAINABLE, RELEVANT, TIME-DEFINED)

Your outcomes, goals, and objectives should be clearly defined and attainable based on existing conditions or circumstances. Your objectives should be clearly related to the desired outcomes and able to be consistently measured using collected data. Consider the appropriate timeline for your goal and determine the frequency in which performance measures should be observed. This could mean taking monthly measurements over a quarter, quarterly measurements over a fiscal year, or annual measurements over a multi-year period.

Examples of time components for goals:

- The amount of generated savings **in a fiscal year**
- The number of corrective actions or change orders **over the term of a contract**
- The number or value of purchases from a statewide/enterprise contract **over its term**
- The number of days needed to **prepare and post a solicitation**
 - In this inversed example, the timeframe is the solicitation development period, and the measurement is the amount of time (number of days) it takes

WORK BACKWARDS

Start with a goal or desired outcome. Then, determine what the specific conditions, objectives, or actions that would signify or provide evidence that the goal has been reached. Those will be subjects for your metrics and performance measures. You can then identify the data types needed for analysis and their sources.

For example, if your office has a goal of increasing small business participation in contract opportunities, the primary measures you may want to track are contract spend with certified small businesses and the number of small businesses responding to solicitations. To grow these numbers, you implement a new outreach and education strategy that offers training to small businesses on getting certified and competing for opportunities. To measure the effectiveness of your new approach, you track the number of outreach opportunities offered and the number of businesses that attend the trainings. You also track the number of small business certifications issued. By improving outreach, you will see an increase in the number of small businesses attaining certification and competing for opportunities. Increased participation is an expected prerequisite for increased spend with small businesses.¹⁰

¹⁰ For a similar state government example, see Goal #2 (pg. 21) and the related strategies and measures in the "Georgia Department of Administrative Service FY 2025 Plan Update," Georgia Department of Administrative Services, p. 21, accessed April 22, 2024, <https://doas.ga.gov/sites/default/files/2024-12/>.

Key Performance Indicators—From Goal to Measurement

Outcome	Goal/Objective	KPIs	Measures	Data Sources
<ul style="list-style-type: none"> Higher customer satisfaction 	<ul style="list-style-type: none"> Improved supplier performance 	<ul style="list-style-type: none"> Contract compliance rates Supplier performance scores 	<ul style="list-style-type: none"> On-time delivery percentage Order accuracy rates Number of contracts disputes or complaints 	<ul style="list-style-type: none"> Sales reports Delivery schedules Contract management files ERP/eProcurement system

TRY IF/THEN SCENARIOS

Another exercise to help identify your KPIs is to take a hypothetical approach based on correlated measures. If we see *this*, then it means *that*. Taking this approach can help you determine what metrics and measures will provide evidence of those conditions and/or objectives related to your goals and outcomes – these will be the subjects of your KPIs.

- “If we receive great supplier feedback and customer satisfaction scores, then we are providing effective and useful contracts and guidance.”
- “If contract disputes decrease, then we have clear and appropriate SOWs and Ts & Cs.”

This can also work in reverse, as negative metrics and performance measures can indicate potential issues and identify risks.

CONSIDER YOUR TOOLS

Many procurement offices use eProcurement or ERP systems that can provide a wealth of data. Sales reports and supplier or customer feedback surveys are also common sources. Explore the data and data sources available to your office. Examine the measures and data you already collect:

- How is the data obtained?
- Where does the data live?
- Are the sources and data useful for determining progress toward your goal?
- What data is missing?
- Do you have the tools to collect the data you need?

You can tailor your metrics to fit your resources, configure your data collection tools to fit your metrics needs, or you can identify gaps where you may need supplemental/additional data or resources. Just be sure your metrics and measurement data are valid and reliable.

AVOID “VANITY METRICS”

Vanity metrics refer to metrics or performance measures that are superficial, unreliable, non-valid, or irrelevant to the established goals and outcomes. Common characteristics of vanity metrics include:¹¹

- Basic quantitative data without a defined timeframe
- Non-actionable data that is loosely related or unrelated to key activities or metrics
- Data that does not reflect or misrepresents actual accomplishments or performance
- Metrics that are not directly comparable, prohibiting the measurement of changes in performance over time

Reporting and Communication

When used strategically, KPIs can capture performance, impact, or value. Reporting is the component that allows your KPIs to communicate your progress towards the goal. Good reporting puts your metrics and goals in context, explaining how they contribute to the overall performance or mission of the organization. When reporting on KPIs, it is important to consider the intended audience and how your performance measures will be used. Executive leadership may use them to inform policy decisions or to adjust processes. Legislatures may use them to inform statutory amendments. Look for ways to take your specific technical metrics and compare them to something relatable to the intended audience or public.

The Massachusetts OSD’s Environmentally Preferable Products (EPP) procurement program provides an outstanding example of effective reporting. Their annual report clearly lists the programs KPIs, such as the number of EPP-only contracts and the number of commodities categories that offer EPP products, for the fiscal year and over a multi-year period. It also converts their technical metrics and measurements to more tangible, relatable equivalent units of measurement. For example, their program reduced water consumption by more than 140 million liters or the equivalent of 56 Olympic-sized swimming pools.¹²

¹¹ NASPO Pulse, “You’re so Vain: Vanity Metrics,” NASPO, November 10, 2020, <https://www.naspo.org/news/youre-so-vain-vanity-metrics/?newsType=pulse-blog>.

¹² “Procurement Program Annual Report for Fiscal Year 2023,” Massachusetts Operational Services Division, 2024,13, <https://www.flipsnack.com/osdsocialmedia/fy-2023-epp-annual-report.html>.

Massachusetts: Benefits of Purchasing EPEAT Registered Devices

Total Sustainability Impact and Cost Savings for 145,790 Products Purchased in 2023

Cost Savings Equal \$3,105,051

ENVIRONMENTAL IMPACT REDUCTION

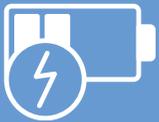
EQUIVALENT TO



GHG Reduction

17,124,134
Kilograms of CO₂ equivalents

Taking **3,667** average
U.S. passenger cars
off the road for a year



GHG Reduction

66,693,982
KwH

The annual electricity
consumption of **5,490**
average U.S. households



Hazardous Waste

9,625
Kilograms

The weight of **80**
refrigerators



Resources

- [Procurement IQ's](#) market research reports provide category-specific KPIs for supplier and contract management and performance.
- Chapter 2 of NASPO's [State & Local Government Procurement: A Practical Guide, Fourth Edition](#) discusses performance measures for procurement offices.
- The Harvard [Procurement Excellence Network](#) and [Government Performance Lab](#) provide practical guidance for procurement KPIs including [Essential Procurement Performance Metrics to Track Regularly](#) and [Using Data to Improve Procurement Operations and Outcomes](#).
- For an in-depth interactive guide to KPIs, NASPO's [Procurement U](#) offers "Selecting Key Performance Indicators (KPIs) in Public Procurement."
- NASPO's [Critical Success Areas and Key Performance Indicators for State Central Procurement Offices](#) identifies KPIs for four areas critical to successful public procurement office performance.
- [Considering Outcomes \(Not Just Outputs\) Through Your KPIs](#) offers tips and examples for aligning KPIs with the overall mission.

CHADWICK STEPHENS, Research Manager

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For any questions or requests, contact us at research@naspo.org