



Goals, Metrics, and Key Performance Indicators

Procurement Excellence Network Training

Welcome! In the chat:

Share your name &
what government you
represent

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December 14, 2022

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?

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**

What can you gain from using
data and metrics in your
procurement operations?

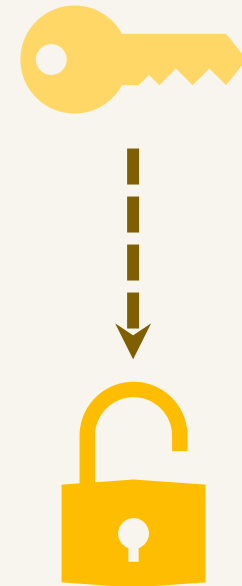
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Data can be the key to more effective procurement

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



Efficient

Make procurement processes faster

- **Cycle time:** average number of days per procurement stage, per solicitation
- **Rebids:** frequency of solicitation cycle repetitions due to cancellations or failed solicitations
- **Diverse vendor participation:** number or percentage of small, local, or diverse businesses participating in the procurement process at each stage
- **Diverse spend:** dollars or percentage of contracted dollars spent with small, local, or diverse businesses
- **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.)
- **Staff trained:** number or percentage of staff trained in procurement, or trained to write RFPs that will improve the results of contracted programs or services



Equitable

Increase vendor diversity by contracting with more small, local, and diverse firms



Results-Driven

Receive more responses to solicitations, especially from firms who have never worked with your government



Strategic

Improve the knowledge of staff in your government to run procurements effectively

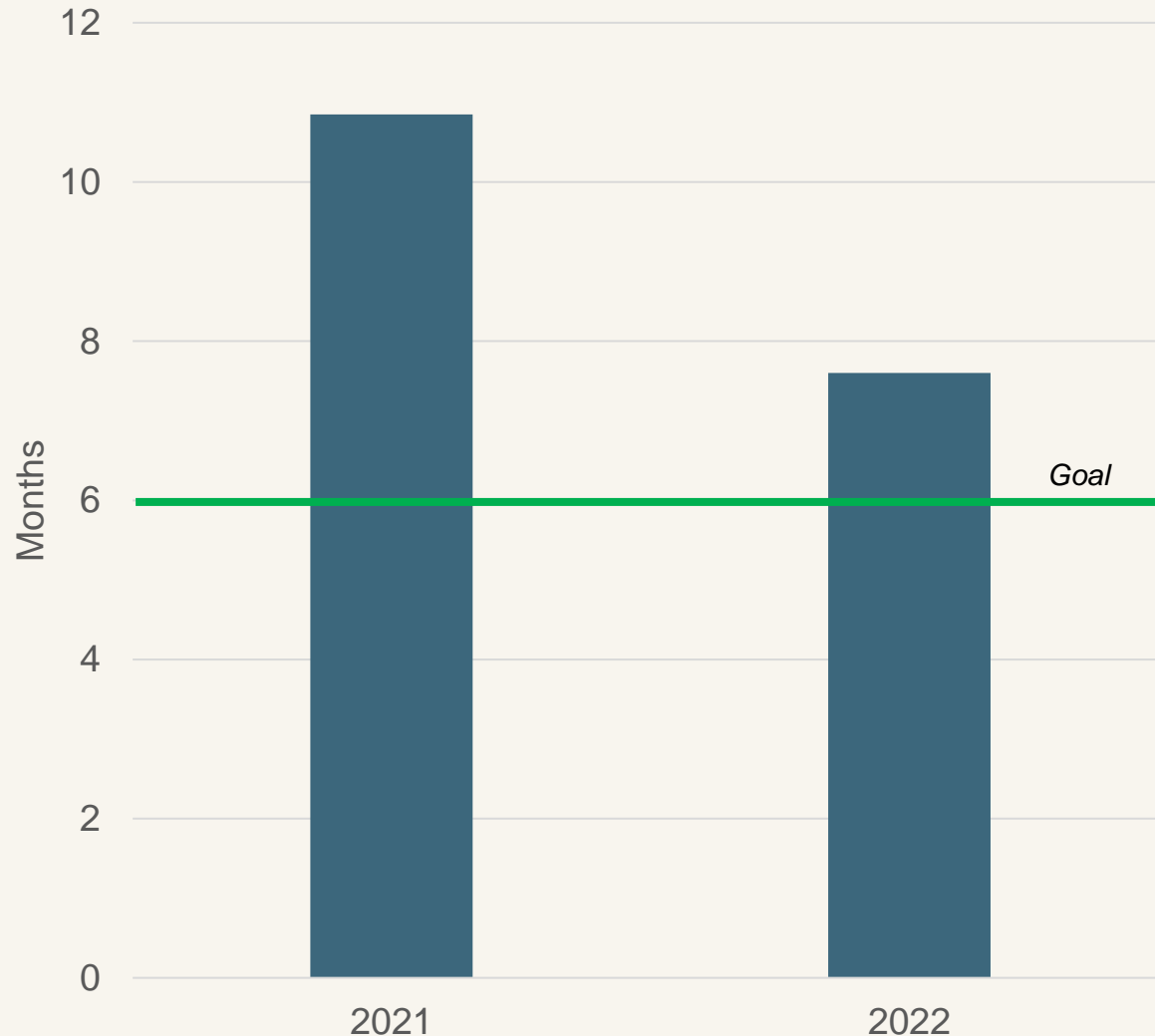
Activity: Looking at Sample Data

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Goal: reduce cycle times to less than 6 months

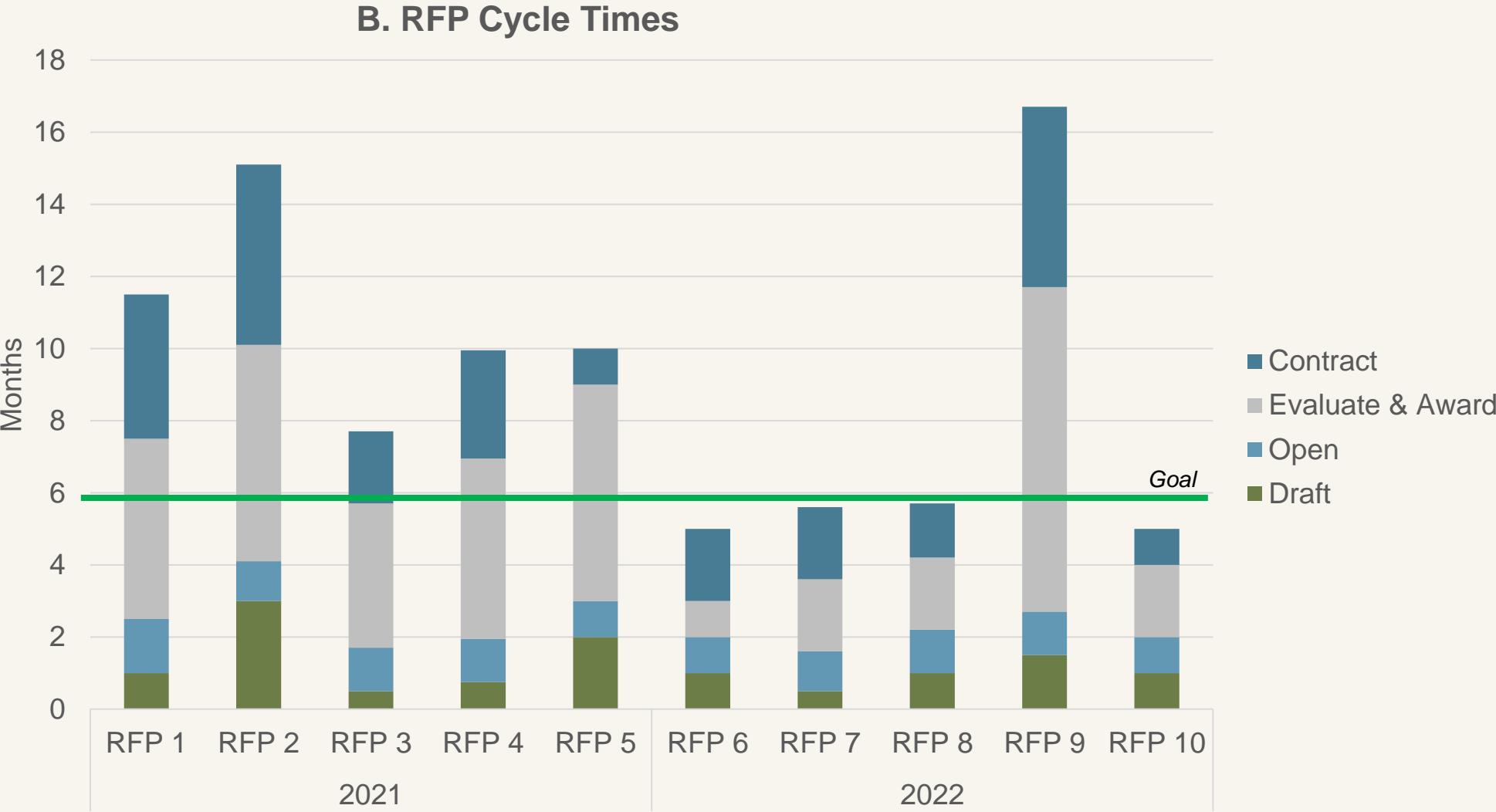
A. Average RFP Cycle Times



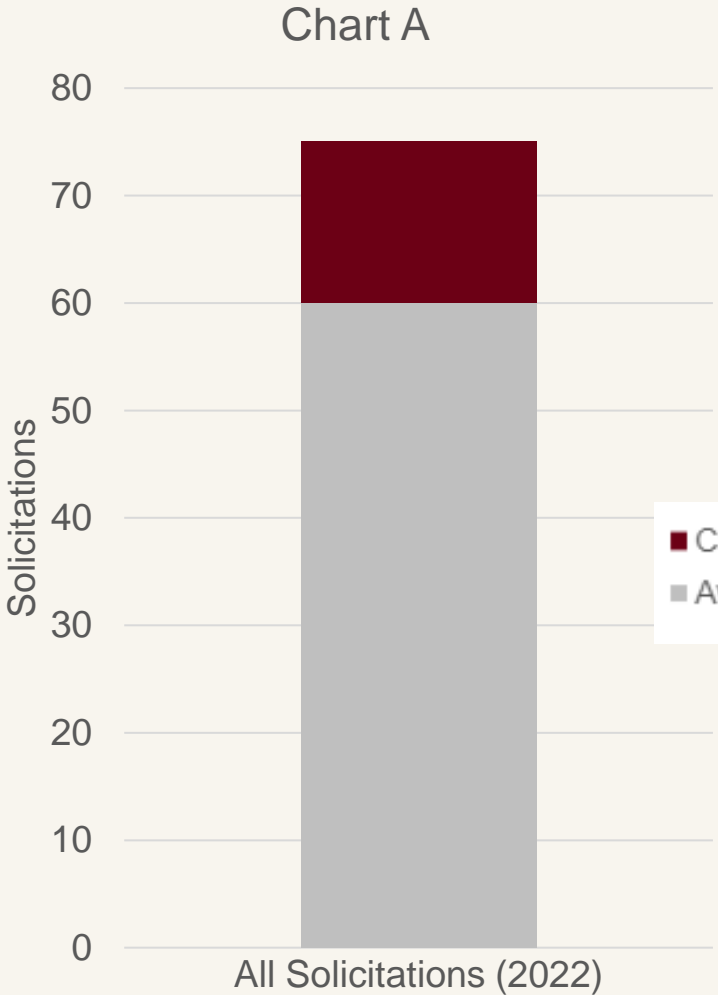
Imagine your staff shares this chart with you.

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

Looking at the data a bit more in depth



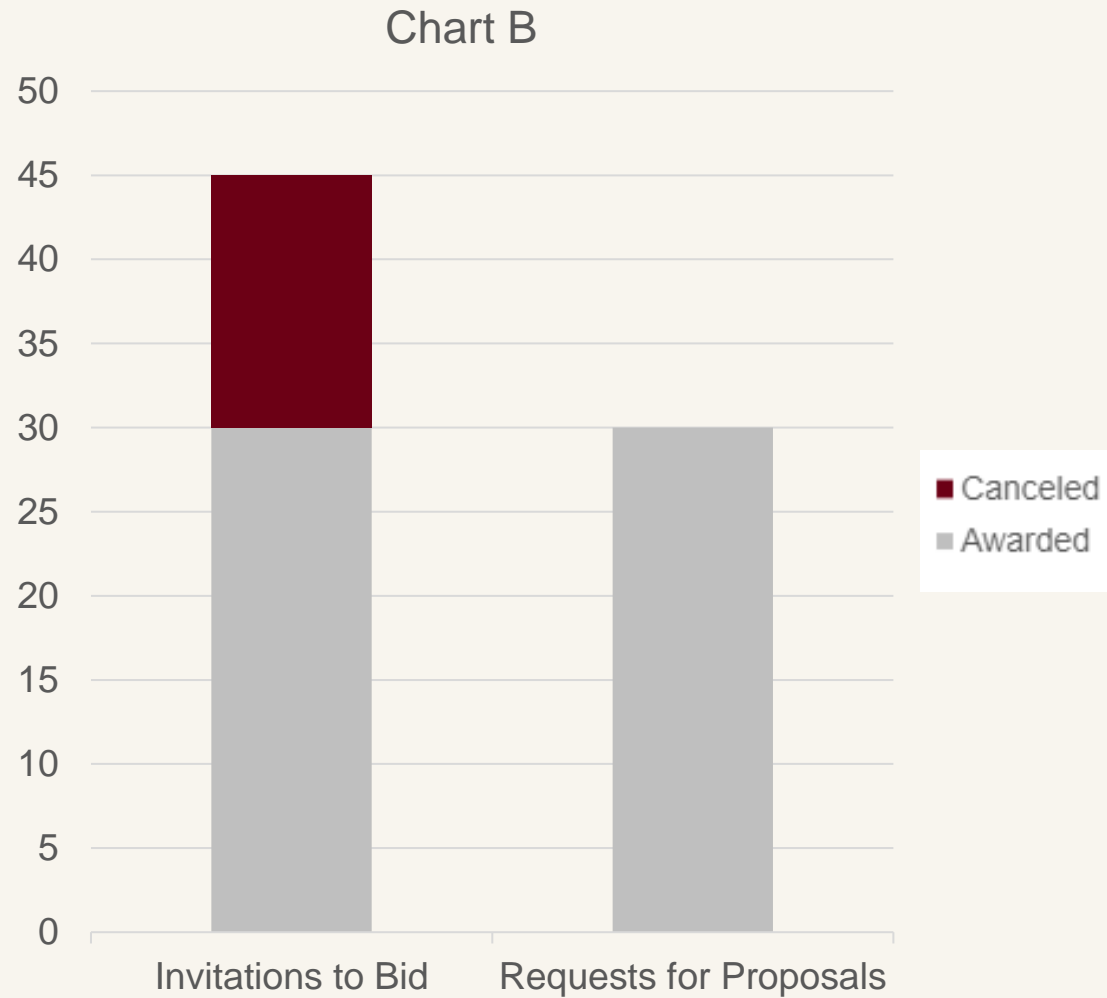
Goal: award 100% of solicitations



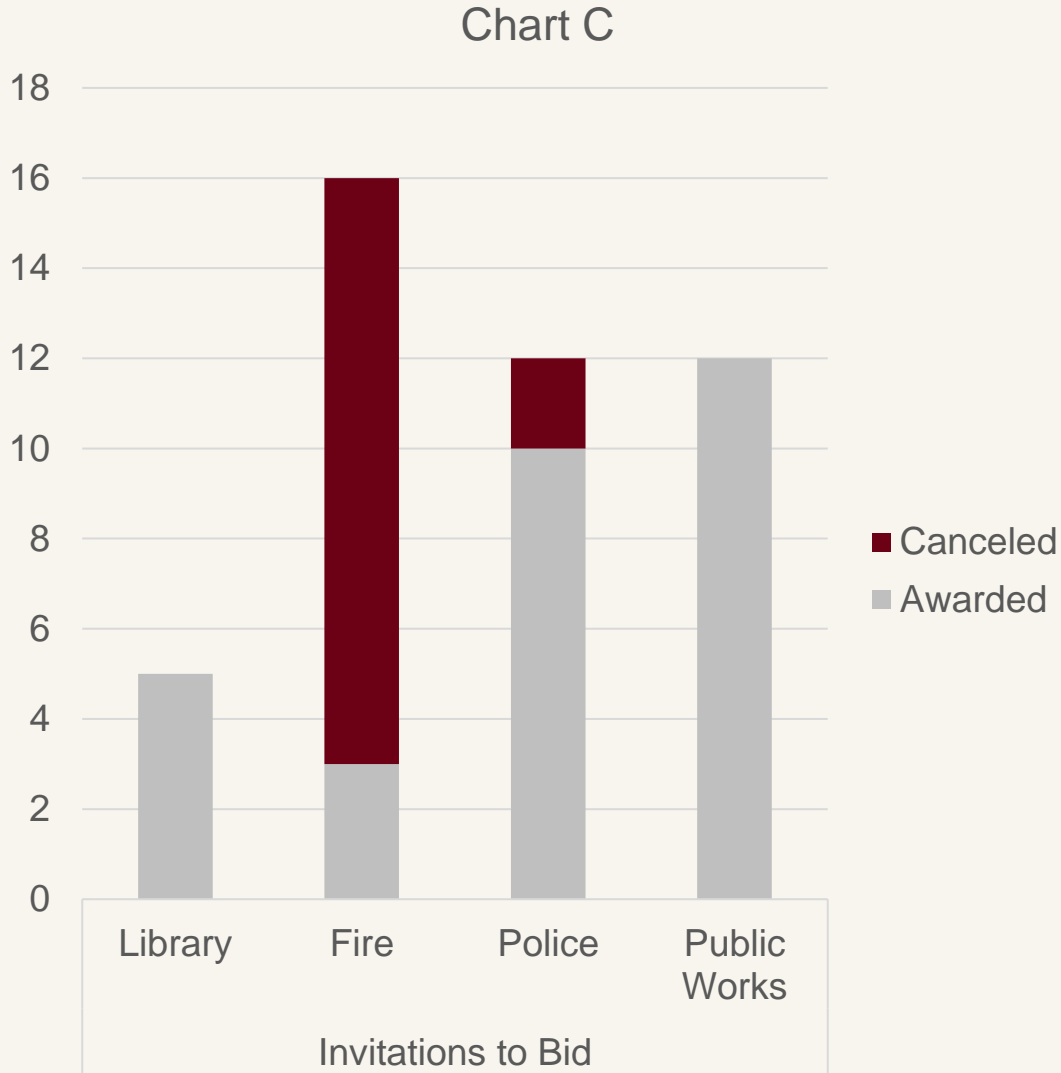
Imagine your staff shares this chart with you.

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

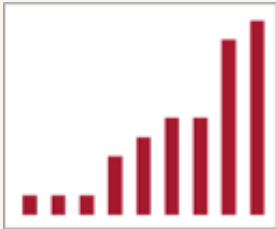

Goal: award 100% of solicitations



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

Lessons from our work: Memphis, Tennessee

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Memphis faced common procurement problems

- Focused more on process compliance than outcomes



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

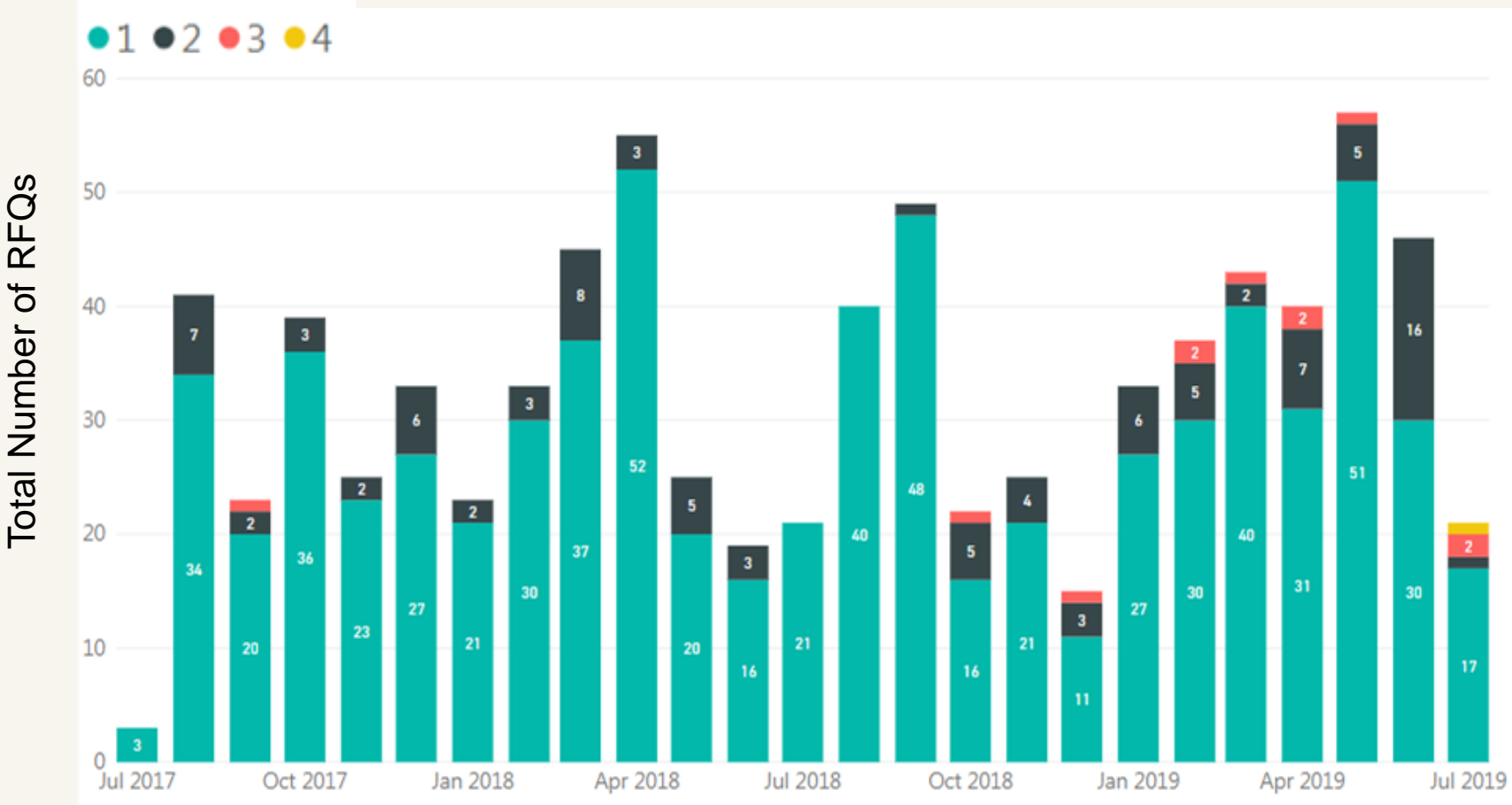
- Developed a dashboard to streamline procurement processes and prioritize contract performance
- Reviewed procurement data and priority procurements monthly with City leadership
- Met with leaders from City divisions with highest contracting volume to identify and plan for upcoming high priority procurements

Memphis analyzed procurement data to improve operations and outcomes

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

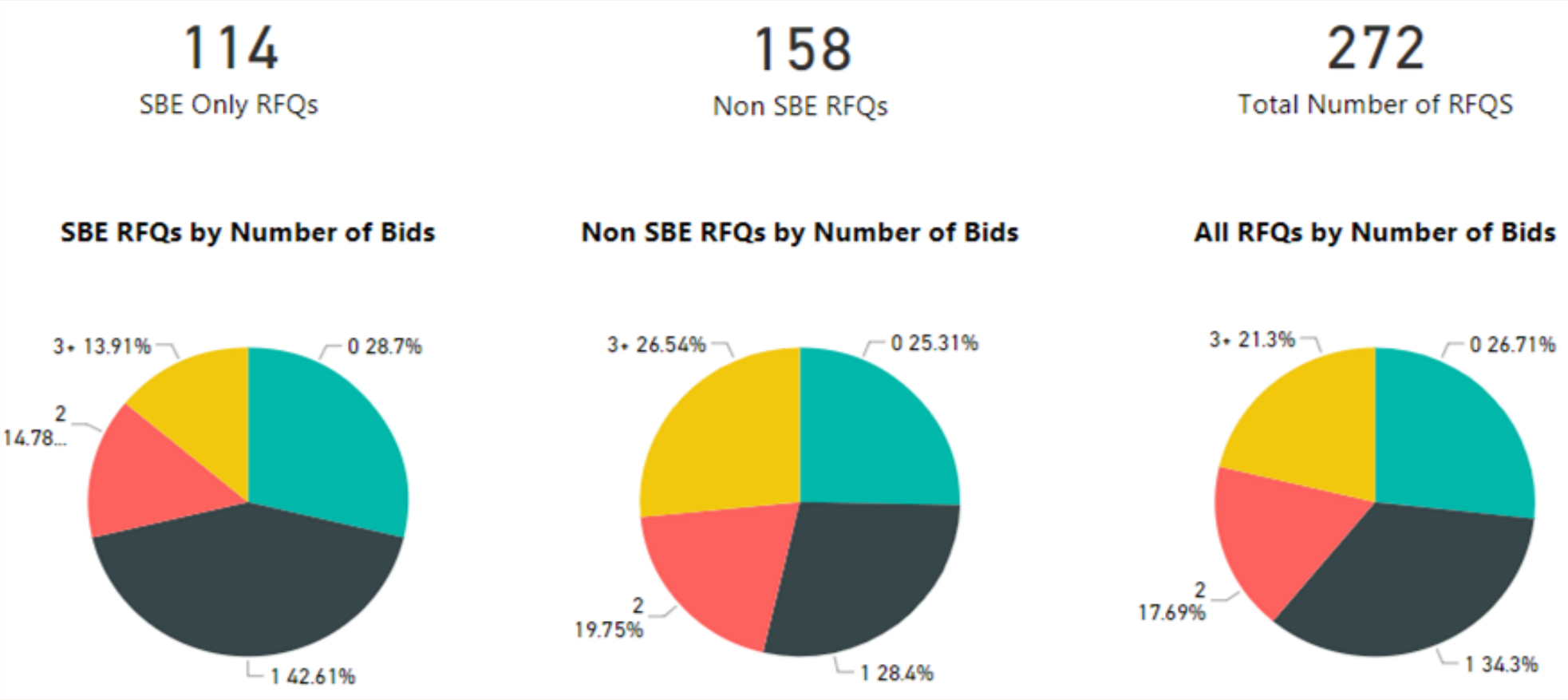
Procurement data revealed low procurement competition in Memphis



20%
RFQs that were re-releases of earlier RFQs that received no responses

*As of August 2019

Low competition persisted across supplier target markets



60%

RFQs that received zero or one response

*As of August 2019

Lessons from our work: Long Beach, California

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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

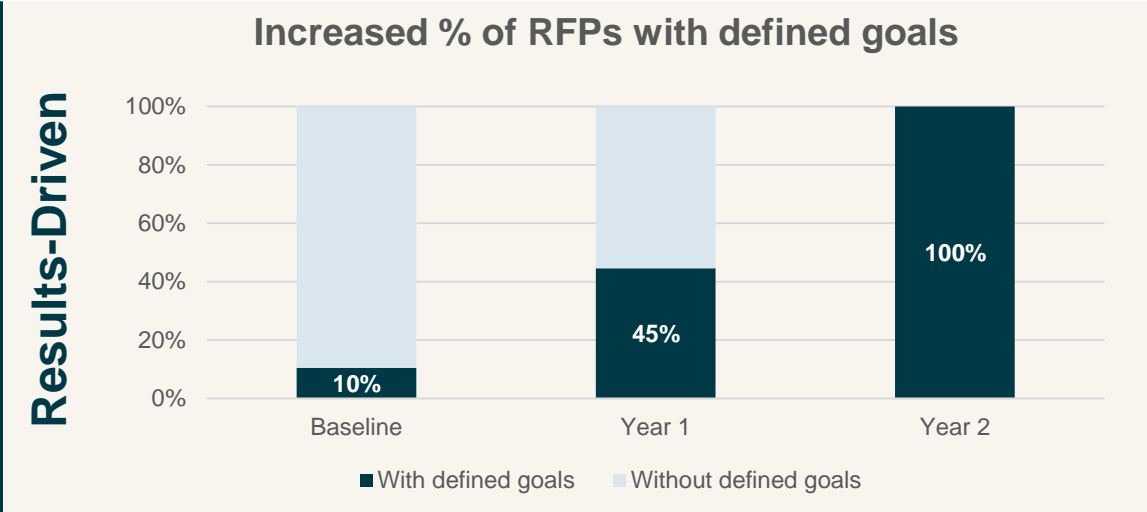
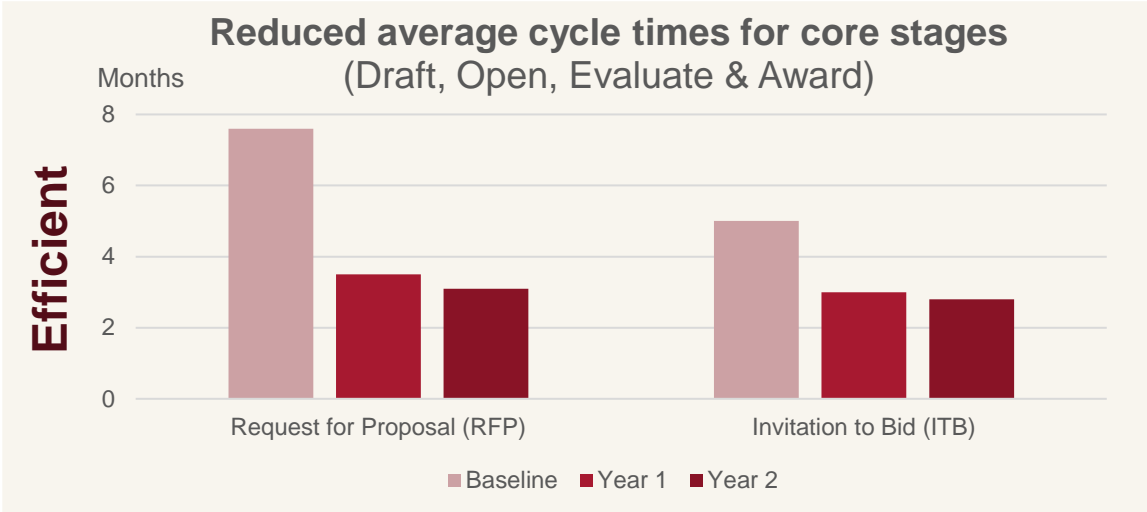
- Results-Driven.** Procurement and contracting practices enhance the impact of City programs.
- Best Value.** Goods and services are procured based on price *and* quality.
- Service.** City departments are supported to procure the goods and services required to meet the needs of the Long Beach community 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



Equitable

Increased vendor participation for priority procurements

| % Increase* | |
|--------------------|------|
| Vendors responding | 114% |
| Local respondents | 41% |
| MBE respondents | 35% |
| WBE respondents | 42% |



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

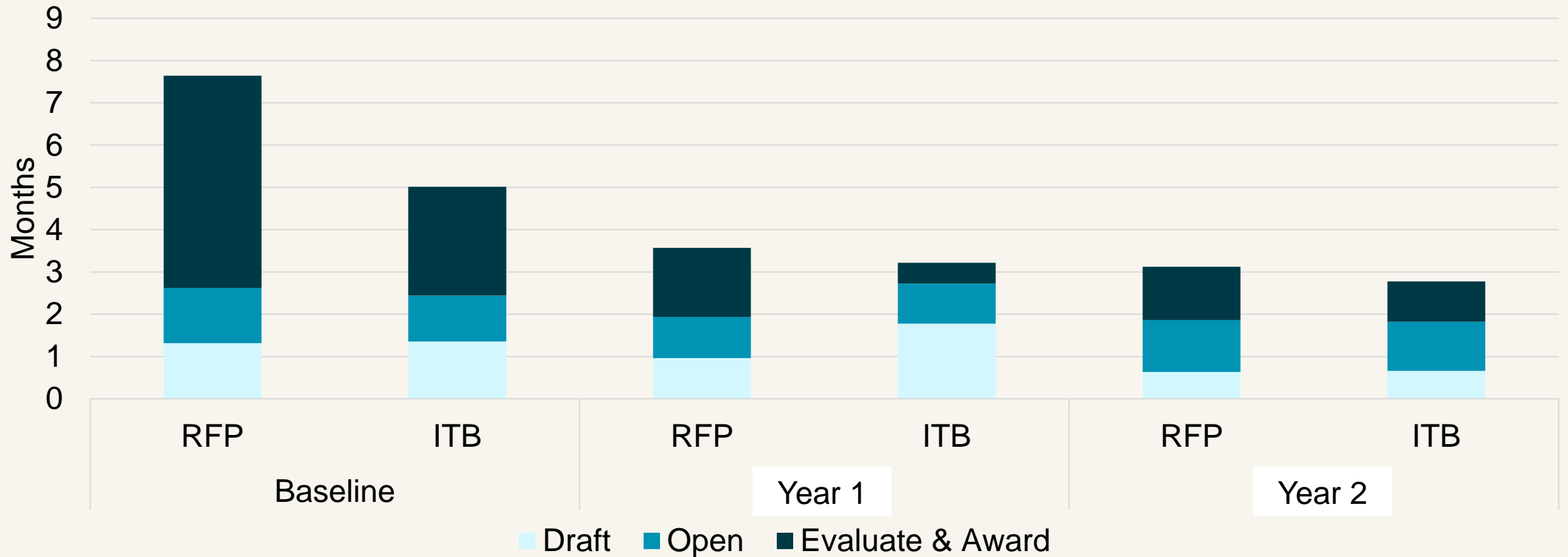
Year 1: Oct 2020 – Sep 2021 (FY21)

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

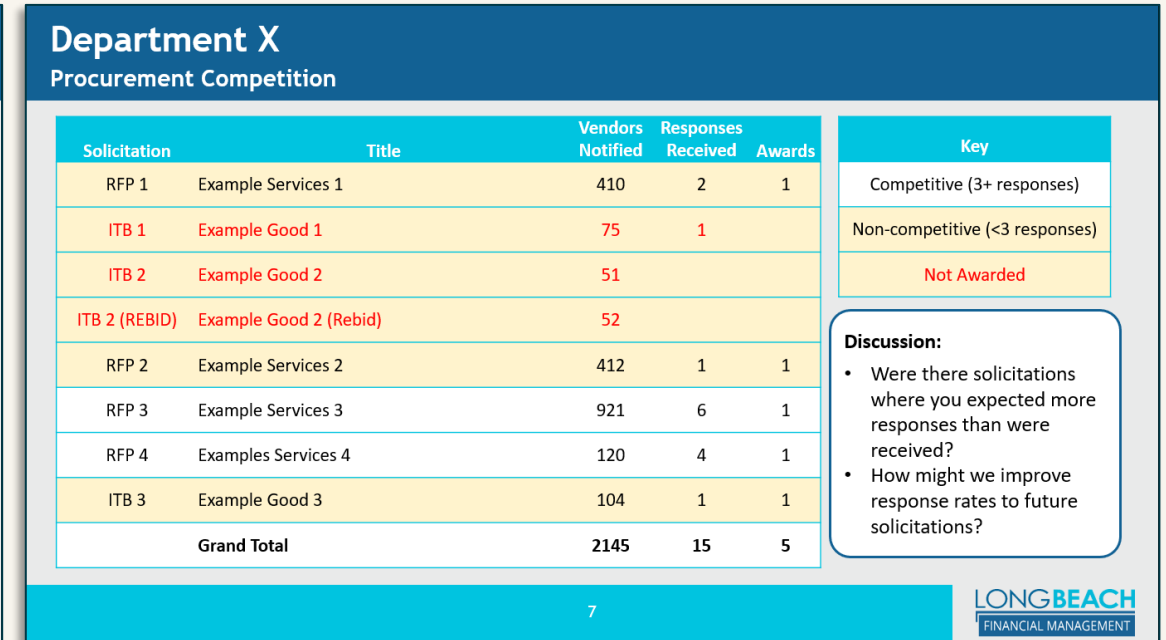
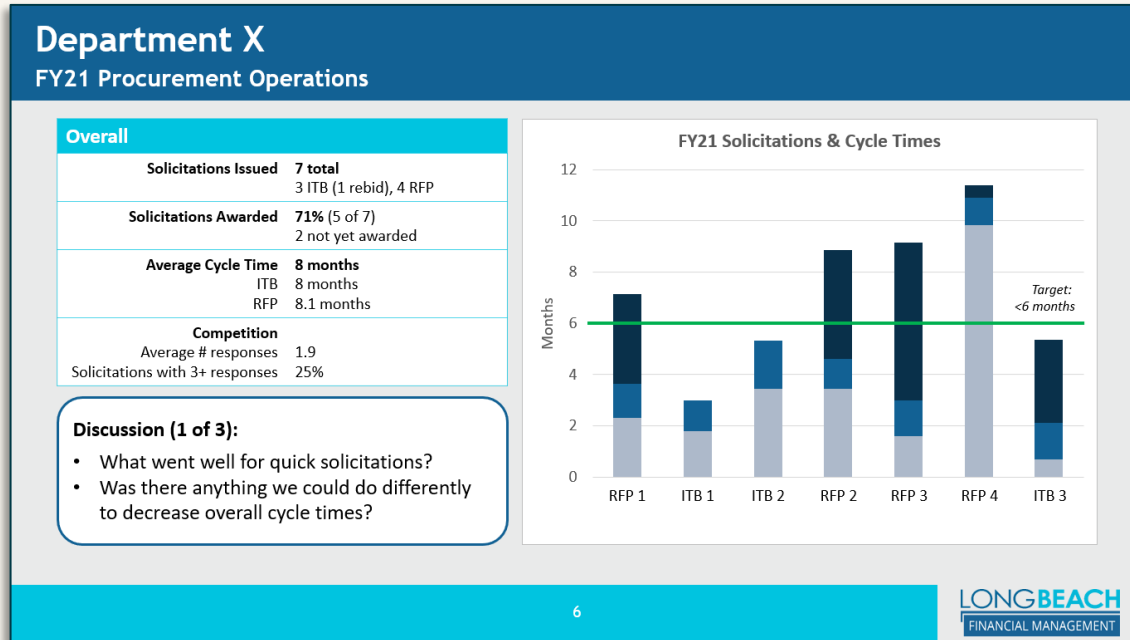
The City has tracked a 60% reduction in core cycle times for RFPs

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



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.



Next Steps & Additional Resources

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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