



### STANDARD

Procurement should have a performance measurement system that assesses progress towards achievement of the strategic plan.

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#### Definition

**Performance measurement** is the process by which procurement establishes criteria, based on strategic planning goals, for determining the results and quality of its activities. It involves creating a simple, effective system for determining whether procurement is meeting its objectives.

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#### Element 1.1: Methods Used in Performance Measurement

Methods used to measure performance should be designed to motivate staff at all levels to contribute to organizational improvement.<sup>1</sup> The following are examples of methods that may be used to measure procurement performance:<sup>2</sup>

- Performance reviews to share performance measures that identify accomplishments and areas for improvement.
- Regular staff meetings to share performance measures and progress.
- Benchmarking.
- Performance indicators (*See Standard of Practice: Performance Metrics*).
- Performance targets (*See Standards of Practice: Performance Metrics*).
- Quality management tools (*i.e. checklists, progress charts, graphs*).

#### Element 1.2: Planning Performance Measures

In order for procurement managers to know “what” they are measuring, accurate planning must be completed before the process of developing the performance metrics (*See Standards: Strategic Planning and Performance Metrics*). To accomplish this:

- Obtain input from key stakeholders (those to whom performance will be reported).
- Ensure that measures are simple and relevant to the intended audience (e.g. public, stakeholders, elected officials).
- Ensure that measures are specific, consistently applied, and within the control of the procurement function.
- Identify any dependencies among other functions or departments that will be related to the measures.
- Define a specific time period for reporting measures that is directly related to the attainment of goals and objectives in the strategic plan (e.g. 6 months, 1 year).
- Utilize measures in the decision-making process, that support informed decision making and lead to appropriate action (*See Standard: Performance Management*).
- The measures should represent a balance of the types of measures critical to achieving the specific objective and goals.<sup>3</sup> (*See Element 1.3: Levels to be Assessed Using Performance Metrics and Element 1.4: Areas to be Assessed Using Performance Measurement*).

## Public Procurement Practice

### PERFORMANCE MEASUREMENT *(Cont'd)*

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#### **Element 1.3: Levels to be Assessed Using Performance Measurement**

The performance measurement process may be used at various levels throughout procurement to assess progress towards the completion of the strategic plan. Measures should address:

- Individual performance
- Group performance
- Organizational performance
- Supplier performance

#### **Element 1.4: Areas to be Assessed Using Performance Measurement**

It is important to measure a variety of areas to ensure that goals are being met effectively and efficiently, while upholding the Values & Guiding Principles (*See Standard: Performance Metrics*). Measurement of these activities will also help to identify deficiencies and opportunities for improvement (*See Standard: Performance Management*).

- Customer satisfaction (internal and external)
- Timeliness (i.e. time in process against agreed upon times)
- Quality (i.e. number of errors, number of change orders)
- Effectiveness (i.e. savings) (*See Standard: Performance Metrics*)
- Efficiency (i.e. cost of operations) (*See Standard: Performance Metrics*)

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### **Background**

The Performance Measurement System is part of the Performance Management Program (*See Standard of Practice: Performance Management*) and is based on metrics (*See Standard of Practice: Performance Metrics*) that are tied to the goals and objectives established in the strategic plan (*See Standard of Practice: Strategic Procurement Planning*). Linking the review portion of the Performance Management Program to established metrics based on the goals and objectives, will ensure that progress is measured and managed against the strategic plan.<sup>4</sup>

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- 1 Government Finance Officers Association. (2007). *Best practices in performance measurement: Developing performance measures*. Lexington, KY: NSAA.
  - 2 McCue, C. P. and Johnson, B. R. (2010). *Strategic procurement planning in the public sector*. Herndon, VA: NIGP
  - 3 National State Auditors Association. (2004). *Best practices in performance measurement: Developing performance measures*. Lexington, KY: NSAA.
  - 4 McCue, C. P. and Johnson, B. R. (2010). *Strategic procurement planning in the public sector*. Herndon, VA: NIGP