Setting Targets and Performance Measures

Setting targets and performance measures is essential for continuous improvement in the procurement process.

For complex and high-cost procurement, targets and performance measures should be a key element of project planning, especially where strategic requirements are involved. The Procurement Officer should review and refine their targets throughout the procurement process.

The benefits of effective performance measurement include:
- better management of the procurement project, that is, better resource usage;
- savings made from improved procurement outcomes that can be used elsewhere in the organisation; and
- ability to demonstrate achievements against Council’s policy and business targets and needs.

The Procurement Officer will need to develop a range of targets and measures for particular procurement projects. Monitoring performance during a procurement process rather than waiting for completion is essential; it will allow the Procurement Officer to identify areas for improvement and enhance the long-term benefits from the process. The Procurement Officer should focus on performance against specific criteria identified in the business case, supplier performance against milestones or standards, and overall value for money.

Typically performance measures are developed across the following categories:

(a) Delivery
(b) Quality of product or service delivery;
(c) Service;
(d) Best Practice & Continuous Improvement;
(e) Asset/Service Availability;
(f) Customer Focus;
(g) Environmental factors; and,
(h) Ethical and Social Issues.

However, in considering the development of performance measures there are three main targets, which are outlined below.

1. Targets for cost reduction and containment
   Cost reduction and containment targets are particularly relevant where there is continuing demand for similar goods and services. They should be reflected in plans and budgets taking due account of:
   - predictable movements in costs in industry sectors; and
   - expectations for continuous performance improvements by suppliers with regard to the cost, quality and maintenance of their goods and services.

   It would also be relevant to make comparisons with marketplace information about outcomes being achieved by other purchasers.

2. Contract–related targets for supplier performance
   Major contracts will require a full range of supplier performance targets and measures. These targets should reflect what is in the contract, including:
   - achievement of milestones on the critical path;
   - achievement within budget on a whole of life basis; and
   - acceptance tests performance.

3. Targets for internal customer service
   Procurement Officers in purchasing units and program managers should agree on targets for internal customer service and record them in service-level agreements.

   These targets involve customer satisfaction, which includes service levels and response times, and perceived value for money in the outcome obtained.

   In formulating performance measures it is often worthwhile involving the supplier. Particularly in the development of the actual measures or indices as there may be data already be available from the suppliers Management Information Systems (MIS) that will facilitate reporting and tracking. In many instances now suppliers are offering web based tracking portals which significantly reduce their effort and indeed the buyer’s effort in reporting.