

Measuring Public Procurement Value

*Part 2 – The Measuring Public Procurement Value (MPV™)
Framework and Its Components*

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Developed by: Public Spend Forum
Washington, DC

www.publicspendforum.net

About this Report

This report is Part 2 of our report on Measuring Public Procurement Value, the result of 2 years of research, analysis and engagement with procurement leaders, experts and academics. You can find our full set of reports and documents at Public Spend Forum by visiting [this page](#).

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ABOUT PUBLIC SPEND FORUM - Public Spend Forum is a market intelligence platform and community for public sector buyers and suppliers. Through our platform, government programs and buyers, as well as suppliers, can find supplier data on various markets (at [GovShop.com](#)), use best practice tools and data to improve each procurement as well as their overall organizations, and collaborate with a global community of government professionals, experts, and suppliers.

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Summary of Part 1 of Report

Measuring Public Procurement Value (MPV) Framework and Details

Part 1 of this report provided background and findings resulting from Public Spend Forum's 2 year study

Background: To address the need for a standard framework for measuring \$10 trillion in public procurement spending, Public Spend Forum undertook a 2-year study to understand current practices and a potential path forward that could be utilized across the world. We engaged procurement leaders, academics and experts and performed secondary and primary research.

The result is the **Measurement of Public Procurement Value (MPV™)** Framework. It is intended to provide public sector executives and procurement leaders, as well as policy makers a consistent and robust framework for (1) measuring the performance of public procurement spending towards achieving goals and (2) proven strategies that can be deployed to achieve goals.

Study Approach: Over 2 years, we worked with stakeholders from across city/state/federal government, professors from universities specializing in procurement, and experts from across the field to:

- Understand the current state of public procurement metrics – what are organizations measuring and why?
- Develop a measurement and management framework that can be used by governments to inform their own measurement systems and strategies for delivering more value.

During the course of the study, we:

- Reviewed over 25 research reports and metrics frameworks recommended by others including public sources such as CIPS Australia, I&DeA UK, and Institute of Supply Management (ISM)
- Interviewed and engaged over 30 procurement leaders, academics specializing in procurement and well-recognized experts
- Compiled collected data, including examples of current dashboards, into a database of over 400 metrics
- Utilized a best practice approach to building a metrics model and framework for public procurement

To review Part 1 of the report, please visit [Public Spend Forum](#)

MAJOR FINDING 1: NO CONSISTENT APPROACH EXISTS FOR MEASURING PUBLIC PROCUREMENT

- 1a. Hundreds of Unique Metrics are Used in Public Procurement
- 1b. Only Three Metrics Consistently Used
- 1c. Thirteen Key Metrics Emerge
- 1d. Similar Metrics, Varying Calculations

MAJOR FINDING 2: PUBLIC PROCUREMENT METRICS CAN BE LINKED MORE EXPLICITLY TO OUTCOMES AND CRITICAL PRACTICES THAT ENABLE THOSE OUTCOMES

- 2a. Many Metrics Linked to Outcomes and “Critical Practices” Not Measured
- 2b. Four Outcomes Cited as Critical to Public Procurement
- 2c. Critical Procurement Practices with Biggest Gaps

Please find details on each finding in Part 1 at [**Public Spend Forum**](#)

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Summary of Part 1 of Report

Measuring Public Procurement Value (MPV™) Framework and Details

Characteristics of Well-designed Measurement and Management Systems

A well defined measurement system, should do three things well

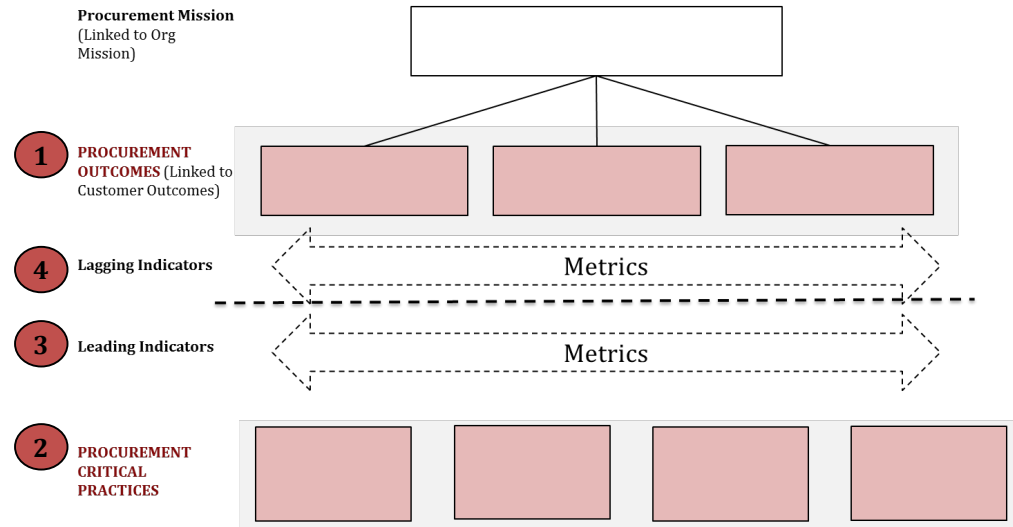
- Identify and measure key outcomes
- Identify and measure the critical practices that lead to outcomes
- Align behaviors with key outcomes

At the most basic level, a well designed public procurement measurement system

is critical because it focuses management attention and aligns behaviors to achieving organization mission outcomes

- 1. Focused on a few key outcomes** – Define and align stakeholders around a few key outcomes and a small number of meaningful measurements that provide clarity on organizational performance.
- 2. Identify the critical practices that lead to outcomes** – Identify and agree on key practices, initiatives, processes that lead to outcomes and modify as you learn which ones contribute more to outcomes; align more resources towards the ones that have the most impact on outcomes

- 3. Measure Leading Indicators (critical practices)** – Measure the critical practices and design metrics to gauge how well these practices are being performed, and what performance improvements are needed
- 4. Measure Lagging indicators (outcomes)** – Include outcomes as part of the performance measures and identify linkages to critical practices to help identify needed improvements

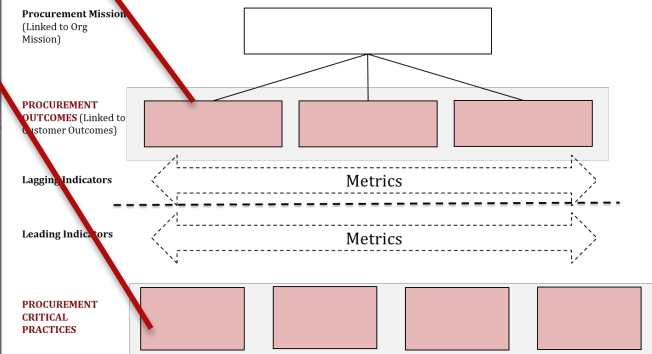


Outcomes and critical practices for public procurement were identified through the course of this research and combined with previous PSF studies

Public procurement leaders and experts generally agree on public procurement outcomes and critical practices
 Public procurement leaders and practitioners generally agree on the desired outcomes and critical practices that public procurement organizations need to be good at to achieve these outcomes. We utilized these outcomes and critical practices to inform the development of a public procurement executive dashboard.

PROCUREMENT OUTCOMES	
Overarching outcomes include	<ul style="list-style-type: none"> ▪ Enable the agency mission and specific customer objectives ▪ Achieve best value (and manage total cost) ▪ Comply with rules and policies ▪ Achieve social policy goals ▪ Secondary or related outcomes <ul style="list-style-type: none"> ▪ Manage risk ▪ Access innovation
PROCUREMENT CRITICAL PRACTICES	
Customer Engagement	<ul style="list-style-type: none"> ▪ Participate in customer planning and budgeting of procurements ▪ Early customer engagement/ collaborate on requirements
Core Procurement Capabilities	<ul style="list-style-type: none"> ▪ Price analysis, cost analysis & modeling ▪ Supply market analysis ▪ Supplier competition and sourcing process ▪ Operate within procurement/acquisition regulations ▪ Risk management ▪ Project management
Supplier & Contract Management	<ul style="list-style-type: none"> ▪ Manage supply base and composition (including social policy management) ▪ Leverage supplier expertise and innovation ▪ Manage supplier relationships ▪ Manage supplier performance and contracts post-award
Procurement Talent & Organization Management	<ul style="list-style-type: none"> ▪ Manage, develop and retain talent ▪ Manage procurement/acquisition function ▪ Align staff with customers & markets

Based on extensive research and discussions with dozens of leaders, practitioners, and academics, as well as studies on workforce etc., we've discerned a few key outcomes and critical practices. While these may slightly vary, they are universally applicable

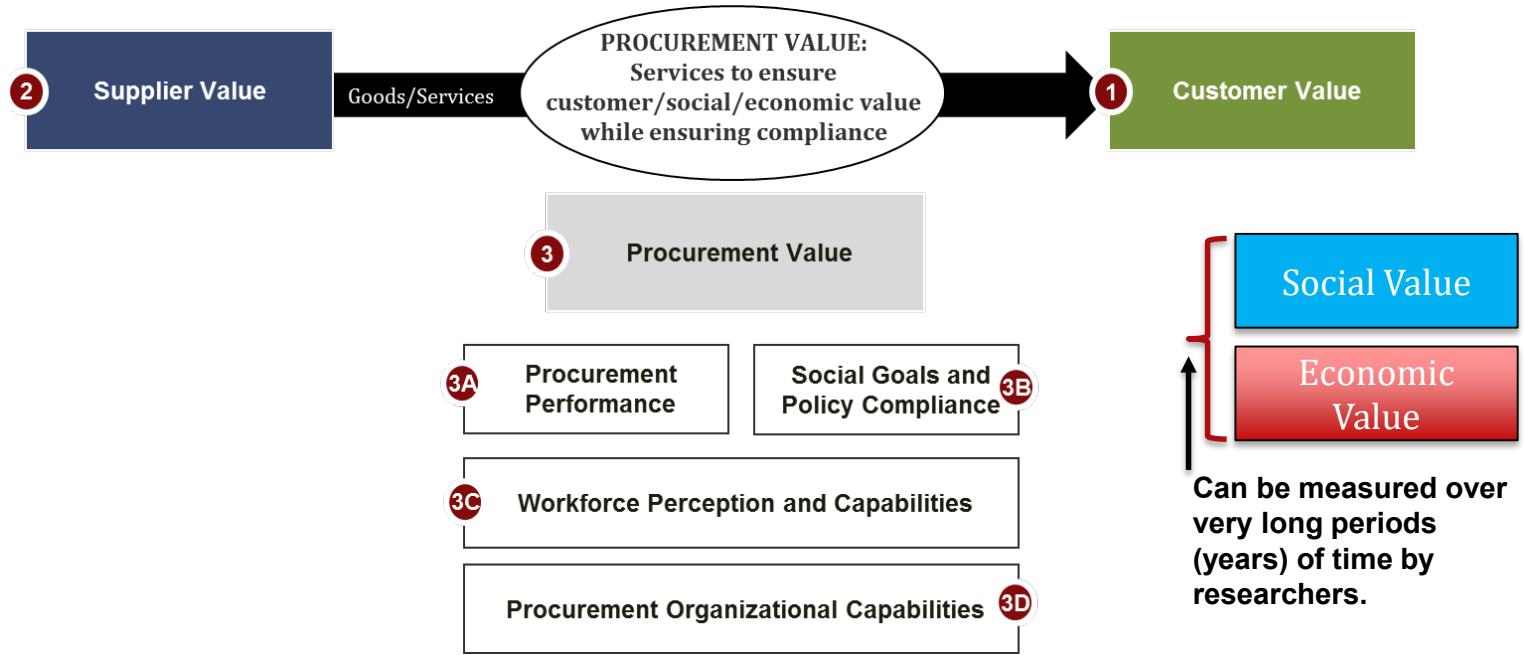


Utilizing the data collected, including baseline metrics and understanding of outcomes/practices, we developed: The Measuring Public Procurement Value (MPV™) Framework

The Measuring Public Procurement Value Framework consists of six major components

The public procurement executive dashboard is aligned with the previously identified public procurement outcomes and critical practices. The components consist of “Supplier Value”, “Customer Value”, and “Procurement Value” (which is articulated by four areas) as shown. Collectively, these components provide a clear picture of a public procurement function’s performance.

Measuring Public Procurement Value (MPV™) Framework



- 1. Customer Value** - Actual value achieved by customer in relation to goals and mission
- 2. Supplier Value** - Supplier performance and perception of working relationship with the organization
- 3. Procurement Value** - How procurement influences and delivers value to customers and the organization at large
 - 3a** - Public procurement performance against key elements (e.g., savings, influence, function cost mgmt)
 - 3b** - Achievement of social policy goals and adherence to regulations set forth by the relevant governing body (bodies)
 - 3c** - Procurement function staff skill and satisfaction levels
 - 3d** - Core procurement organizational capabilities required of world-class organizations to achieve best in class levels of performance

Recommended measures generally align with top measures currently used along with a few key measures that lead to a “complete view” of performance

Recommended measures generally align with “top measures currently used”

The majority of the recommended measures for the “public procurement measurement standard” are already in use by various public procurement functions.

Recommended measures provide a “complete view” of performance

The standard in effect recommends a complete set of measures that are more aligned with measuring public procurement outcomes and the critical practices required to achieve those outcomes.

Components	Recommended Measures
1) Customer Value	<ul style="list-style-type: none"> • Customer Satisfaction • Customer Engagement • Timeliness of Procurement
2) Supplier Value	<ul style="list-style-type: none"> • % Supplier Performance Scorecards • Supplier Performance Score • Supplier Perception
3A) Procurement Performance	<ul style="list-style-type: none"> • Savings/Cost Avoidance • Spend Under Management/influence • Procurement Function Cost Efficiency • Access to Innovation
3B) Social Goals and Policy Compliance	<ul style="list-style-type: none"> • % Social Policy Goals Achieved • Level of Competition • Procurement Process Robustness & Compliance (Needs assessment, bid submission, bid evaluation, post-award mgmt.) • % of Protests Denied
3C) Workforce Perception and Capabilities	<ul style="list-style-type: none"> • Employee 360 Skills • Employee Training/Certification • Employee Satisfaction • % Employee Retention
3D) Procurement Organizational Capabilities	<ul style="list-style-type: none"> • Procurement Organizational Capabilities Assessment (<i>Planning, Stakeholder Engagement & Alignment, Sourcing and Category Management, Market Intelligence, Cost Understanding, Supplier Mgmt, Automation & Data Mgmt, Talent Mgmt</i>)

A larger, more detailed description of metrics is available for purchase from Public Spend Forum upon request

Most recommended measures, when compared against existing measures, are being used in some capacity or another; Procurement organizational capabilities is a new measurement as part of MPV

Recommended measures are currently used but without consistency

The vast majority of the recommended measures identified are in use by sampled public procurement organizations, however, very few organizations currently utilize all or most of the recommended measures, resulting in:

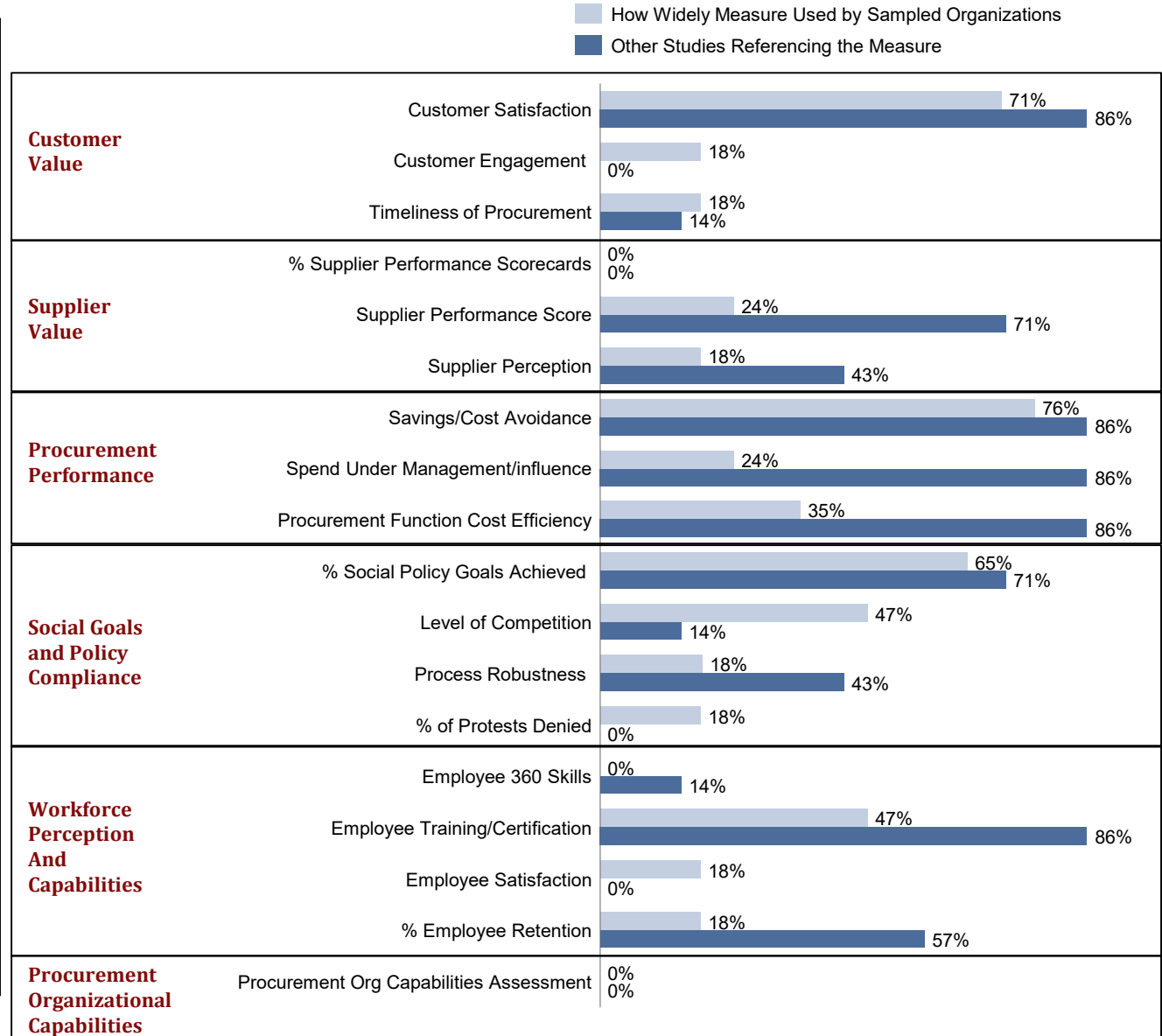
- A very incomplete view of procurement function performance
- Limitations on developing improvement priorities
- Lack of clarity on which critical practices to improve
- Sub-optimality in achieving mission outcomes

Other studies further support the recommended measures

Other studies used as informing sources support the majority of the recommended measure in the MPV framework. In most cases, at least half of all studies leveraged reference the recommended measures

However, leading indicators are often missing in most measurement systems

Leading indicators are often missing in measurement systems, both sampled organizations as well as other informing studies – partially explains the low percentages in a few recommended measures



Detailed Descriptions – Customer Value Metrics

1

Customer Value

“**Customer Value**” is focused on actual value achieved by customers in relation to goals and mission and drills down into specific factors such as procurement critical practices that drive value, procurement staff expertise, and procurement function timeliness in leading and supporting procurement activity.

“Customer satisfaction” measures are broadly used

Both sampled organization data and other studies support the use and/or importance of a “customer satisfaction” measure

“Customer engagement” is a leading indicator and under utilized

“Customer engagement” is fundamentally a leading indicator of achieving outcomes and is one predictor of customer satisfaction

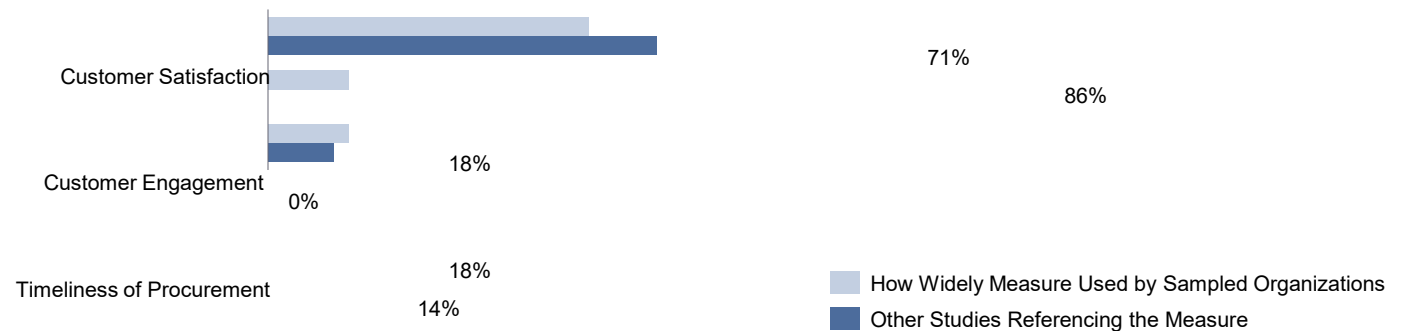
“Timeliness of procurement” goes beyond cycle time measures

While “cycle time” related measures are common, timeliness of procurement is a better measure of how well procurement “manages” timelines with customers and is a better leading indicator than static measures of cycle time (the latter are useful in assessing required improvements as part of an action plan)

Recommended Measures	Brief Description <i>(See Appendix for More Detailed Description)</i>
Customer Satisfaction	A gauge of internal customers’ perception of the procurement function’s value contribution to the procurement activity and customer mission.
Customer Engagement	A more specific gauge of how well the procurement function aligns relevant expertise with internal customers.
Timeliness of Procurement	How well procurement delivered in supporting internal customer needs within agreed to time frames and managed timeline changes.

Recommended Measures

Usage in Sampled Organizations vs. Other Informing Studies References



To implement the MPV Framework, we recommend leaders take into account typical challenges as well as baseline current approaches

Challenge Area	Identified Issues To Address
Leadership	<ul style="list-style-type: none"> • Lack of management buy-in / appropriate level of support • Setting / determining the appropriate goals due to conflicting objectives
IT Enablers	<ul style="list-style-type: none"> • Lack of available data • Complexity of aggregating data across disparate systems
Talent	<ul style="list-style-type: none"> • Inability to define a metric that is measurable (or not difficult to measure) and not subjective • Lack of data/analytical skills within organization
Engagement	<ul style="list-style-type: none"> • Organizational incentives, specifically for employees, not aligned

Recommended Next Steps:

- Baseline current measurement scorecard against the MPV Framework
- Convene team to identify desired outcomes and critical practices and initiatives that will lead to outcomes
- Develop/revise scorecard
 - Start small with a few measusres and add over time – identify key priorities

Assistance from Public Spend Forum to implement the MPV framework is available upon request. Please email us [here](#).

Further detail is available in our full report,

Additional detail on metrics and definitions is available in our full report.

Public Spend Forum also provides **metrics workshops** for leadership teams to help quickly develop a metrics dashboard based on the MPV framework.

Please contact support@publicspendforum.net for more information.

For further information about the study, please contact:

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