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Project Consultant – William Brown
Director, Financial Management Division – Walter K. Munchheimer
OFMB Director – Richard Roberts

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Purchasing Department: Phase 1 Assessment and Evaluation

An overview survey of the current state of performance measuring and the degree of linkage present among mission statement, organizational objectives, and specific performance indicators in the department

This publication contains the results of a structured process for evaluating the current state of program performance measurement in a county department. The process was designed and developed by the Management & Program Analysis Section of OFMB/Financial Management Division to facilitate an agency-wide review of the county's performance measurement system. Harnessing Organizational Performance—or HOP—is a collaborative initiative with Palm Beach County's departments. The HOP methodology involves an initial evaluation of the current performance measuring system in a department, and assesses the system according to a common set of HOP criteria. In the process, the work incorporates national benchmark and subject-matter best practices into findings and recommendations concerning the department's existing performance measures. This initial phase of the project is intended as a diagnostic phase; subsequent phases will help guide the department into a re-structuring of its performance measurement program in contextually relevant ways. The long-term objective of the HOP initiative is to verify that the Palm Beach County performance measurement program is:

- A positive tool in gauging organizational achievements;
- An important management tool to aid decision-making;
- A way to connect staff-level activities to higher-level organizational missions and objectives.

The methodology employed in the HOP initiative is designed to allow for a collaborative process of evaluation and assessment of the client department's current performance measurement system. To this end, MPA has created and utilizes a Client Manual (workbook) to take a team comprised of the client representatives and the Budget Division representative through a series of facilitated meetings.

Following this series of four 2-hour meetings, a consensus point of view emerges concerning the current state of the client's performance measurement system. In addition, the series of four HOP meetings provides the MPA Consultant with

useful operational insights and client-specific performance measurement information. The MPA Consultant utilizes these insights and information to complete relevant best practices research.

Each of the four HOP meetings covers a “level” of evaluation. Each level of evaluation utilizes a different criterion by which to evaluate the current performance measurement system. The primary criteria utilized for this evaluation are 1) linkages between the clients’ mission statements, objectives and performance measures, 2) a balanced use of the HOP defined “types” of performance measures, and 3) a balanced use of the HOP defined business “perspectives” of performance measures. The HOP defined “types” and business “perspectives” are described in greater detail below.

The HOP performance measurement program concentrates on three types of performance measures.

| | |
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| Measurement “Types” | Output performance measures - represent the department’s workload, amount of service or production, not the consequences of performing the workload |
| | Efficiency performance measures – represent the ratio of <u>service unit output</u> to <u>resource input</u> ; usually cost per unit of service, or unit of service per resource (FTE’s or dollars expended). |
| | Outcome performance measures – represent the consequences or effects of specific actions or initiatives |

The HOP performance measurement program then employs four business “perspectives” by which organizational performance is to be guided.

| | |
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| Business “Perspectives” | Customer satisfaction perspective– are performance measures that are created to “indicate” the customer’s perspective of “how they rate the county in the delivery of services” or those measures that indicate the customer use of a service. |
| | Internal process (operational) efficiency perspective – are performance measures that are created to “indicate” the degree of efficiency involved in the delivery of services. |
| | Financial accountability perspective – are performance measures that are created to “indicate” the financial accountability of the organization or stewardship of the public trust. |
| | Employee learning & growth perspective – are performance measures that are created to “indicate” employee development – development which will enable the organization to succeed in its mission and/or that increases employee productivity, employee retention, career enrichment, and the like. |

This publication reports on the consensus assessment developed by the HOP Team and the best practices research conducted by the MPA Consultant to document findings, observations and recommendations pertaining to the client's performance measurement system.

The Management & Program Analysis Section is leading this effort, together with our partners from the Budget Division, to establish common performance concepts and an understanding of performance measurement purposes throughout all county departments and divisions. When the three-phase HOP program is fully implemented in mid-2006, specific outputs of the Harnessing Organization Performance initiative will be:

- Standardizing performance measurement terminology;
- Establishing a collaborative, interactive approach towards performance measurement;
- Recommending improvements to the current performance system to decrease time and effort required by the system, while improving its management usefulness.

“EVALUATING EXISTING MEASURES”

This is the first phase of the HOP program. This report contains the results of the phase 1 evaluation and assessment of the Purchasing Department mission statement and current year objectives. Current performance measures that cannot be linked to, or do not support, the mission or objectives will not be required as part of the county's official performance measurement program, although they can be maintained for departmental purposes, if desired. This phase also establishes the common terminology that will be used throughout the HOP project, as it relates to performance measures, linkages and relevant business perspectives. During this phase, the department will probably experience a reduction in the number of “required” performance measures, thereby reducing the time and effort spent in gathering and reporting on departmental performance.

“MANAGING FOR HIGH PERFORMANCE”

The second phase will include communicating the linkage and relevancy among mission statement, objectives, performance measures, and stakeholder desires to every level of the department. Where the first phase is primarily a diagnostic step to establish the current state of the department's performance measuring program, during the second phase a number of linked and highly relevant performance measures will be developed for the department's future use.

“PUTTING IT INTO PRACTICE”

Finally, in this stage of the project, all of the required performance management infrastructure is established to permit the meaningful tracking and reporting of the department's performance. Formal guidelines will be developed and adopted regarding, (1) validation of acceptable measures, (2) reporting mechanisms and schedules, (3) accuracy verification techniques, (4) approval of

goals, targets, and benchmarks, (5) incentive programs to reward the attainment of high performance, (6) internal financial control uses, and (7) ways and means of carrying out periodic reviews of performance indicators and targets to maintain relevance.

OVERVIEW OF PHASE 1 FINDINGS

The findings and recommendations summarized below provide an overview of the performance measurement program assessment conducted for the Purchasing Department.

The performance measurement program consists of the department's mission statement, departmental objectives and the department's performance measures, along with the processes for tracking and reporting on the department's success in achieving those measures. The findings and recommendations are based on the evaluations of the HOP team, made up of the Purchasing Director, the Administrative Assistant of the department, the assigned Budget Analyst from OFMB, and the MPA Consultant from OFMB/Financial Management Division.

The summary of findings and recommendations is followed by detailed recommendations based upon the structured, four levels of evaluation conducted by the HOP team. Each level of evaluation was accomplished by use of evaluation tools designed expressly for that purpose by the MPA Section. In addition to the conclusions reached by using the 4-level evaluative tools, the MPA consultant performed "best practices" research involving similar purchasing operations nationwide, and cited examples from this research which the department can use as a starting point for its own further efforts. That research also forms an important foundation and knowledge base for the work yet to come in phase 2 of the HOP project.

General Findings

- The current mission statement conforms structurally to the HOP criteria for a mission statement;
- There is good linkage between mission and objectives, with the exception that there are no objectives for two mission topical areas: mail service and courier service;
- There is good linkage between mission and performance measures; however, there is a preponderance of performance indicators of the "output" type;
- There are no performance indicators of the "efficiency" type;
- There is poor linkage between objectives and performance measures;
- The department has attempted to develop performance measures from a customer satisfaction business perspective, but there are no performance measures from the other three HOP categories—process efficiency, financial accountability, and employee learning and growth.

General Recommendations

- Review the structure and content of the Purchasing Department mission statement per the HOP defined criteria. Update the mission statement as appropriate.
- Review the performance measure types (output, outcome, efficiency) with an eye toward developing a better mix of measures.
- Review the department's objectives and performance measures; update either or both to create "linkage" or coherence, per the HOP defined criteria.
- Determine which current performance measures best meet the customer service business perspective per the HOP defined criteria, and consider how the others can be restated (if at all) to achieve a better balance across the four HOP business perspectives categories.

In the course of the first phase evaluation, the Purchasing Department identified a series of important, current operational initiatives:

- Implementation activities and employee and vendor training in connection with the Advantage Financial module that furthers Palm Beach County's e-gov initiatives by allowing online vendor registration and bidding. [automation initiative]
- Implementation of the CertifiTrac software that manages vendor insurance certificates. [automation initiative]
- Develop and implement department policy and procedures associated with the newly-enacted SBE and local preference ordinances.
- Integrate the new FY 2004 staff positions into the department.
- Revise the purchasing ordinance to reflect policy changes enacted by the BCC, streamline where possible [efficiency or customer service initiative]
- Review and revise the department's PPM's to reflect policy changes, eliminating any obsolete PPM's [efficiency or customer service initiative]
- Expand the procurement and warehouse services to the Risk Management Department (stocking safety items). [customer satisfaction initiative]

We recommend that the Purchasing Department utilize these initiatives as a good starting place to consider how those important initiatives can be used to develop meaningful objectives and performance measures.

The detailed recommendations that follow are supported by references to the HOP Client Manual and the best practices research. The recommendations are presented for each of the four levels of evaluation performed by the HOP Team. The Best Practices research is drawn from public and private sector entities that are recognized as leaders in their operational fields and in the measurement of performance. A listing of best practices Internet sites and contact information is included (Appendix A) to give the Purchasing Department a ready resource for assistance in developing modifications to its performance measurement program.

LEVEL 1 EVALUATION

A. Mission Statement

The Level 1 evaluation begins by examining the content and structure of the mission statement. This allows a consistent approach to creating and defining mission statements throughout all county departments.

Performance Component

| | |
|--------------------------|--|
| Mission Statement | To provide departments under the Board of County Commissioners with procurement services for all non-construction goods and services over \$1,000 in value, a warehousing function for small stores, and internal courier and mail services. |
|--------------------------|--|

Recommendations

- Maintain the concise nature of the current mission statement
- Revise the current mission statement to: 1) include the name of the mission owner (Purchasing Department), 2) describe over-all mission outcomes desired, 3) identify direct customers and/or important stakeholders, and 4) identify key service areas
- Consider possible strategic uses of the mission statement such as, 1) actively using the mission as the “moral compass” for decision making, and 2) placing the mission statement on the backside of business cards and on department letterhead or public “forms” to promote the mission

1

| Finding and Observation | Recommendation |
|---|--|
| The current mission statement chooses not to include the name of the department or to include adjectives to fully describe the “level” of service that the department strives to produce. For example there is no “in a timely fashion”, “in an efficient way” or “strives to use state of the art” to describe the level or degree of service provision. | Review the use of adjectives to create an exciting, fully descriptive picture of the degree or level of service the department strives to produce. This type of descriptive language in the mission statement can be used to reinforce a direct link to efficiency and outcome performance measures. |

Resources

HOP Client Manual: Reference **Section IV. HOP Definitions and Concepts**, mission statement definitions and examples (page 11-12).

Best Practices Research: Examples of descriptive adjectives in mission statements researched at best practices sites:

Franklin County, Ohio

- “The purpose of the Purchasing Department is to position itself ... through the implementation of **cost effective** purchasing, printing, and mail services, so that county agencies have the goods and services they need to do their jobs.”
- “... provides assistance to Franklin County agencies, so that they can receive goods and services needed to conduct **business in a timely, cost-effective manner.**”

City of Charlotte, North Carolina

- “City key business units rely on the Purchasing Department for the acquisition of goods and services through **competitive processes**. Support is available to all business units for contract development, administration and monitoring.”
- “Provides **timely and cost effective** services to other key businesses to **assist in their success**; partner with key businesses, other governments and the private sector **to ensure the delivery of competitive** services; provide advice and technical expertise to assist ... **to compete successfully.**”

Fairfax County, Virginia

- “To secure **high quality goods** and services at **reasonable cost**, while ensuring that all purchasing actions are conducted in a **fair and impartial manner**... that all **qualified** vendors have access to County business, that procurement procedures involve **openness and administrative efficiency**, and that the **maximum feasible degree** of competition is achieved.”
- “To manage all supplies and equipment ... includes inventory management of consumable supplies... to acquire goods and services for county agencies at an **optimum combination of price, quality, and timeliness**; to provide central warehouse services of storage, distribution, and supply to County agencies in a **timely manner** and in accordance with generally **accepted professional material management standards.**”

2

| Finding and Observation | Recommendation |
|---|--|
| <p>During the mission statement evaluation, the department indicated that the wording of the mission could be clearer and more accurate concerning the wording, “warehouse function for <i>small stores</i>”, use of the word(s) “all”, “non-construction”, “\$1,000 threshold” and “internal”.</p> | <p>Review the terms used to describe the department’s mission and verify the accuracy and clarity. Make changes accordingly.</p> |

3

| Finding and Observation | Recommendation |
|--|---|
| <p>During the mission statement evaluation, the department representatives made the observation that perhaps a reference to “support constitutional offices, court admin., etc” “in accordance with the PBC Code ...” would be a good addition to the content of the mission (identifying customers and the guiding legal document for the provision of services).</p> | <p>Review the content of the existing mission statement and add any further references to customers or standards of service delivery.</p> |

Resources

Best Practices Research: Examples of mission statements researched at best practices sites:

Franklin County, Ohio

- “... provides purchasing, mail, and print services to **County agencies, boards and commissions.**”

Fairfax County, Virginia

- “Provides purchasing, warehousing and distribution, procurement assistance and compliance programs, ... in accordance with the Code of Virginia, the Fairfax County Purchasing Resolution and generally accepted purchasing practices to support the Board of Supervisors’ Small Business Enterprise (SBE) Program.”

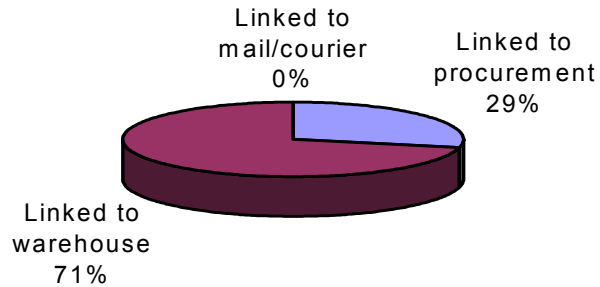
B. Objective Statements

The Level 1 evaluation next examines the linkage between the mission statement and departmental objectives. This ensures that there is continuity of purpose between these two important components of the performance program. An assessment of the content and structure of the objective statements is also performed.

Performance Component

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|--------------------------|---|
| <p>Mission Statement</p> | <p>To provide departments under the Board of County Commissioners with procurement services for all non-construction goods and services over \$1,000 in value, a warehousing function for small stores, and internal courier and mail services.</p> |
|--------------------------|---|

Objectives Linkage to Mission



Performance Component

| | |
|-------------------|---|
| Objectives | <ol style="list-style-type: none"> 1. Renew/re-bid 90% of term contracts without a gap in service 2. Maintain the average work days to process requisitions to 9 days or less 3. Fill 95% of requisitions within 5 work days 4. Maintain inventory records to within 3% of the actual dollar value of the annual physical inventory 5. Maintain warehouse catalog on the Purchasing website 6. Add new inventory items and commodity codes for safety supplies as required by Risk Management 7. Provide information to Risk Management regarding specifications and availability of safety supplies for the purpose of creating a safety supply catalog that would be distributed to all county departments |
|-------------------|---|

Recommendation

- Reduce the number of objectives from the current seven to 4 or 5, depending on the department’s strategic new or ongoing initiatives.

4

| Finding and Observation | Recommendation |
|---|--|
| There are no current objectives linked (directly related) to the mission statement topic of “mail delivery services”. Two of 7 objectives are linked to the mission topic “provide procurement services” while 5 of 7 objectives are linked to the mission topic “provide warehouse”. | Determine based on current departmental priorities, whether there should be an objective statement concerning the delivery of mail/courier services. Determine if the current number of objectives related to “procurement services” and “warehouse services” adequately represents the priorities and current initiatives underway in the department. |

Resources

HOP Client Manual: Reference **Section IV. HOP Definitions and Concepts**, the objectives definitions and examples (page 11-12). Also reference the definitions of linking objectives to the mission statement (page 12).

Examples of objective statements that conform to HOP definitions concerning content and structure would be “evaluate the current mail handling process and develop a strategic initiative to decrease processing cost per piece of mail by implementing efficiency solutions,” or “...by evaluating the staffing hours and responsibility to workflow requirements”.

Best Practices Research: Examples of objective statements researched at best practices sites:

Franklin County, Ohio

- “Increase 25% annually, the cost savings achieved for the County through the automation of mail services for all agencies”

5

| Finding and Observation | Recommendation |
|---|---|
| Four of the 7 objectives are simply target statements (1,2,3,4). In addition, the client was unsure as to how the targets were set (“industry” standards, internal standards, etc.) | <p>Review all 7 objectives (including the 4 that are actually target statements) and develop objective statements per the HOP guidelines regarding, a) defining note worthy initiative, b) preferred content & structure and c) linkage to the mission statement.</p> <p>Review the target setting and document the reasoning that drives the target being set at a particular number set (“industry” standards, internal standards, etc.).</p> |

Best Practices Research: Examples of purchasing objective statements researched at best practices sites:

City of Charlotte, North Carolina

- “Develop e-procurement projects to increase customers access to and knowledge base of procurement activities and procedures.”
- “Meet the needs of our varied customer base and exceed customer expectations by 1) developing customer response plans, 2) develop and administer a customer satisfaction survey to develop a baseline measurement.”
- “Survey procurement customers, warehouse and mail delivery customers to ... strive to attain a 90 % or higher rating for “service provided met your needs.”
- “Facilitate our customers’ access to needed information and tools to meet their objectives ...”

Fairfax County, Virginia

- “Investigate and develop if feasible the capability to pay the office supply contractor, Office Depot, with a procurement card.”
- “Establish a “premier page” with Dell Computer Corporation that will greatly simplify the process of ordering PC’s and servers. Also establish an on-line ordering capability with WW Grainger. Both of these systems replicate the ease and efficiency of ordering office supplies on-line from Office Depot.”
- “Develop an access database to manage the distribution of Request for Proposal and Invitation for Bid documents and to record the receipt of responses (proposals and bids).”
- “Implement a web-based vendor application form to provide self-registration and self-maintenance of the database, and enhance the process of collecting vendor performance data.”
- “Develop and implement a “Contract Administration” training course for program staff that addresses the rules and responsibilities of the contracting function.”
- “Develop and implement strategies that will enable at least 92% of purchase requisitions to be turned into valid contracts within 10 days.”
- “Develop ... to enable completion of 95 percent of all formal solicitations within the department established standard of ...”
- “To ensure reliability of data and the quality of program oversight, implement new warehousing software and ... to maintain a fixed and consumable inventory tracking accuracy rate of at least 98 percent.”
- “To maintain the percentage of formal contract actions awarded without valid protest or legal actions at 98% or better.”
- “To maintain the cost of procuring \$100 worth of goods or services at \$.50 without degradation of service.”
- “To increase the dollar value of contracts awarded to small and minority businesses from 32 percent to 36% towards a target of 40%.”

6

| Finding and Observation | Recommendation |
|--|---|
| <p>The client recommended eliminating the objective (5) “maintain the warehouse catalog on the purchasing web-site” due to this being a perfunctory activity and not a proactive initiative or new operational strategy. The client also recognized that the two objectives dealing with new initiatives concerning Risk Management purchasing warehouse support, (6) and (7), could be combined into one objective statement.</p> | <p>Eliminate the objective “maintain the warehouse catalog on the purchasing web-site” because this can now be seen as something that has been developed and is now up and running as a fully functioning activity. It is not an active, changing initiative or new strategy.</p> <p>Combine the two Risk Management objectives into a single, broadly stated “support” strategy.</p> |

Best Practices Research: Examples of purchasing objective statements researched at best practices sites:

Franklin County, Ohio

- “Combine similar goods and service requirements of all county agencies to increase the number of countywide contracts. Increase by 10% the amount of services provided to ... the Graphic Arts program”

LEVEL 2 EVALUATION

A. Performance Measures

The Level 2 evaluation examines the linkage between the mission and performance measures. This ensures that there is continuity of purpose between these two important components of the performance program. An assessment of the “types” of measures being used in the department is also performed.

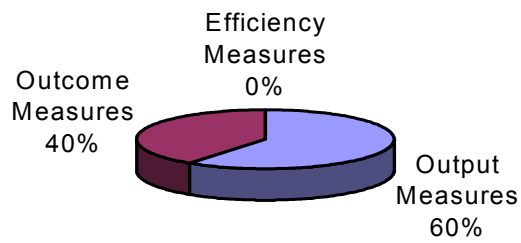
Performance Component

| | |
|--------------------------|--|
| Mission Statement | To provide departments under the Board of County Commissioners with procurement services for all non-construction goods and services over \$1,000 in value, a warehousing function for small stores, and internal courier and mail services. |
|--------------------------|--|

Performance Component

| | |
|-----------------------------|---|
| Performance Measures | <ol style="list-style-type: none"> 1. Average work days to process requisitions 2. Percent of purchase orders issued within 30 days 3. Percent of overall SBE goal 4. Number of protests upheld 5. Percent of renewal/re-bid term contracts without service gap 6. Requisitions processed 7. Line items processed 8. Line items filled within 5 work days 9. Annual inventory turns 10. Volume of mail processed by the mailroom (in thousands of pieces) |
|-----------------------------|---|

Performance Measure "Types" Chart



Evaluation Criteria

| | |
|---------------|--|
| PM "Types" | <ol style="list-style-type: none"> 1. Output 2. Efficiency 3. Outcome |
|---------------|--|

Recommendation

- Reduce the number of performance measures from the current ten to 6-8, ideally they are to indicate the progress or success of current objectives

7

| Finding and Observation | Recommendation |
|---|---|
| <p>The performance measure "number of protests upheld" is not directly linked to the mission statement. The purchasing representatives consider this measure to be an Input "type" of performance measure and indicates that the manner in which protests are decided is not a reflection on the performance of the Purchasing Department</p> | <p>The measure "protests upheld" is not linked (to mission or objectives) and the client indicates that this is not a true measure of the performance based on the department's perception of sometimes seemingly arbitrary decisions that result from the special masters protest resolution system; therefore the measure should be removed from the HOP performance measurement program. Otherwise the mission or objectives statements should be amended/created to include this topic as a priority or departmental focus.</p> |

Resources

Best Practices Research: Examples of purchasing performance measures researched at best practices sites:

Fairfax County, Virginia

- For an Objective, "To maintain the percentage of formal contract actions awarded without a valid protest or legal action at 98 percent or better" (add reference to "how and why" per HOP criteria). Corresponding performance measure, "Percent of contractual actions receiving a valid protest".

| | Finding and Observation | Recommendation |
|----|---|---|
| 8 | Four out of 10 performance measures are linked to the mission topic “provide procurement”; 4 of 10 performance measures are linked to the mission topic “provide warehouse services”, 1 out of 10 performance measures are linked to the mission topic “mail/courier services”. | Consolidate the four measures that deal with “procurement services” into an informative, vital, strategic 2 or 3, likewise with the 4 “warehouse services” measures. Define what the existing measures are intended to indicate, then redefine the performance measures, or create anew, to convey this meaning. |
| 9 | There are no efficiency “type” performance measures. Current performance measures are overwhelmingly dedicated to counting the department output or volume of work. | |
| 10 | <p>Four of 4 measures linked to “provide warehouse” are Output “type” measures. The performance measures “requisitions processed”, “lines items processed” and “line items filled within 5 days” do not indicate the context of these outputs – the reader cannot ascertain whether this output is actually good or bad since the numbers don’t indicate how many were <u>not</u> processed or filled!</p> <p>The measures “requisitions processed” and “volume of mail processed” are input measures – they indicate a workload volume that is dependent on the department’s “customers”, not the performance of the department. The client indicates that a similar situation occurs with the “percent of over-all SBE goal” measure.</p> | Eliminate Input measures and develop efficiency or outcome measures where possible. Ensure linkages of (cont.) performance measures to objectives or mission statements. Determine if the performance measure “volume of mail” refers to courier or mail service delivery, then modify the measure to be an efficiency or outcome “type” of performance measure. |

Resources

HOP Client Manual: Reference **Section IV. HOP Definitions and Concepts**, the performance measure definitions and examples (page 13-16). Also reference the definitions of linking performance measures to objectives and mission statements (page 13).

Best Practices Research: Examples of purchasing performance measures researched at best practices sites:

Franklin County, Ohio

- “% requisitions converted to purchase orders within 2 days”
- “Staff cost per requisition converted to purchase order within 2 days”
- “Number of bids processed within 90 days”
- “Staff cost per bid processed within 90 days”
- “Number of contracts awarded or renewed”
- “Percent of contracts awarded or renewed within 30 days”
- “Staff cost per contract awarded or renewed within 30 days”
- “Percent of mail pieces processed within 1 business day”
- “Staff cost per mail piece processed within 1 business day”

City of Charlotte, North Carolina

- “Percentage of technical staff that have applicable certifications”
- “Percentage use of e-gov, internet modules”

Fairfax County, Virginia

- “Cost per formal contract”
- “Cost per \$100 of goods or services procured”
- “Percent of customers indicating satisfaction with service”
- “Percent of dollar value of contracts awarded to small and minority business”
- “Purchase requisitions converted to purchase orders per buyer staff”
- “Formal solicitations managed per buyer”
- “Percent of requisitions completed within 10 days”
- “Percent of satisfaction with timeliness of process to establish a contract”
- “Percent satisfaction with the process to acquire goods and services based on annual customer satisfaction survey”
- “Percent of office supply orders submitted via the internet”

LEVEL 3 EVALUATION

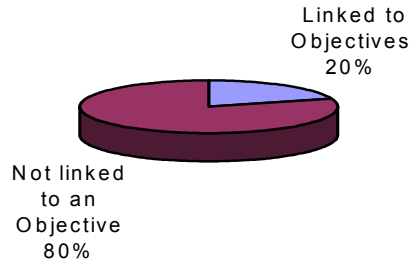
A. Performance Measures

The Level 3 evaluation examines the linkage between objectives and performance measures. This ensures that there is documented progress or success in achieving objectives.

Performance Component

| | |
|----------------------|---|
| Performance Measures | <ol style="list-style-type: none"> 1. Average work days to process requisitions 2. Percent of purchase orders issued within 30 days 3. Percent of overall SBE goal 4. Number of protests upheld 5. Percent of renewal/re-bid term contracts without service gap 6. Requisitions processed 7. Line items processed 8. Line items filled within 5 work days 9. Annual inventory turns 10. Volume of mail processed by the mailroom (in thousands of pieces) |
|----------------------|---|

**Performance Measure
Linkage to Objectives**



Performance Component

| | |
|-------------------|---|
| Objectives | <ol style="list-style-type: none"> 1. Renew/re-bid 90% of term contracts without a gap in service 2. Maintain the average work days to process requisitions to 9 days or less 3. Fill 95% of requisitions within 5 work days 4. Maintain inventory records to within 3% of the actual dollar value of the annual physical inventory 5. Maintain warehouse catalog on the Purchasing website 6. Add new inventory items and commodity codes for safety supplies as required by Risk Management 7. Provide information to Risk Management regarding specifications and availability of safety supplies for the purpose of creating a safety supply catalog that would be distributed to all county departments |
|-------------------|---|

Recommendation

- Develop performance measures that exhibit greater linkage to departmental objectives

11

| Finding and Observation | Recommendation |
|---|---|
| Two of 10 performance measures are linked to current objectives. The 2 measures that are linked to objectives are simply restatements of the objectives (the objectives are merely target statements and not fully defined per the HOP definition). | Use the HOP criteria to revise and/or create fully defined objectives. Create measures that will indicate success or fulfillment of objectives. |

12

| Finding and Observation | Recommendation |
|---|---|
| Five of 7 objectives have no performance measure that directly indicates success or fulfillment of the objective. | Ideally, every objective should have an associated or linked performance measure. Performance measures are directly linked to a) objectives or b) the department’s mission statement. |

Resources

HOP Client Manual: Reference **Section IV. HOP Definitions and Concepts**, the performance measure definitions and examples (page 13-16). Also reference the definitions of linking performance measures to objectives and mission statements (page 13).

LEVEL 4 EVALUATION

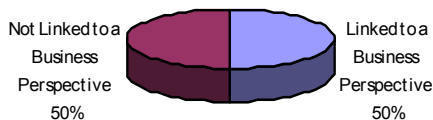
Performance Measures

The Level 4 evaluation examines performance measures as they relate to defined business perspectives. This ensures that there is a balanced approach in defining and utilizing performance measures to maintain high performance in several important focus areas.

Performance Component

| | |
|----------------------|---|
| Performance Measures | <ol style="list-style-type: none"> 1. Average work days to process requisitions 2. Percent of purchase orders issued within 30 days 3. Percent of overall SBE goal 4. Number of protests upheld 5. Percent of renewal/re-bid term contracts without service gap 6. Requisitions processed 7. Line items processed 8. Line items filled within 5 work days 9. Annual inventory turns 10. Volume of mail processed by the mailroom (in thousands of pieces) |
|----------------------|---|

Performance Measures Linkage to Business Perspective



Business Perspectives

1. Customer satisfaction perspective
2. Internal process/operational efficiency perspective
3. Financial accountability perspective
4. Employee growth and learning perspective

Recommendation

- Strive to develop at least one performance measure across all four of the business perspectives

13

| Findings and Observations | Recommendations |
|--|---|
| Five of the 10 performance measures (1,2,3,5, 8) could be placed into the HOP defined business perspectives of "customer perspective"; no other measures could be placed into the three remaining business perspectives (customer satisfaction, process/operational efficiency, financial accountability, employee growth and learning). | Review any changes to the department's mission statement and objectives. Ideally the department should strive to have at least one performance measure developed from each of the four business perspectives. |

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| <p>Although the performance measures (8) "line items filled within 5 work days" and (2) "percent of PO's issued within 30 days" may have been developed from a customer perspective, they may not be fulfilling this intent due to the fact that these performance measures are too broadly defined.</p> <p>For example, "number of line items" doesn't indicate if an order with multiple line items was completely filled or partially filled – a customer may care.</p> <p>Another example is that "% PO's issued within 30 days" doesn't indicate how many may have been issued within 10 days, or within 20 days – the customer or the department's management may care about more than whether the order is being filled within 30 days!</p> | <p>Review performance measures and determine if the measure is intended to represent a HOP defined business perspective. Determine if the measure provides adequate, accurate representation of the business perspective. Performance measures that cannot be categorized as belonging to a business perspective should be eliminated and replaced.</p> <p>The key is to develop performance measures from a business perspective that gives the most meaningful information to that point of view. For example, "% of PO's issued within 30 days" could be replaced by "% issued within 0–10 days" AND "% issued within 11–30 days". Likewise, "# of line items filled within 5 days" could be replaced by "average work days to fill a PO complete" or "% of PO's filled 'complete' within 5 work days".</p> |
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PROJECT SUMMARY

The findings & observations, as well as the recommendations are developed from the series of four evaluation meetings held with the Purchasing Department. The report follows the Harnessing Organizational Performance (HOP) principles of:

- Concise, clear descriptions of mission statements, objectives and performance measures
- A clear linkage or coherence between the department's mission, objectives and performance indicators
- A representation of all "types" of performance measures (output, efficiency and outcome)
- A balanced focus to performance measurement across the HOP "business perspectives" (customer satisfaction, internal process efficiency, financial accountability and employee growth & learning)

The anticipated organizational benefits of successfully implementing the HOP recommendations are:

- Decreasing the number of performance measures to a meaningful, vital few
- Decreasing the time and energy spent collecting and reporting performance measures
- Focusing the organization on activities and initiatives that achieve the overall departmental mission
- Development of a uniform approach to measuring performance; creating linkages from performance measures to mission statements or objective statements; utilizing different "types" of performance measures to provide balance across the four defined "business perspectives".

Appendix A

Best Practices Reference Sites:

- (1) **Franklin County, Ohio** – Purchasing Department
Contact: Karl Kuesport, Purchasing Director 614-462-7266

Web Address:

http://www.co.franklin.oh.us/budget/2003_Budget_Book.Final_01_22_2003.pdf
and go to page 281 of 388 for Purchasing.

or

<http://www.co.franklin.oh.us/budget/> --- 1st select **2003 Budget**, 2nd scroll and select **2003 Budget Document** then go to page 281 of 388 for Purchasing.

- (2) **City of Charlotte, NC** – Purchasing Department
Contact: John Trunk, Procurement Director 704.336.5195
Kay Bailey, Procurement Operations Manager 704.336.2524

Web Address: Reference the **Business Support Services Business Plan** at:

<http://www.charmeck.nc.us/departments/budget+-+city/performance+measures/home.asp#business%20plans>

- (3) **Fairfax County, VA** – Purchasing Department
Contact: Cathy Muse, Purchasing Director 703-324-3206

Web Address:

<http://www.co.fairfax.va.us/gov/omb/pdf/Volume1/00112.pdf>