Enfield Council

Key Performance Indicators (KPIs)

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Key Performance Indicators (KPIs)

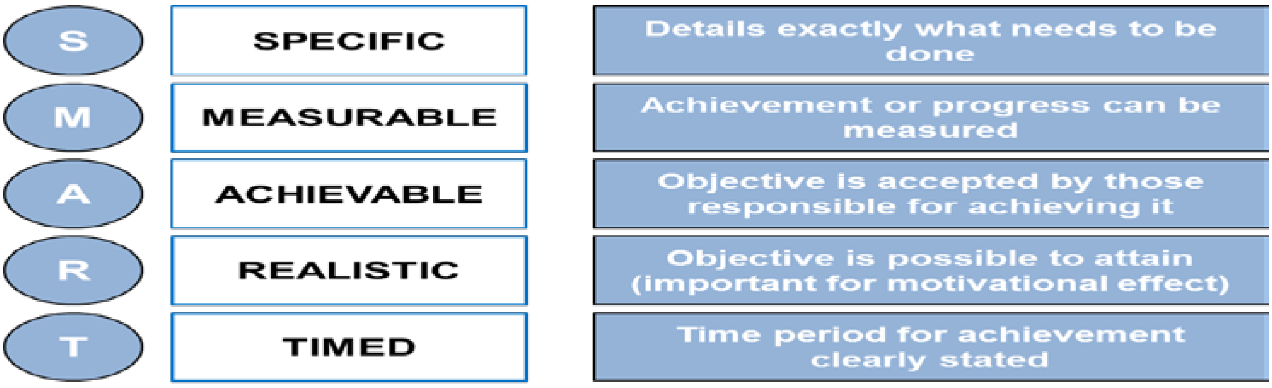
Key Performance Indicators or KPIs are the metrics selected to measure progress, and drive development toward goal achievement. Your business contracts and agreements involve a vast amount of information about a wide range of aspects of your operation and its deals. In order to understand how each agreement is performing, it is necessary to sort that information; to categorise and order the data for effective analysis. This data analysis then provides actionable intelligence that informs decision-making, governance, and business development.

Key performance indicators should be used tactically, in relation to the nature and objectives of the contract. While the purpose of KPIs is to drive development toward goal achievement for each agreement, the overall business goal must be kept in mind when deploying these metrics, so that your Contract Management strategies are kept in full alignment with your business objectives. This also helps to ensure compliance with internal and external regulations and governance.

How to choose your KPIs

There are many recognised key performance indicators within the field of contract management, that are widely acknowledged as being useful metrics against which contract performance can be measured. Part of the tactical deployment of such metrics is to whittle down that wide range of options to a selection that is most efficient and productive in terms of your business. This means choosing the KPIs that deliver the most actionable intelligence using the least amount of resources. As with all areas of your business, your objective should be to make the most significant gains while expending minimal staff time, skills, and costs.

Your choice of KPIs should therefore be guided by the SMART principle, which means they should be:



Defining effective KPIs using the 'SMART' method.

Ask yourself the following questions:

Specific: How can I tie this in with the contract's strategic goal?

Measurable: How will I know it's been achieved?

Achievable**:** Is the target reasonable?

Realistic: Is the target realistic?

Timed: Is there a definite deadline?

Make sure your KPIs include several key elements:

- Output measure: what is being monitored
- Data source: what will be used to track KPI performance and who is best placed to track it
- Agreed frequency for capturing data: the period of time used for assessing performance
- Rating system: how performance will be judged. This might be a pass/fail measure or assigning a rating.

Make sure KPIs are measurable

Of those five SMART questions, people often struggle with creating KPIs that are measurable. Remember*, 'what gets measured, gets done'.* Measure is particularly important as it's the element that will drive behaviour. Care should be taken when drafting the measure, to ensure that the supplier is able to influence the outcome of the KPI and that it drives excellent service delivery

What you measure will depend on what you are trying to achieve, but some useful guides for measuring performance include:

- Relative or comparative analysis
- Benchmarking against comparable services or organisations
- change from previous period
- Achieving specific targets

The objective here is to create a measure that is twofold – either it has been achieved or it hasn't – leaving no room for interpretation or negotiation.

For example, if a contractor is delivering an IT support contract, a good measure might be the number of complaints closed on first contact, rather than the hours they spent on an issue, which doesn't necessarily correspond to high levels of service.

Some examples of things that might be measured in a contract include:

- Availability of systems or assets – application for the end user is available 99.999% of the year
- Savings delivered by the supplier to deliver the contract – reduction of pass-through expenses by 5%

- Lead-time to fulfil to requests – 95% of problems raised with the provider are resolved within 2 business days
- Quality of order fulfilment – 99% of orders delivered on time, on quality and on cost