

Focusing on performance your
customer cares about!



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FORUM2015



So what?!



Focusing on performance your customer cares about!



Agenda

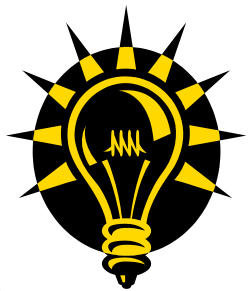
- What Customers Want
- Quantitative & Qualitative Indicators
- Obtaining the Voice of the Customer
- Understanding what's Critical to Quality
- Measuring the right stuff
- Examples
- Wrap up

Customer – focused Performance



Customer focused calculation:

$$\text{Customer Satisfaction} = \frac{\text{Your performance}}{\text{Customer Expectations}}$$



Customer satisfaction is driven by *their* perceptions...not yours.

Customer – focused Performance



Watch for changes...

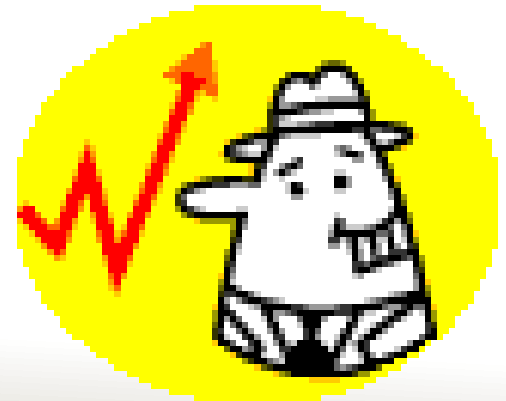
Find out if something has happened

Analyze what's happening

- Is satisfaction rising?

...or...

- Is satisfaction sliding?



Customer – focused Performance

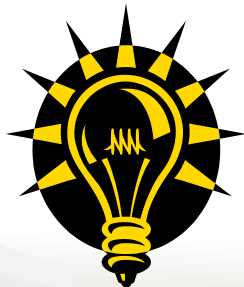


What do customers want, anyway?

Product and Process...

Product = results...the *technical* element

Process = confidence...the *human* element



For many customers, process is more important than product.

Customer – focused Performance



When I'm a customer, I want...

- To be taken seriously
- Competent, efficient service
- Anticipation of my needs
- Explanations my terms
- Basic courtesies
- To know my options
- Not to be passed around
- To be listened to
- Knowledgeable help
- Friendliness
- To be kept informed
- Follow-through
- Honesty
- Feedback
- Professional service
- Empathy
- Respect

Customer – focused Performance



View your customer's point of view by...

Identifying

Measuring

Monitoring

What do your customers care about?

Same goods and/or services for less cost, or

Additional goods and/or services for same cost, or

Additional goods and/or services for less cost

▶ Any of the above in less time

▶ All of the above with less burden on them

Quantitative/Qualitative Indicators: What's the difference?



Quantitative indicators are fact-based

- Objective, measure quantity and response times
- Results can be compared over time easily
- Focus on efficiency and improvement

Qualitative indicators are seen as subjective

- Subjective (assessing knowledge, service, communication)
- Can be difficult to measure and compare
- Focus on perception, effectiveness and contribution
- “Soft” skills development

Measuring Performance



Performance measures let us know...

- How well we are doing
- If our processes are in statistical control
- If we are meeting our goals
- If and where improvements are necessary
- If our customers are satisfied

Measuring Performance



Common performance measure groupings

- Effectiveness
- Efficiency
- Quality
- Timeliness
- Productivity

Measuring Performance



Attributes of an ideal unit of measure:

- Reflects the customer's needs as well as our own
- May be interpreted uniformly
- Provides decision making
- Is compatible with existing sensors
- Is understandable
- Is precise in interpreting the results
- Applies broadly
- Economical to apply

Measuring Performance



Procurement impacts on the organization

- Measure over time and benchmark
- Select relevant measurements and abilities
- Use appropriate tools
- Keep it simple
- Share the results with the stakeholders

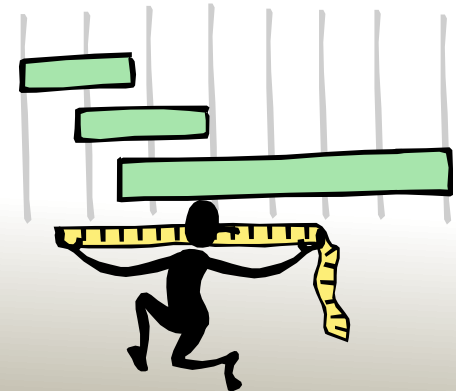
Purchasing competencies

knowledge, skills and attitude

experience

▶ qualifications

▶ targets to be met



Measuring Performance



Performance measures must be **SMART**:

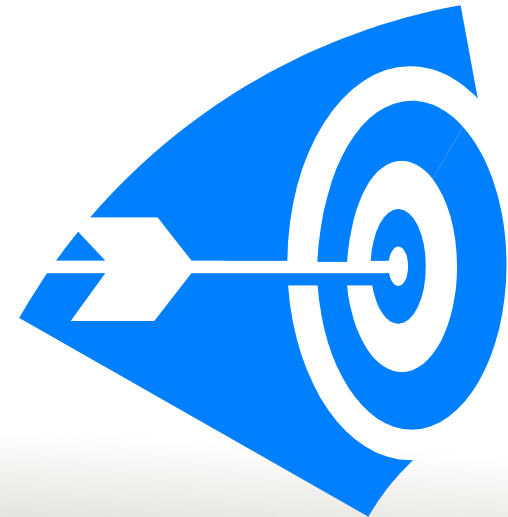
Specific

Measurable

Achievable

Realistic

Timed



Measuring Performance



Performance measures must be **SMART:**

Specific – easily understood

The “what” of a performance goal



Be specific *now*, not later

Measuring Performance



Solicitation Tracking Survey Results

Solicitation: IFB - 1033010 - Design, Build, Operate and Maintain Two compressed natural gas fueling facilities at EMOC.

Buyer: Norris, Bob

Survey Submitted by: Calvin Jones (DGS)

Survey Submit Date: 3/4/2014

Timeline Results

	Initial Date*	Complete Submittal Date**	Sol. Issued Date	Pre-Bid Pre-Prop. Date	Solicitation Due Date	Transmittal to Dept Date	Dept Recommend Date	Award Posted Date	Contract Received in Pro***	Contract Execution
Agreed To:	--	--	08/09/13	N/A	10/07/13	10/18/13	12/12/13	12/18/13	01/16/14	03/12/14
Actual:	07/11/13	08/05/13	08/09/13	N/A	10/09/13	10/09/13	11/07/13	11/07/13	02/27/14	02/28/14
		4 days			0 days		29 days	0 days	112 days	1 day

Measuring Performance



Performance measures must be **SMART:**

Specific

Measurable – what does success look like or how is it quantified?

- The “how much,” “how well,” or “to what level or degree” of a performance goal

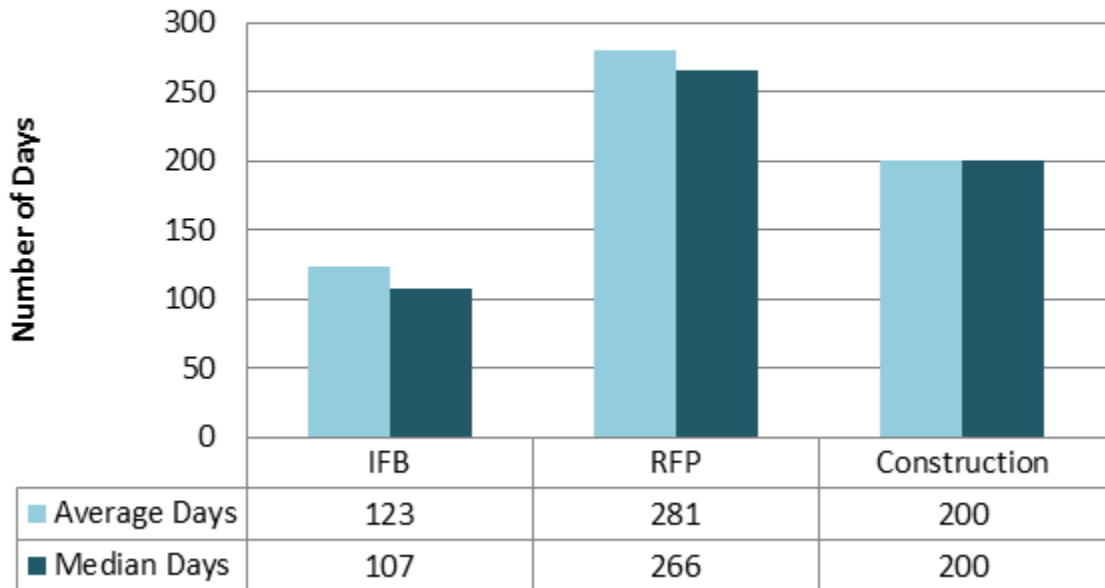


To be measurable, a goal must be quantifiable.

Measuring Performance



Average & Median Lifecycle by Solicitation Type



IFB

- Avg: 4.1 months
- Med: 3.6 months

RFP

- Avg: 9.4 months
- Med: 8.9 months

Construction

- Avg: 6.7 months
- Med 6.7 months

Measuring Performance



Performance measures must be **SMART:**

Specific

Measurable

Achievable – action oriented, de-motivational

- Actions are measurable, Attitudes are not



Performance measures are achievable when they are tied to behavior.

Measuring Performance



Survey Results

Question

1. Procurement staff was professional.
2. Procurement staff offered options and collaborated to effectively resolve issues that arose.
3. Procurement staff kept us informed on procurement progress and status.
4. This procurement was completed within the agreed upon timeline schedule.
5. Procurement staff provided guidance and instruction when needed.
6. Overall, I was satisfied with Procurement staff performance on this procurement project.

Measuring Performance



Performance measures must be **SMART:**

Specific

Measurable

Achievable

Realistic – relevant to core business/service

- Hitting realistic goals is a real confidence builder
- Realistic goals establish accountability



Realistic goals are not universal



	Agreed to Dates	Actual Dates	Timeline Results
Package Complete	N/A	08/05/13	N/A
Solicitation Issued	08/09/13	08/09/13	Procurement met timeline by 0 days
Solicitation Due	10/07/13	10/09/13	Timeline missed by 2 days
To Department	10/18/13	10/09/13	Procurement met timeline by 9 days
Department Recommendation	12/12/13	11/07/13	Department met timeline by 35 days
Award Posted	12/18/13	11/07/13	Procurement met timeline by 41 days
Contract Received	01/16/14	02/27/14	Department missed timeline by 42 days
Contract Executed	03/12/14	02/28/14	Procurement met timeline by 12 days
Total (From Pkg Complete Date)	219	207	Overall, solicitation process met "Agreed To" timeline by 12 days

Measuring Performance



Performance measures must be **SMART**:

Specific

Measurable

Achievable

Realistic

Timed – realistic timescale

- Time-bound measures clarify the “when” of performance



Procrastination is the enemy of performance

Six Sigma and your customer



The Voice of the Customer (VOC)

- Helps you understand customer requirements.
- This describes information coming *from* the customer

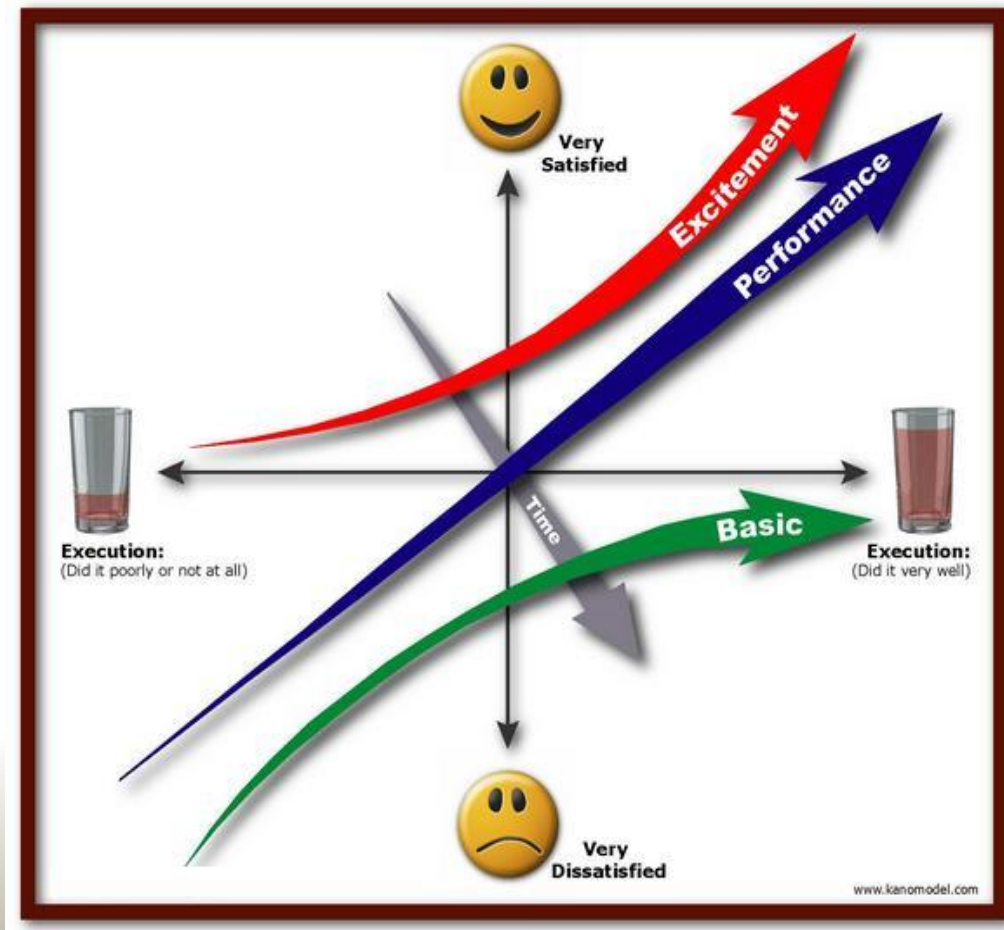
Critical to Quality (CTQ) elements

- What value means to them
- Provides the basics to assess how well you're performing

Six Sigma and your customer



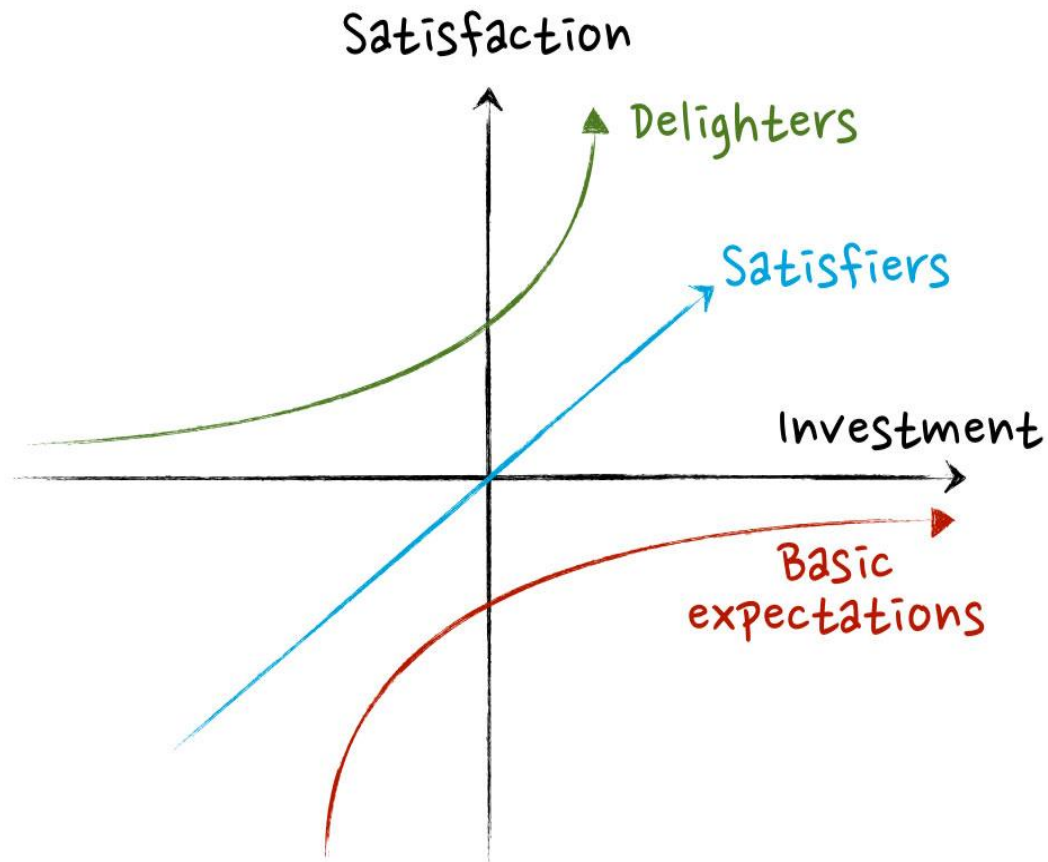
The “Kano” model:



Six Sigma and your customer



The “Kano” model:



Six Sigma and your customer



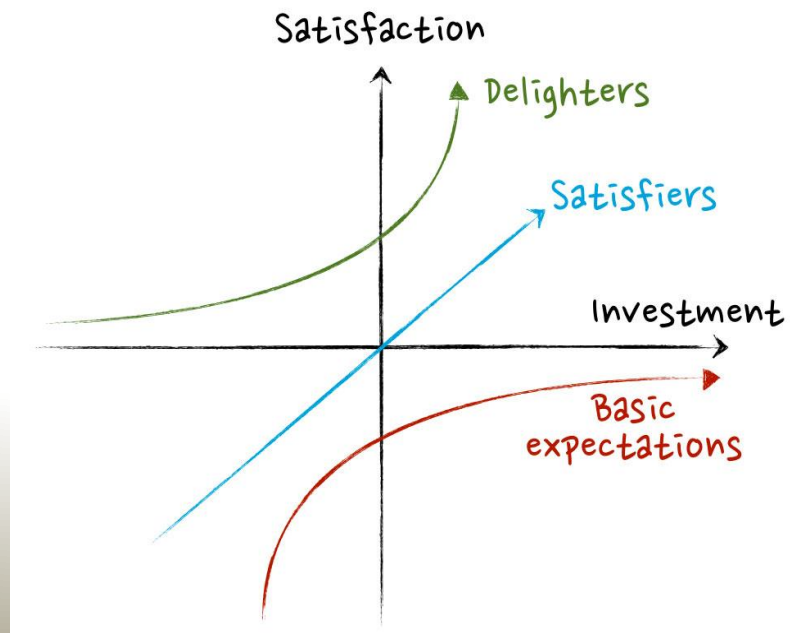
Basics are the Must-Be factors

Satisfiers are Performance requirements that relate to service delivery

Delighters are the “Excitement” factor



Over time things change. A one-dimensional satisfier will become a must-be and delighters will become satisfiers.



Obtaining the VOC (Voice of your Customer)



We find what customers want by...

- Talking
- Listening
- Observing

Gathering input to...

- Understand needs
- Identify key issues
- Translate into meaningful terms



Listening to the Voice of Customer (VOC) is about determining your customer's requirements for service, not determining solutions to meet those requirements

Obtaining the VOC



Take an outside-in view

- Don't assume
- Customers are not all the same

Prioritize your customers

- Every customer is important but....

Obtaining the VOC



Researching the requirements

1. Investigate what you already have
2. Develop a research plan and use it

Researching the Requirements		
Input	Research Method	Output: What you Get
No information	Interview What is important?	Customer wants and needs (general ideas, unprioritized, not clarified, all qualitative)
Known preliminary customer wants and needs	Interview Which are most important?	Customer wants and needs (clarified, more specific, preliminary prioritization)
Qualitative, prioritized customer wants and needs	Surveys Face-to-face Active communication	Quantified prioritized customer wants and needs

Obtaining the VOC



Be aware...

- Customer may offer solutions
- Customers perceive things differently
- External customers express effectiveness needs
- Internal customers express efficiency needs

Customer interviews



Disadvantages...

Data Deficient

No Anonymity

Time Limitation

Data Limitation

Sample Size

Labor intensive

Human Beings

Positive response bias

Advantages...

Flexibility

Specificity

High Response

Coverage



Ask open questions, listen to what is said.

Customer Surveys



Pros:

Low cost

Efficiency of large samples

Access to hard-to-reach respondents

No interviewer bias (although you have to ask the right questions)

High reliability and validity

Anonymity allows for more honest response

Cons:

Low rate of return

Non-responsive bias

Little control

Limitations on questions

Potential misunderstanding

Over simplification or complexity

Fatigue if too long or too often

Anonymity for bias and attack

Critical to Quality (CTQ)



Once you've given attention to the VOC (Voice of Customer) information you need to develop the Critical to Quality (CTQ) factors

- In measurable form
- Provide the basis for performance measures

A few cautions...



Listen to what your customers say, not to what you think they're saying



CTQs shouldn't prescribe a solution, should be measurable and a target value



CTQs should be a positive statement about what the customer wants

Wing-to-Wing Awareness



- Talking about customer-focus is easy
- How does the *customer* measure success?
- Wing-to-Wing thinking is a circumspect approach



Take a look “outside-in.” Think about what your customers see and how that affects your value in *their eyes*



Solicitation Tracking Survey Results

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IFB Positive Outliers (4/1/13 - 6/30/13)

■ Milestones MET by 15 days or more



Solicitation Tracking Details

IFB #1026590

Buyer: Robert Norris

Department: Jeffrey Camera (DEP)

Description: Hazardous Materials Containers for the Shipping of Non-Regulated Hardous Waste.

	<u>Agreed-To</u>	<u>Actual</u>	<u>Calculations</u>
Date Received:	--	02/11/13	--
Date Returned to Dept:	--	-	--
Pkg Complete:	--	04/18/13	--
Date Issued:	04/18/13	04/18/13	PRO met by 0 day(s)
Date Pre-Bid\Sub:	-	-	-
Date Opened:	05/17/13	05/17/13	Met by 0 day(s)
Date To Dept:	05/27/13	05/17/13	PRO met by 10 day(s)
Dept Recommendation:	06/20/13	05/24/13	Dept met by 27 day(s)
Award Posted:	07/15/13	05/29/13	PRO met by 47 day(s)
Contract Received:	08/01/13	05/29/13	Dept met by 64 day(s)
Executed:	08/15/13	06/14/13	PRO met by 62 day(s)
R: From Date Received	R: 185 day(s)	R: 123 day(s)	
C: From Pkg Complete	C: 119 day(s)	C: 57 day(s)	

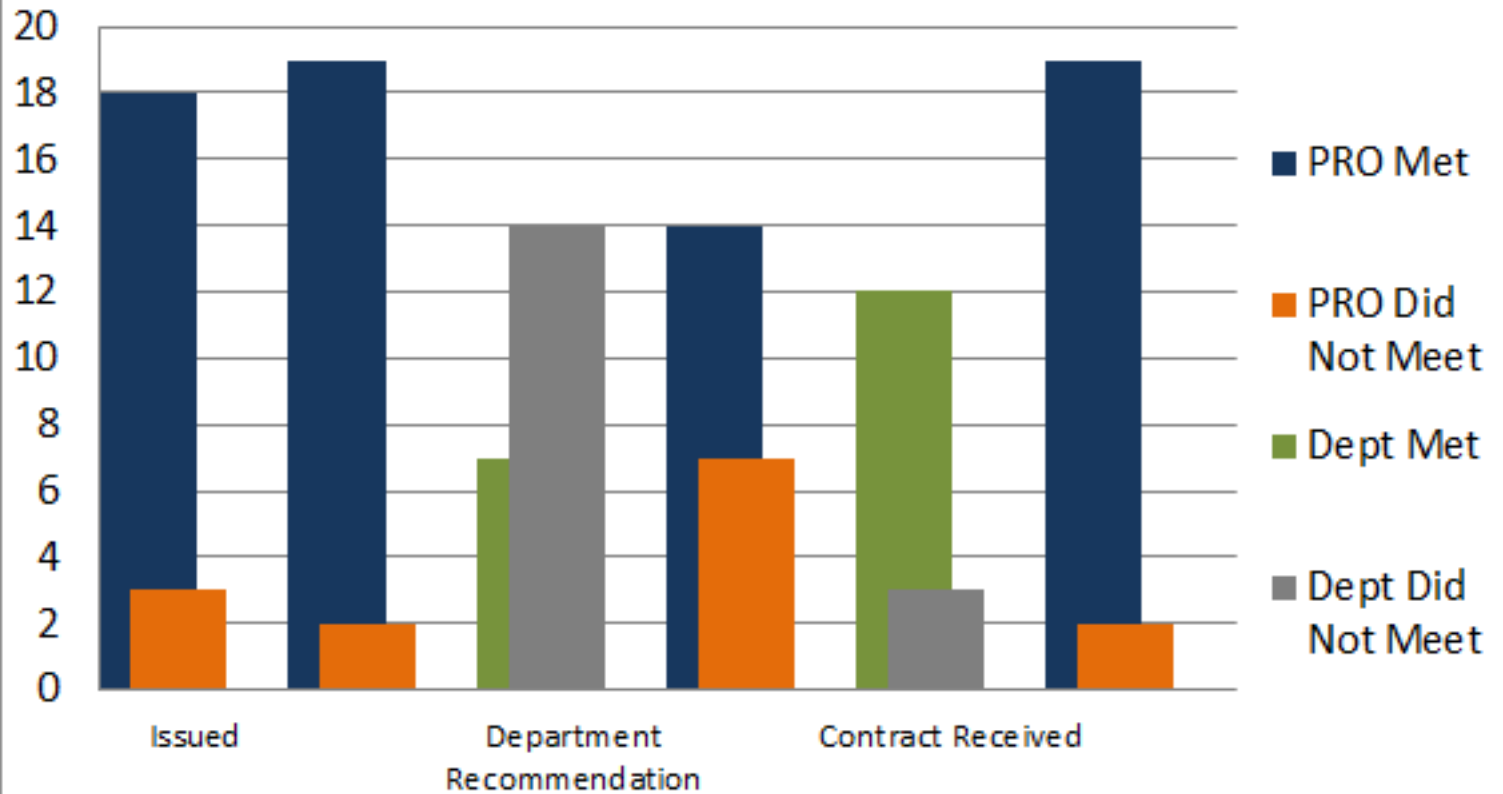
Agreed-To Email Sent 04/21/13

Survey Sent 06/15/13 Survey Returned 06/17/13 (4.00 out of 4 Avg Score)



Milestone Stats

(Procurement & Departments)





Milestone Stats - Actual

(Procurement)

Did Not Meet,
17%



Met,
83%

Milestone Stats - Deviation

(Procurement)

Did Not Meet,
11%



Met,
89%

(Departments)

Did Not Meet,
47%



Met,
53%

(Departments)

Did Not Meet,
44%



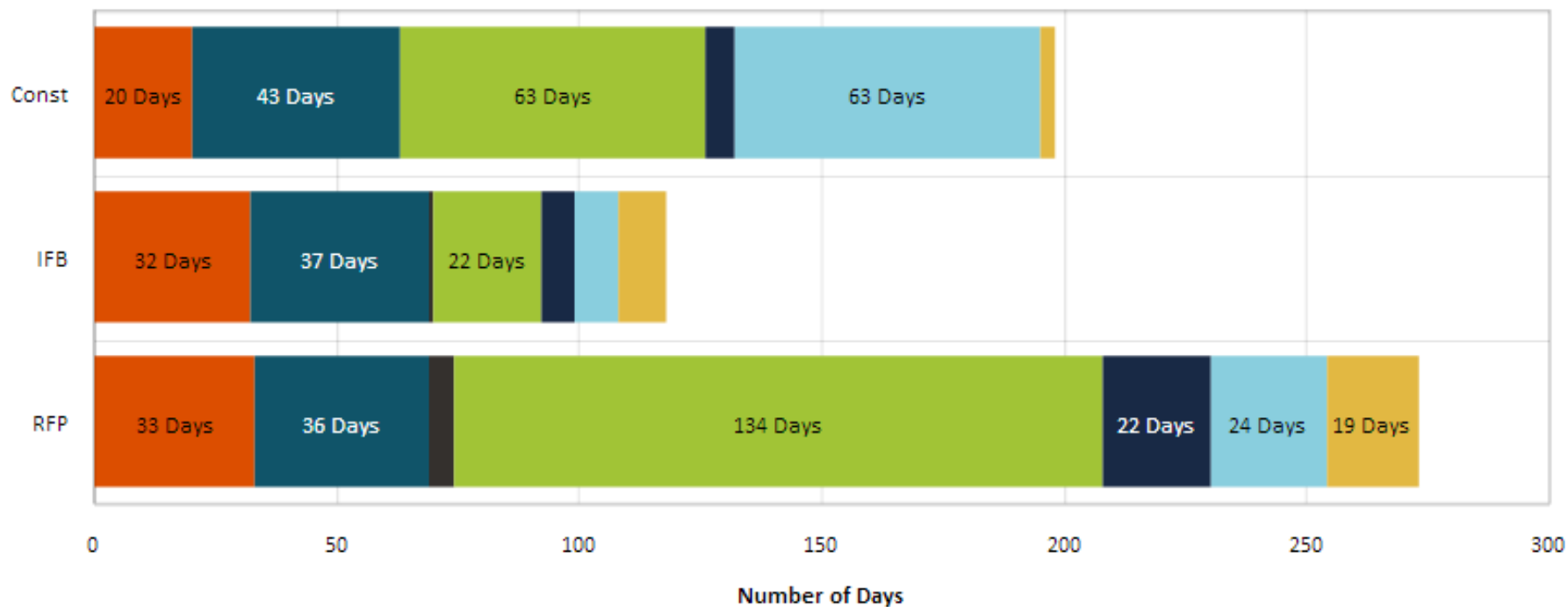
Met,
56%



Milestone Averages

The chart below provides a graphical view of the average days to complete each milestone by solicitation type.

Average Number of Days for each Milestone



- ✓ Pkg Complete to Issuance
- ✓ Issuance to Open
- ✓ Open to To Dept
- ✓ To Dept to Dept Recommendation
- ✓ Dept Recommendation to Award Posting
- ✓ Dept Rec to Contract Received
- ✓ Contract Rec to Executed

What is the right stuff?



Efficiency vs. Effectiveness

Effectiveness = meeting the goal

Efficiency = meeting the goal the right way

Purchasing performance = effectiveness + efficiency

It is more important to do the right things, than to do things right.

- Peter Drucker

Measuring the right stuff



Traditional measures for evaluating purchasing performance:

- Price reduction
- Cost avoidance
- Number of P.O.s issued
- Number of line items purchased
- Inventory value
- Inventory turns
- Standard cost variance
- Department budget vs. actual
- Purchasing headcount
- Other...?

Measuring the right stuff



Comparison of Purchasing Performance Measures Rankings

Measures	CEOs/Presidents Rankings (out of 19)	CPOs Rankings (out of 90)
Quality of purchased items	1	5
Key supplier problems that could affect supply	2	38
Supplier delivery performance	3	4
Internal customer satisfaction	4	26
Purchase inventory dollars	5	20

Developing the right measures



Common problems with traditional measures:

- Most measurement goals occur annually
- Measures measure busywork
- Measures aren't consistent across the organization
- Measures are self-measured and self-reported
- Measures are tactical, not strategic

Developing the right measures



Measurement systems **should**:

- Support goals, objectives and programs
- Provide simple measures
- Reveal how needs and expectations are satisfied
- Allow stakeholders to understand the affect of their performance
- Support organizational learning and improvement
- Provide congruency of measures across organizational levels

Developing the right measures



Measures should be action-oriented and timely

- At all levels, should lead to immediate, operational solutions
- At the mid-management level, should invoke changes in operational procedures or focus
- For top management, should indicate changes in choice of strategies to meet goals

Developing the right measures



- Quality of service
- Level of effort
- Success rate
- Communication
- Professional knowledge
- Availability
- Responsiveness
- Initiative
- Process
- Guidance and Assistance
- Timeliness
- Information
- Innovation



Developing the right measures



All Scores (1/2): 2013 Survey

	County Attorney	Finance	DGS-Bldg Services	DGS-Capital Dev Needs	DGS-Fleet Services	DGS-Leased Space Needs	DGS-Print/Mail/Archives	DGS-Procurement	Human Resources-Benefits	Human Resources-Records Management
Q2: Quality of service	3.47	3.27	2.71	2.79	3.13	3.05	3.22	2.76	3.06	3.12
Q3: Level of effort	3.18	2.98	2.50	2.47	3.00	2.93	3.19	2.31	3.02	3.17
Q4: Success rate	3.31	3.12	2.49	2.56	2.98	2.84	3.16	2.66	2.99	3.06
Q5: Communication	3.35	3.19	2.56	2.72	3.05	2.97	3.16	2.76	2.97	3.07
Q6: Professional knowledge	3.47	3.29	2.75	2.88	3.14	3.02	3.20	2.87	3.03	3.10
Q7: Availability	3.17	3.01	2.50	2.86	3.07	2.92	2.97	2.69	2.69	2.99
Q8: Responsiveness	3.35	3.18	2.45	2.72	3.00	2.86	3.07	2.68	2.92	3.11
Q9: Initiative	3.19	2.98	2.35	2.67	2.91	2.72	2.91	2.53	2.83	3.03
Q10: Process	3.44	3.20	2.56	2.81	3.09	2.98	3.18	2.73	3.04	3.11
Q11: Guidance & Assistance	3.43	3.22	2.64	2.82	3.09	2.98	3.18	2.76	3.06	3.13
Q12: Timeliness	3.33	3.16	2.59	2.78	3.05	2.93	3.10	2.61	3.08	3.13
Q13: Information	3.30	3.18	2.60	2.80	3.09	2.99	3.05	2.81	3.05	3.14
Q14: Innovation	3.09	2.98	2.48	2.67	2.92	2.83	3.01	2.55	2.98	3.01
Overall Average Rating	3.31	3.14	2.55	2.74	3.04	2.93	3.11	2.67	2.98	3.09



■ Department showed statistically significant increase from 2012

■ Department showed statistically significant decline from 2012

2013 Internal Customer Satisfaction Survey

1

01/08/2014



Developing the right measures



1. What is the corporate strategy?
2. How does supply management relate to the organization's strategy?
3. Review present practice in divergent areas.
4. Develop performance measures for divergent areas.
5. Track performance against new measures, adjust if necessary.
6. Review and if necessary revise measures which show non-divergent results.
7. Review regularly.

- Raedels and Buddress

Developing the right measures



Quantitative ways to measure qualitative factors

- Quality of purchased items
- Supplier Problems
- Supplier Delivery Performance
- Internal Customer Satisfaction
- Purchase Inventory Dollars

- Center for Advanced Purchasing Studies (CAPS), Fearon and Bales

The eye of the beholder



Satisfaction depends on perspective and position

- User
- Senior management
- Elected officials
- Businesses
- Public

The eye of the beholder



Survey Results

Question

1. Procurement staff was professional.
2. Procurement staff offered options and collaborated to effectively resolve issues that arose.
3. Procurement staff kept us informed on procurement progress and status.
4. This procurement was completed within the agreed upon timeline schedule.
5. Procurement staff provided guidance and instruction when needed.
6. Overall, I was satisfied with Procurement staff performance on this procurement project.

The eye of the beholder



Survey Scores

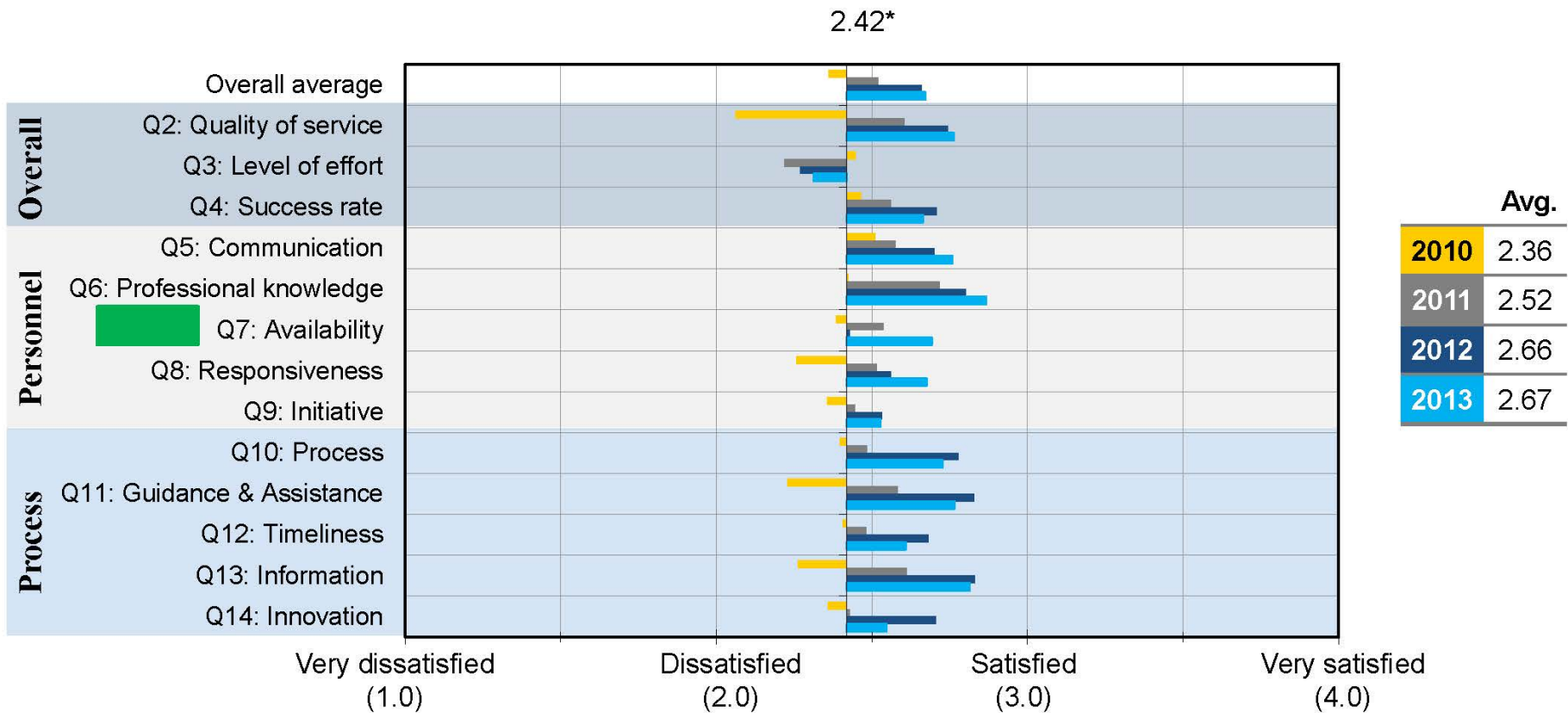
The average score received by the issuing department for surveys received during FY13 4th Quarter. Surveys are sent upon execution of a contract.

Question	Average Score Out of 4
1. Procurement staff was professional	3.75
2. Procurement staff offered options and collaborated to effectively resolve issues that arose	3.71
3. Procurement staff kept us informed on procurement progress and status.	3.57
4. This procurement was completed within the agreed upon timeline schedule	3.83
5. Procurement staff provided guidance and instruction when needed	3.71
6. Overall, I was satisfied with Procurement staff performance on this procurement project	3.75
Total	3.72 or 93%

The eye of the beholder



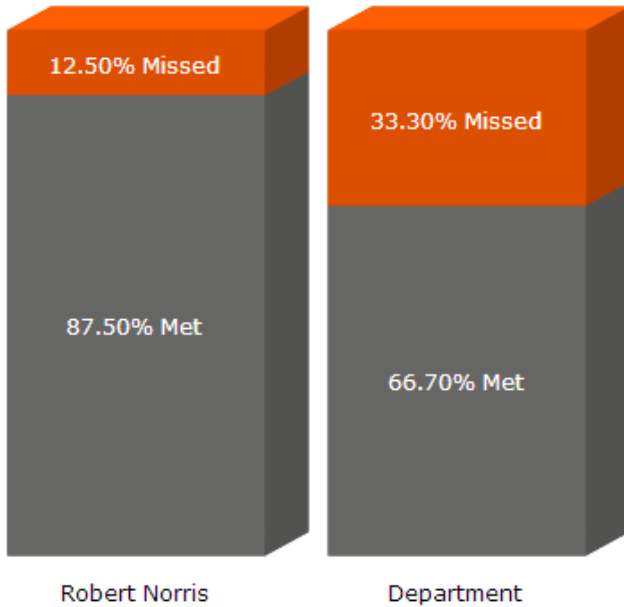
Quantitative Data Analysis: DGS – Procurement





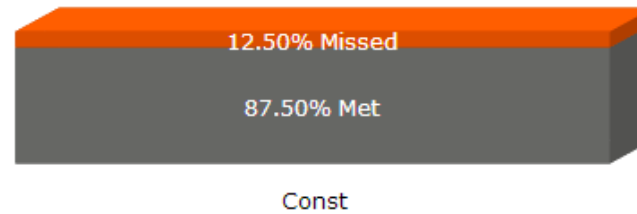
% of Milestones Met - All Types

How well did Robert Norris meet PRO responsible milestones compared to the department?



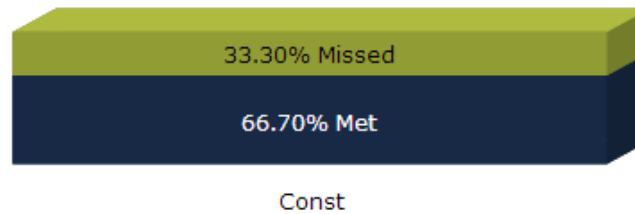
% of Milestones Met - By Type for Robert Norris

Robert Norris is/are responsible for meeting milestones related to the Solicitation Issuance date, date the Solicitations were sent to the Department, date of Award Posting and Contract Execution Date.



% of Milestones Met - By Type for the Dept

The dept is responsible for meeting milestones related to the date of Award Recommendation and the date that the COMPLETE contract is received in PRO.



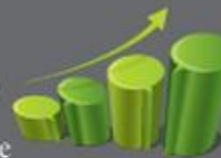
Performance at a Glance

SOLICITATION TRACKING

For the current fiscal period, you are meeting

87.5%

of your performance measures!



SURVEY RESPONSES

For the current fiscal period, you:

Sent 5 survey(s), 4 was/were completed by the dept and you scored (avg) 3.5 out of 4!



Focusing on performance your customer cares about!



Agenda

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- ☑ Quantitative & Qualitative Indicators
- ☑ Obtaining the Voice of the Customer
- ☑ Understanding what's Critical to Quality
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- ☑ Examples
- ☑ Wrap up

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