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RFP Writing: Metrics & Contract Management

Module 5: RFP Writing - Metrics & Contract Management

> **In this module, you will:**
> - Understand how tracking and discussing contract performance with your selected vendor throughout the life of the contract can create opportunities for continuous learning and improvement.
> - Draft metrics you will use to track and measure vendor performance, identify how you will assess outcomes across different sub-groups, and draft an active contract management strategy.

5.1 Best Practices

Performance Metrics

Performance metrics are an extension of the contract goals drafted previously. Metrics create accountability by allowing you to measure whether vendors are realizing your vision of success. By regularly discussing performance with vendors through data-driven discussions, you can build accountability, inform contract renewal decisions, and better understand what it means to successfully deliver services.

Although it may seem natural to turn a contract goal into a simple, binary success metric (i.e., the goal was (or was not) achieved), a yes/no goal limits your understanding of whether the metric is improving over time and whether you and your vendors are closer to (or further away from) achieving success. In addition to understanding whether a service is effective, appropriate performance metrics also yield insights into how your vendor is delivering a service, what components of the service model are working well, disparities in who is benefiting from a service, and where there is room for improvement. Performance metrics should therefore aim to measure project success as well as improve your understanding of *how* to be successful.

As you develop your set of performance metrics, consider the difference between outcome and output measures. Output measures track the activities themselves, like clients served, miles paved, software subscriptions, etc. Outcome measures track the intended results or effects of the activities, like reductions in unemployment, quality of road construction, reductions in data entry time, etc. Your RFP should include a mix of both outcome and output performance metrics. Finally, you might find it helpful to place your performance metrics within a logic model, noting the desired outcomes and then determining the inputs and outputs to track to see whether you are heading towards your desired results.

For each metric, you will want to devise a clear plan for how that metric is generated, who is responsible for generating it, where the data will be stored, and how and when it will be shared. One

tip for developing this plan is to keep things as simple as possible. There are many information management and enterprise data systems that can facilitate data generation and sharing, and you should consider leveraging the tools already at your government's disposal. However, a simple standardized excel spreadsheet or a web-based form can often work well. Most importantly, the data generation and sharing process should not be confusing or administratively cumbersome.

Consider the following tips for effectively defining performance metrics in your RFP:

KEY CONCEPT: CHARACTERISTICS OF AN EFFECTIVE PERFORMANCE METRICS	
1	**Orient vendors to success.** Articulate goals/metrics to define success and establish a shared understanding of what both parties are working toward. Consider what success looks like for different sub-groups impacted by your contract, especially different racial groups or neighborhoods.
2	**Keep it (relatively) simple.** Too few metrics may make it hard to fully understand performance. Too many metrics may make it hard for vendors to understand what is most important to focus on. While you will brainstorm at least five metrics in this module, you may ultimately find that it only makes sense to track one or two metrics and dive deep into analysis of outcomes by sub-groups within those one or two metrics. Additionally, metrics that are composite measures are often too complex to be operationally meaningful. Avoid metrics that are formulated by aggregating multiple data inputs, resulting in measures that make it difficult to attribute trends to specific changes in the work the vendor is doing.
3	**Balance output and outcome measures.** Including outcome metrics is crucial to understand whether the vendor is on track to meet your desired goals. Ideally, outcome metrics include a combination of short-term and long-term measures. Output measures are important for understanding how the contract is being executed and to identify the mechanisms that drive success on outcomes, however, without also including outcome measures, it is difficult to say if a contract is truly achieving the desired results.
4	**Identify data tracking responsibility.** Note within the RFP when and how you will be relying on the vendor to provide data. Consider using metrics that are based on existing or administrative data, as these may be a lower burden for the vendor to provide, can be more complete, and may reduce the risk of false reporting.
5	**Be consistent.** Use consistent metrics when contracting with multiple providers for the same good/service in order to compare performance between vendors and combine performance across contracts to understand system-wide impact.
6	**Leave room to learn.** Asking vendors to propose a metric for the quality or success of the contract is a helpful strategy when you want to leverage the expertise of the vendor community. Reserve the right to adjust goals/metrics once programs are up and running, and analyze data by different sub-group characteristics (e.g., race, gender, neighborhood, or client profile).

Preparing for Active Contract Management

In addition to specifying the performance metrics in the RFP, you will also signal to vendors the roles and responsibilities for collecting performance metrics and the process by which you plan to review this data with vendors. The GPL calls this process "active contract management" (ACM). ACM features the following components:

- High-frequency reviews of real-time performance data: Frequently reviewing performance metrics enables agencies and vendors to identify problems before they become ingrained or too far off course.
- Regular, executive-level meetings between the government and vendors focused on operational insights: ACM meetings between vendors and government create built-in opportunities to swiftly troubleshoot problems and identify ways to replicate success. Critically, in these regular meetings, vendors and departments have solutions-oriented conversations that connect current performance to the design and operations of the specific project or program. These meetings also facilitate transparency into department decision-making and vendor improvement efforts, resulting in greater trust.
- Collaborations to implement changes that improve results: ACM empowers leaders to quickly detect performance trends, make consistent improvements, and identify opportunities for reengineering service delivery systems to achieve better outcomes.

Much of the work of active contract management begins after contract execution, but the RFP offers an important opportunity to share with vendors that you plan to develop a collaborative relationship focused on contract performance.

More information about active contract management is available on GPL's website at: https://govlab.hks.harvard.edu/active-contract-management.

5.2 Examples

Performance Metrics

Imagine that you work in a Department of Social Services that is issuing an RFP for a vendor to run a financial counseling program for low-income individuals. You want to identify metrics that can help you keep track of the day-to-day operations of the vendor (and know when it would be helpful to course correct!). However, you also know that without tracking the outcomes of the services, you might not be able to show your Department Manager the impact on the lives of residents. Here is a sample of output and outcome metrics you might plan to include:

Output Metrics (metrics which aim to track the activities conducted)
• Number of financial counseling program participants served within 10 days of referral • Number of financial counseling program participants attending 6-month follow up visit • Percentage of financial counseling program participants who are undocumented (a focus population for the program)
Outcome Metrics (metrics which aim to track the results of the activities conducted)
• Percentage of financial counseling program participants with reduced debt one year following referral • Percentage of financial counseling program participants with credit scores raised by >50 points one year following referral • Percentage of financial counseling program participants with stable employment at two-year mark following referral • Analysis of how these outcomes vary by different racial groups and other client demographics

Performance Metrics in Practice

One city human services department that the GPL worked with defined new performance metrics and used active contract management (ACM) techniques in their contracts with homeless shelter service providers.

In the past, metrics for homelessness service providers were inconsistent, sometimes even across the same program type, and focused primarily on counting activities rather than measuring outcomes. To better understand program impact, the department collaborated with providers to identify consistent metrics that accurately measure program performance in real-time and can be aggregated to understand system-wide progress.

The department also set up a system to regularly review program performance data to identify homelessness trends and challenges in delivering effective services. Using this information, the department and providers could swiftly and collaboratively develop solutions to achieve better outcomes. The department implemented i) monthly meetings with each provider, ii) quarterly internal meetings, and iii) quarterly executive meetings with groups of providers serving the same target population.

With these data and an active contract management meeting structure, the department will be able to 1) compare the performance of similar programs, 2) identify characteristics or strategies of high-performing programs and share best practices amongst providers, and 3) understand system-wide progress in moving people from homelessness to permanent housing.

MODULE 5: WORKBOOK

5.3 DISCUSSION QUESTIONS

Gather your RFP drafting team and discuss the questions below.

1. Following the tips outlined above, start by taking the goals you drafted earlier and convert each goal into something that could be measured (by either the jurisdiction or the vendor).

You may find it helpful to put each of your outcome goals within the context of a logic model, similar to the structure below:

Planned Activities (to become part of your scope of work)		Effects of Planned Activities (your outcome goals and performance metrics)	
Inputs	**Activities**	**Outputs**	**Outcome Goals** (Short or Long Term)
Government and vendor resources that will go towards the program (e.g., staff and funding)	*Organized activities conducted as part of the program (e.g., services offered, outreach conducted)*	*Direct products of program activities (e.g., the number of participants receiving the services)*	*Changes in program participants as a result of program participation (e.g., an increase in participants' academic achievement, or whether they started a small business)*

2. What aspects of contract performance do you anticipate discussing with your vendor in a meeting at the following periods: monthly, quarterly, annually, or as needed? What data will you review with your vendor at each of the following periods? Who will be responsible for leading, planning, and bringing information to each meeting? What other individuals will be a part of the meeting?

Frequency	Topics & Data	Participant Roles
Monthly:		
Quarterly:		
Annually:		
As needed:		

3. What information systems or tools can you use to generate, collect, track and analyze the data? (E.g., Excel spreadsheets or Google Forms for capturing inspections data)

5.4 DRAFTING PROMPTS

1. Drawing on the discussion questions above, draft a set of performance metrics to be included in your RFP. There should be at least two draft performance metrics for every goal you outlined in the last spreadsheet, and at least six performance metrics in total. For each metric, indicate who is responsible for collecting the data, how they will collect it, and how often it will be collected. (Note: A table, like the one below, may be a useful way to present this information in the RFP.)

Metric	Data Source	Data Frequency	Responsibility
Example: *Number of validated citizen complaints received related to landscape services.*	*Example:* *City's 311 call log and email submissions.*	*Example:* *The City will review data with the vendor at monthly meetings.*	*Example:* *Parks Dept. staff will tabulate this data on a monthly basis.*

2. Drawing on your responses from the above set of questions, draft a few paragraphs to be included in your RFP that describe how you will meet regularly with vendors to review performance metrics (i.e., your active contract management strategy).