

Vendor Performance Management

CIPMM Mentorship Program
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Public Services and
Procurement Canada

Services publics et
Approvisionnement Canada

Canada

Background

In support of the Minister's mandate letter commitment, the Acquisitions Program of Public Services and Procurement Canada has developed a policy on Vendor Performance Management (VPM).



2019 Consultations

- Eight consultation sessions were held across Canada on the draft VPM Policy.
 - 6 in-person and 2 WebEX sessions;
 - Over 300 participants from municipal, provincial governments, other federal government departments, industry associations, and vendors.
- Request For Information was posted on Buyandsell.gc.ca that contained the draft Policy, a Discussion Paper, and an Online Survey.
- Tailored discussions by industry sector (e.g. national industry associations).

Participants feedback:

- Supported the planned approach to VPM;
- Emphasized importance of communication and clear expectation setting;
- Suggested that an independent appeal process should be available, but with minimal impact on timelines;
- Recognized that standardized KPIs are critical to a fair and effective approach;
- Noted the importance of flexibility as it relates to the frequency of evaluations by commodity, with minimum yearly evaluations (six-months default)

VPM Design Approach

- The VPM Policy is a new framework to support fair, balanced, and consistent performance evaluations.
- Clear performance expectations will be shared with contractors to ensure that they fully understand how to fulfill their contractual obligations.
- Performance ratings will be used in future bid evaluation processes to incentivize good performance.
- Modeled after the US approach, but augmented by best practices and lessons learned from other jurisdictions (e.g. UK, Australia, British Columbia, Alberta, Saskatchewan, Ontario, and Yukon).
- Standard key performance indicators (KPIs) will minimize subjectivity and burden for technical and contracting authorities.

Vendor Ratings

- ◆ Assigning vendors a rating based on their performance over the course of the contract:
 - ◆ Communication with Vendors at regular intervals throughout the contract will allow vendors to receive input on performance and discuss options to correct inadequate performance
- ◆ Ratings
 - ◆ will be weighted over five years, with greater weight given to recent years;
 - ◆ will be weighted within a range of 5% to 25% of the overall bid evaluation score based on the circumstances of each individual solicitation;
 - ◆ will be filtered by vendor and commodity; and, potentially, by similar complexity; and,
 - ◆ may also be used for purposes of pre-qualifying or screening vendors throughout the bid evaluation process.

Progress to Date

Complete

- Meetings with other jurisdictions, including provincial/territorial and international counterparts
- Draft VPM Policy based on feedback from industry consultation
- Development of pilot scope and materials (scorecards, KPIs, contract clauses)
- Request for information (RFI) to solicit industry feedback on pilot materials

Ongoing

- Review and refinement of pilot materials based on RFI feedback
- Identification of suitable procurements for pilot launch
- Collaboration with client departments and industry associations

Implementation Approach

2021-2022+

2022-2023+

TBD

Phase 1

Phase 2

Phase 3

Contractor performance scores are **NOT RETAINED** for future bid evaluation

Contractor performance scores **ARE RETAINED** for future bid evaluation

Contractor performance scores are **USED** in future bid evaluation

Narrow scope: limited testing of VPM Policy components for select goods and services.

- Roles and responsibilities
- Development/validation of KPI and associated rating scales, weighting
- Contract management and performance evaluation process

Expand scope: additional VPM Policy components and procurement instruments are piloted as further goods and services are on-boarded.

- Formal review/appeals process
- Established governance structures in place for formal review (i.e.: Senior Management Committee, independent appeals organization)

Full scope: full roll-out of VPM Policy

- Established VPM Centre of Expertise (COE)
- Corrective measures process integrated into VPM COE

Pilot Working Groups: Overview

Since Summer 2019, five pilot working groups have been established in the following commodity groups:

- Construction
- Clothing, Accessories and Insignia (Apparel)
- Fairness Monitoring
- Task Based Informatics Professional Services (TBIPS)
- Marine/Small Vessels



Key Objectives:

1. Test, validate and refine scorecards (KPIs, rating scales), and vendor performance evaluation processes
2. Establish overall VPM roles, responsibilities, and relationships
3. Refine the VPM Policy
4. Enhance training and communication materials and change management tools

Memberships consists of key participating stakeholders:

- Contracting and technical authorities
- Project Managers

Request for Information – What We Heard

General Comment	Response/Action
Concern of inconsistency of application of scorecards from different evaluators across contracts.	Comprehensive training and ongoing support will be provided to all evaluators in client departments.
Concern that subjectivity of qualitative evaluation criteria may allow for biased interpretations. Suggested use of quantitative performance metrics as evaluation criteria.	Additional guidance material developed to compliment scorecards. Qualitative criteria must be supported by evidence. Evaluators are permitted to link qualitative criteria to metrics applicable to their specific contract.
Suggestions of alternative weightings of various KPIs in overall evaluation score.	There was no clear consensus from vendors on the best weighting for KPIs. Weightings will be re-evaluated after completion of pilots and adjusted if needed.
Concern that the upper levels of the evaluation scale may be unachievable or unfairly disadvantage vendors that don't exceed contract requirements.	The upper levels of the evaluation scale are not meant to be easily achievable and reflect outlier performance that is truly exceptional. Vendors who meet (but do not exceed) requirements will not be adversely affected.
Concern that some criteria may adversely affect vendor's scores for aspects of performance outside of their control.	KPI definitions and supporting guidance material have been updated to allow flexibility in interpretation for circumstances outside of the vendor's responsibility or control.
Clarification of how certain criteria within different KPIs are to be interpreted. Suggestions of alternative wording.	Revisions to KPIs have been made to incorporate suggestions and provide greater clarity.

Request for Information – Responses

The following were actioned in response to the comments and feedback received through the RFI:

1. Revised the pilot scorecards to improve the clarity, consistency, and objectivity of the key performance indicators.
2. Developed a VPM guideline for Business Owners (Project/Technical Authorities) to provide comprehensive information on contract management best practices, and instructions on how to apply VPM scorecards fairly, consistently, and objectively.
3. Developed VPM training and operations guide for PSPC Contracting Authorities and Business Owners.
4. Committed to providing stakeholders with ongoing support and guidance on VPM issues.
5. Committed to ensuring the ongoing engagement of the vendor community throughout the piloting phase as policies and processes are updated and implemented.

Additional Priorities

In parallel with pilot development, work on other aspects of the VPM framework is in progress:

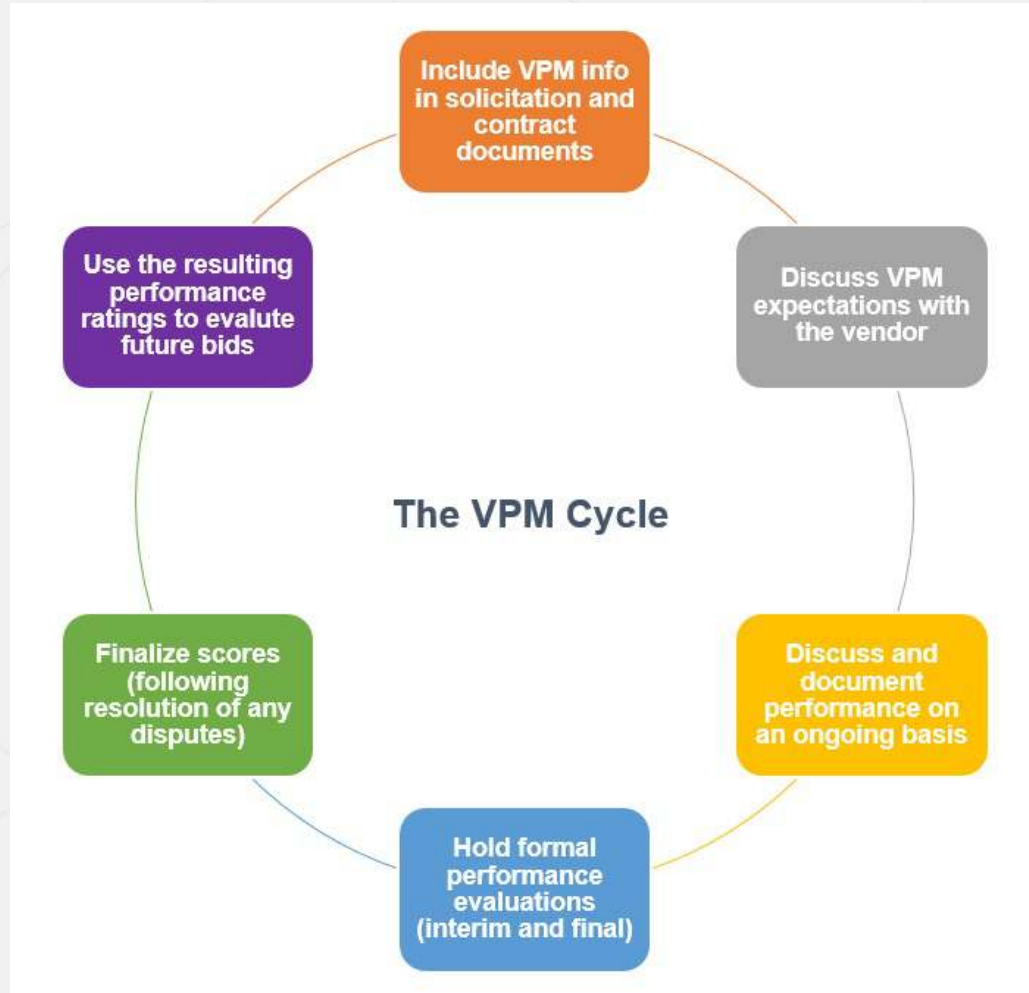
- ◆ Development of requirements and sourcing strategy options for a VPM system.
- ◆ Development of a change management strategy.
- ◆ Development of a robust appeals mechanism (in consultation with The Office of the Procurement Ombudsman and PSPC's Business Dispute Management Program), in order to provide vendors with the opportunity to dispute their performance score should they disagree.
- ◆ Updating the current Vendor Performance Corrective Measures (VPCM) policy and incorporating into the VPM policy.
- ◆ Exploring options for developing a Supplier Relationship Management model.
- ◆ Developing training and guidance materials for end-users.
- ◆ Continue engagement with industry stakeholders.
- ◆ Expand the scope of pilots to include additional commodities.

Staying Informed

A newly updated VPM website has launched. For more detailed information and the latest updates on the status of VPM activities, consult the follow resources:

- ◆ Website: <https://www.tpsgc-pwgsc.gc.ca/app-acq/grf-vpm/grf-vpm-eng.html>
- ◆ Summary of Stakeholder Engagement: <https://content.buyandsell.gc.ca/vendor-performance-management-vpm-what-we-heard-a-summary-of-stakeholder-engagement>
- ◆ Request for Information: <https://buyandsell.gc.ca/procurement-data/tender-notice/PW-21-00950744>
- ◆ Contacts:
 - ◆ Executive Director: Caroline Landry, 613-818-6675
 - ◆ Associate Director: Ricardo Seoane, 613-614-0728
 - ◆ Manager: Dante Scalzo, 873-354-3578

Annex A: The VPM Cycle



Annex B: Generic Scorecard

Cost category: Vendor's effectiveness in forecasting, controlling, and managing the contract cost, beneficial to Canada, in conformance with the contract.

- Number of change orders
- Forecasted costs or original contract price as compared to actual costs
- Percentage of compliant (on-time and accurate) invoices submitted
- Cost planning and control during the life of the project
- Managing cost overruns/underruns

Management category: Vendor's effectiveness in integrating and coordinating all activities needed to execute the contract, including client-focused behaviour, collaboration, cooperation and issue resolution, in conformance with the contract.

- Effectiveness of communication (i.e., level of clarity, openness, and timeliness)
- Level of cooperativeness (i.e., cooperation in the settlement of disputes, flexibility and efficiency in resolving issues, reasonable in negotiation of change requests)
- Level of client service (i.e., comprehensive, reliable, effective, and responsive)
- Timeliness of responses to inquiries or requests
- Level of integration management (i.e., integration of project management functions, including scope, time, cost, quality, human resources, communications, and risks)

Quality category: Vendor's effectiveness in supplying deliverables of the required quality, in conformance with the contract.

- Level of quality of the results, deliverables and/or workmanship as per the requirements set out in the SOW, plans and/or specifications
- Level of adherence to contract specifications and perceived quality of delivered goods or services
- Level that services are performed as per the contract
- Level that services are performed error free
- Effective correction of quality problems and deficiencies
- Percentage of returns

Schedule Index: Vendor's effectiveness in maintaining schedule for the completion of the contract, task orders, milestones, delivery, and administrative requirements, in conformance with the contract.

- Percentage of deliverables/milestones completed/completed fully within timelines
- Timeliness of competition/delivery (i.e., actual completion date compared with original (or amended) contract completion date)
- Rating of the time planning and schedule control
- Timely completion of administrative requirements