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Vendor Performance Management: Public Services and Procurement Canada and Shared Services Canada

Canadian Institute for Procurement
and Materiel Management

June 4, 2019



Services publics et
Approvisionnement Canada

Public Services and
Procurement Canada



Objectives for Today's Session

- Share information on progress made in developing a Vendor Performance Management (VPM) regime
- Highlight expectations and plans for VPM in Government of Canada, and next steps (PSPC led)
- Discuss planned SSC approach to give a more detailed example of how VPM can work (SSC led)
- Get your feedback and answer your questions



The Basis for VPM

PSPC mandate letter:

- “[...] to develop better vendor management tools...to hold contractors accountable for poor performance or unacceptable behaviour, particularly in large scale procurements [...]”

Key findings from the Office of Procurement Ombudsman report:

- “[...] there are currently no GC-wide policy or database for supplier performance and no govt.-wide approach to supplier performance management [...]”



Vision for VPM

VPM will strengthen the stewardship and integrity of procurement. It will provide means for Canada to hold poor performers accountable and to incentivize good performance

This will:

- Optimize best value through consideration of performance in the award of federal government contracts
- Facilitate open, ongoing, two-way communications and relationship building between government and vendors
- Promote public confidence, the accountability of public funds, and responsible partnerships.



PSPC Accomplishments To Date

- Research undertaken on other jurisdictions
- Extensive collaboration with client and industry partners, including meetings with industry associations
- Draft VPM Policy developed as a basis to manage vendor performance
- Eight regional consultation sessions on the draft Policy held across Canada (March-April, 6 regions + 2 Webex) – **Over 300** participants with representatives from municipal, provincial and federal governments, industry associations and vendors.
- Published a Request for Information (RFI) with draft Policy, Discussion Paper, and Online Survey posted on Buyandsell.gc.ca – over **800** RFI hits and **67** respondents to the online survey
- Continued alignment of PSPC with federal partners on VPM - Treasury Board Secretariat (policy role), Shared Services Canada (IT procurement)



PSPC VPM Policy Features (March 2019 draft)

Threshold:

- **\$100,000** threshold with potential **flexibility for selected commodity groups**

Bid Solicitation Phase:

- VPM clauses will provide transparency by including the Policy by reference and any additional VPM requirements/parameters
- Past ratings will, in due course, be **weighted at 5-25% of overall bid** and may also be used in other ways such as a screening tool
- Bidders without valid past ratings to have the points allotted for past performance reallocated to other evaluation criteria (or use default score)

Contract Management:

- Contracting Authorities and Technical Authorities will discuss with vendors the performance expectations and **key performance indicators (KPIs)** at the start of the contract
- **Ongoing regular communications** with vendors will be required to proactively raise issues and support a **“no surprises”** approach to VPM



PSPC VPM Policy Features (March 2019 draft)

Vendor Performance Evaluations:

- Technical and Contracting Authorities collaboratively undertake performance evaluations and substantiate Vendor Performance Scores with narratives and documentation from the performance discussions
 - Contracting Authority to oversee and validate the evaluation results
 - Technical Authority to conduct and communicate evaluations
- **Interim evaluation normally every 6 months** with the **final evaluation at contract close-out** to help ensure that vendors have sufficient time to address identified performance issues
- Vendors will be provided with an opportunity to: **review** the performance evaluation, **provide comments**, and **appeal** the assessment
- Vendors will be evaluated **using the 5-point scale** by **pre-set**, commodity specific **KPIs** aligned to the following indices: Cost, Quality, Schedule, and Management. Interim and final scores will be based on a weighted average of KPI scores
- Evaluation scores to be kept in the Electronic Procurement Solution (EPS)



PSPC VPM Policy Features (March 2019 draft)

Calculating Vendor Ratings:

- To better reflect improvements in contract performance, Vendor Performance Ratings will be calculated for each commodity group for which a vendor supplies goods and services, using a weighted average of most recent five years whereby the most recent year carries greater weight

$$\text{Vendor Performance Rating} = \frac{5*(\text{average of year 5 scores}) + 4*(\text{average of year 4 scores}) + 3*(\text{average of year 3 scores}) + 2*(\text{average of year 2 scores}) + 1*(\text{average of year 1 scores})}{15}$$

Appeal Mechanism:

- **Review Level 1:** PSPC VPM Senior Management Committee
 - PSPC VPM Center of Expertise (COE) will provide support and advice to a VPM PSPC Senior Management Committee
- **Review Level 2:** Independent Appeals Body will act as adjudicator
 - Vendor can file an appeal if the process in level 1 appeals was not adhered to or new information has come to light



Findings from PSPC Consultations

A “*What We Heard*” report has been developed based on the March-April sessions. Findings from the report, from the online survey, and from other engagements are being used to refine the VPM Policy and the development of additional policy instruments.

Some of the key findings/comments being considered include:

- Regular communications and clear expectations setting are key to the initiative’s success
- Accounting for long-duration, high-complexity contracts, through use of a complexity filter
- Allowing flexibility in the \$100,000 minimum value threshold to apply VPM to take into account other factors such as risks and potential voluntary application below thresholds
- The continued, limited use of price-only (lowest-price) evaluations, where justified
- Considering alternatives for how new entrants are treated during bid solicitation, such as by providing them a minimum score of “3” or the industry average
- Considering alternative possibilities for the frequency of evaluations and for how interim scores are used for calculation of final scores and/or overall ratings
- Ensuring ‘post-contract’ performance is addressed, by allowing the reopening of evaluations if needed (e.g. warranty service)
- Consider evaluation metrics for innovation and corporate social responsibility
- Delivering training and supporting materials (e.g. guidelines) that clearly identify the detailed and interwoven roles federal officials play in procurement.



PSPC Next Steps

June – Dec 2019

- Continue to incorporate *What We Heard* report feedback into draft VPM Policy and supporting instruments
- Continue to develop KPIs for selected commodities, working closely with clients/industry and bringing in performance management expertise
- Launch phased PSPC piloting (i.e., Apparel, THS, Construction, and Marine)
- Pilot tools to include pilot versions of the VPM Policy, guidelines, and training and communications materials

January 2020 +

- Establish a dedicated VPM Unit within PSPC
- Continue phased piloting and (in due course) implementation in tandem with Electronic Procurement Solution (EPS):
 - Broaden pilots; integrate appeals process
 - Collect scores for eventual use in bid evaluation processes
 - Government-wide implementation of VPM
- Past performance gradually integrated as a factor in contract award

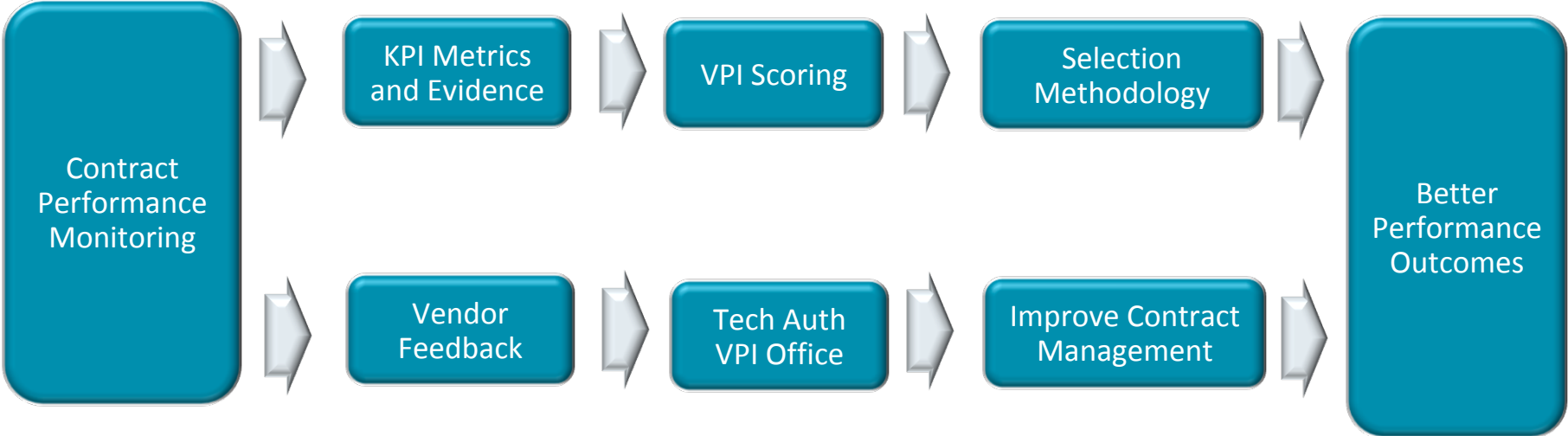


VPM Alignment

- Shared Services Canada (SSC) VPI team working in close collaboration with PSPC's Vendor Performance Management (VPM) team, including:
 - Participation in each team's respective Working Groups, with ongoing meetings and multiple workshops through the year
 - Frequent 1-on-1 meetings between teams to share ideas, discuss issues and ensure alignment of our programs
 - Sharing of draft documents for review and input
- Through this extensive engagement, the VPI and VPM teams are maintaining consistency in our approach to evaluation indices, rating scales, terminology used, etc.
- SSC recognizes the importance in ensuring that both programs align with one another and the VPI team will continue to work closely with the VPM team to support the success of both programs.



Shared Services Canada: VPI Process Model



SSC Progress to Date

- Framework developed as a basis for vendor performance with defined:
 - Requirements during bid evaluation, contract award and management
 - Defined roles and responsibilities: vendor, technical authority (business owner) and contract authority
- Research undertaken on best practices from other jurisdictions
- Extensive collaboration with client and industry partners
- Engagement with participating vendors for the selected pilot procurements through the Collaborative Procurement Process
- Draft documentation for review and comment:
 - SSC Pilot Charter
 - KPI examples
 - Vendor Feedback Form
 - PSPC VPM Policy



SSC Pilot Strategy

Pilot Selection Strategy:

Diverse spectrum of commodities across multiple categories (Operational, Solutions Based, Professional Services)

Multi-Vendor procurement vehicles to enable piloting of incentive models

Collaborative Procurement Processes to enable vendor engagement and collaboration in developing KPIs and other aspects of VPI

Soon to be implemented:

Workplace Technology Devices – Printing Products and Managed Print Services

Network Solutions Supply Chain

Under Development:

Workload Migration (Data Centres)

Digital Communications Program – Integrated Services (Email Migrations)

Cyber Security Procurement Vehicle

Professional Services (procurement TBD)



SSC Evaluation Model

Common Vendor Performance Indices

- Quality Index
- Cost Index
- Schedule Index
- Management Index

KPI Rating Tiers and Scoring		
KPI Rating Tiers and Equivalent Scores	KPI Rating	KPI Score
	Exceptional	100
	Surpassed	85
	Achieved	70
	Moderate Improvement Needed	50
	Considerable Improvement Needed	25



Sample KPIs at SSC

Quality Index Examples:

Service Desk Response Time - measures the percentage of Service Desk calls that are responded to within contracted service levels

Service Restoration - measures the percentage of incidents where time to restore services to a normal state is within contracted service levels

Schedule Index Examples:

Timely Completion - measures the percentage of contracted deliverables under all orders during the Evaluation Period that have been completed within the contracted timelines

Schedule Control – for each key deliverable, measures the degree to which the target delivery date was met in relation to the contract schedule



Sample KPIs at SSC (continued)

Cost Index Examples:

Cost Control - measures the original estimated contract cost as compared to the total actual cost inclusive of amendments resulting from contractor initiated change requests

Invoice Accuracy - measures the percentage of invoices that are submitted in a compliant manner (e.g. on-time, accurate) during the Evaluation Period

Management Index Examples:

The Management KPI is a qualitative assessment of the Contractor's:

- 1.ability to engage in Business Relationship management by developing and maintaining a professional, accountable and mutually beneficial relationship in a highly communicative and collaborative manner;
- 2.ability to anticipate, identify, monitor, manage, mitigate and resolve risks and issues related to requirements under the contract that are not quantitatively measured under other Key Performance Indicators; and
- 3.ability to exceed requirements under the contract that are not quantitatively measured under other Key Performance Indicators, through implementation of best practices, innovation and continuous improvement.



Questions & Answers

Questions?

If any further questions on the VPM Regime arise after the session please contact

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For questions for the SSC pilots, please refer to the VPI Office:

