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# Vendor Performance Management

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Public Services and  
Procurement Canada

Services publics et  
Approvisionnement Canada

Canada

# Vendor Performance Management (VPM)

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The new VPM Policy will help frame the relationship government has with its suppliers in order to optimize value and deliver better goods and services for Canadians. It will hold poor performers to account while incentivizing good performance.

It will do this by:

- Clarifying performance expectations and improving two-way communications during the contract lifecycle;
- Providing a standardized, yet adaptable, means to evaluate vendors; and,
- Using past performance information to make better informed buying decisions.



# VPM Approach

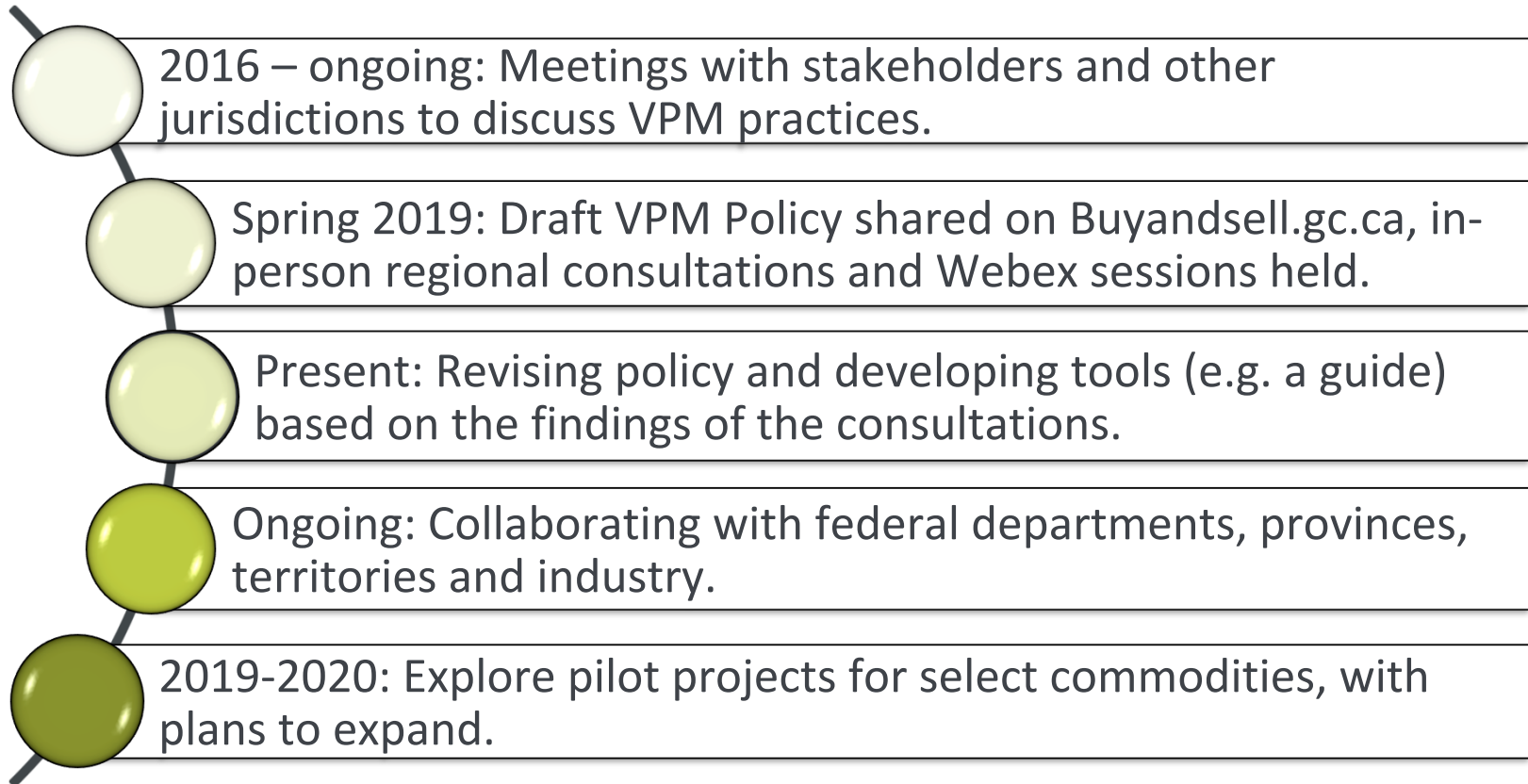
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- VPM Policy incorporated by reference into all contracts above \$100K (with some variation in threshold by commodity)
- Supporting material, including a guide and training materials, to provide guidance on:
  - Roles and responsibilities of: Business Owners (AKA Technical Authorities), Contracting Authorities, and Vendors;
  - Vendor performance evaluations and use of performance information; and
  - Two-way communications and relationship-building
- Commodity-specific Key Performance Indicators (KPIs) mapped to four standard indices (Cost, Quality, Schedule, Management)
- Vendor performance evaluations inputted, tracked, and monitored through a central repository (Electronic Procurement Solution)
- Appeals process and governance structure, under development
- Corrective measures for extremely poor performance



# Progress to Date

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# Consultation Findings: *What We Heard*

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## Overall

- Supportive of overall approach, emphasizing importance of regular communications and clear expectations setting

## Scope of the Policy: Best Value / Lowest Price

- Flexibility on approaches to bid evaluation is key (i.e. Lowest Price procurements may remain necessary)

## Bid Evaluation

- Treat complex, long-term contracts differently than simpler, shorter duration contracts (i.e. consider a complexity filter and flexibility in evaluation intervals)
- Reexamine treatment of new entrants and timing of evaluations

# Consultation Findings: *What We Heard* (cont'd)

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## Performance Evaluation

- KPIs are critical to ensuring a fair and effective approach to VPM
- KPIs should recognize performance related to Corporate Social Responsibility (e.g. green, accessibility)
- Allow for reopening of scores due to warranty service

## Appeals & Governance

- An independent appeal/review process should be available
- Consider impact on timelines

## Training & Guidance

- Clarify the interwoven roles of Technical Authorities and Contracting Authorities

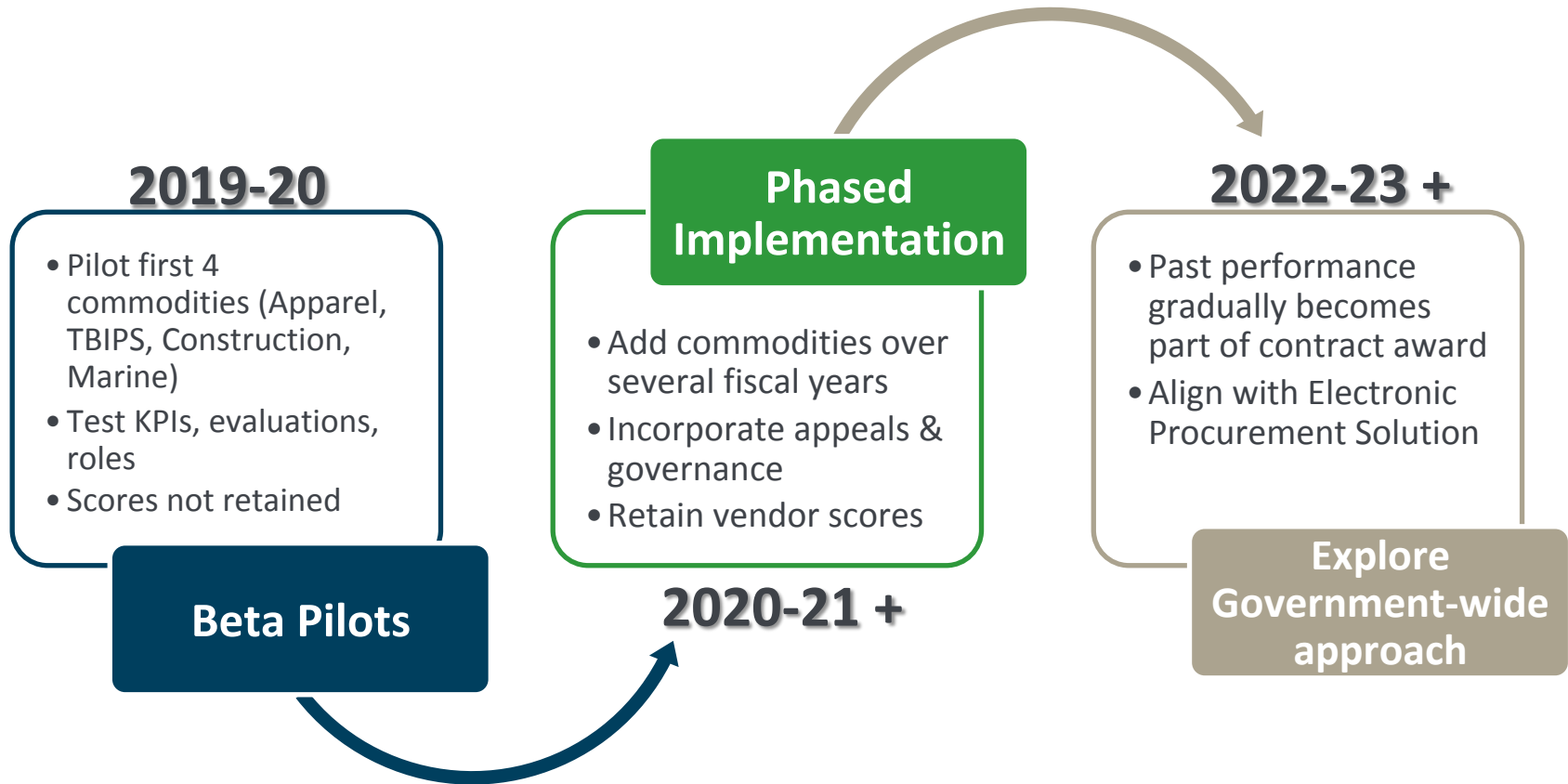
# Proposed Policy Changes

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- **Scope:** Allow some flexibility in thresholds, especially during pilot period and potential for some flexibility for lowest price procurements.
- **Bid evaluations:**
  - New entrants get either a “3” or the average of the other bidders’ scores, whichever is higher, to be fair and allow change in under-par industries;
  - Introduce a complexity filter and adjust the formula for vendor performance ratings; and,
  - Allow some flexibility in timing by commodity, with minimum yearly evaluations (six months remains the default)
- **Performance evaluations:**
  - Bring in performance expertise to help develop KPIs, while continuing to collaborate with partners on development; and,
  - Allow Contracting Authority to update evaluations after close-out, for performance issues that only become evident after-the-fact (e.g. warranty service), subject to the same process as the regular evaluations.
- **Appeals and governance:** Review governance structures to ensure independent and fair, yet not overly burdensome or causing delays unnecessarily.
- **Training:** Develop materials to clarify roles, and to ensure a ‘no surprises’ approach.



# PSPC Piloting Approach



Gradual implementation, both on a *commodity* basis and in testing VPM Policy *components* in phases.





# Next Steps

**2019-2020**

- Finalize a path forward, depending on Government direction.
- Explore pilot projects for select commodities.

**2021 +**

- Roll out pilots to more commodities, over several years.
- Rollout with Electronic Procurement Solution and TB support (aligned with the Directive on the Management of Procurement).



# Discussion

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What are the main issues that we need to think about as we begin to pilot and roll out VPM? How can we address these?

Which areas should be prioritized for VPM piloting and roll out? Are there certain departments or agencies that should participate in pilots? How should the regions be involved?

What bodies/mechanisms could potentially manage reviews/appeals of performance ratings, to ensure fairness, while also taking into account efficiency?



# Questions?

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