



## VENDOR PERFORMANCE MANAGEMENT FRAMEWORK

SS-SCD Vendor Management Division

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# 1 Introduction

The Vendor Performance Management (VPM) Program supports the Provincial Shared Services Supply Chain Department's (SS-SCD) strategic goal of service delivery and sustainability by ensuring the delivery of quality products and services to its Health Organizations and their End Users on time and on budget.

SS-SCD's VPM Program expands and supports the Government of Newfoundland and Labrador's *Public Procurement Policy*, Section 24 which encourages the monitoring of Vendor performance throughout the duration of a contract to ensure that Vendors "are fulfilling their contractual obligations and taxpayers are receiving best value for dollars spent."

The VPM Program will be managed and administered by the Vendor Management division of the SS-SCD. The overall intention of this division is to build and maintain a more focussed and proactive approach with Vendors in order to facilitate open and constructive relationships between the vendor community and SS-SCD stakeholders in an effective and minimally interruptive manner to promote contract compliance and continuous improvement while reducing supply chain risk.

## Purpose

The purpose of this document is to establish a framework for monitoring the performance of the SS-SCD's Vendors in an effort to improve supply chain outcomes for the SS-SCD, its stakeholders, the Province and the vendor community.

VPM does not replace ongoing contract management, but rather the two processes will run in parallel. SS-SCD will continue to follow the contract management processes currently in place, adhering to the NL *Public Procurement Act*, Policies and Regulations by which we are governed. VPM is a supplementary process used to ensure that vendors are receiving formalized evaluations and feedback on their performance, and that past performance is considered in procurement decisions.

## Background

VPM is a business practice to measure, analyze and manage a Vendor's ability to comply with, and preferably exceed, their contractual obligations. By monitoring and measuring Vendor performance, SS-SCD and its stakeholders can manage risk, monitor costs, identify performance gaps, drive improvement and achieve contract outcomes. Not performing VPM correctly can lead to many poor outcomes such as: contract/relationship complacency, failure to fulfil contractual requirements, End-users receiving poor quality goods and services, poor working relationships with Vendors, and SS-SCD not achieving value for money outcomes.

VPM ensures Vendors are receiving informal feedback and formal evaluations on their performance at regular intervals, and that past performance is considered in future procurement decisions. This new approach aims to provide incentives to Vendors to improve their performance, support better decision making, minimize the need for Legal Services pertaining to non-compliance, and ensure the SS-SCD is able to hold Vendors accountable for poor performance or unacceptable behaviour.

In order for our VPM Program to be effective, SS-SCD's Vendor Management and Sourcing and Contract divisions will work closely together. The latter will be responsible to enter into Contracts with our Vendors whilst following the policies and procedures for sourcing the products and services our Health Organizations require. This may include mechanisms such as Open Calls, group purchasing opportunities

with GNL, HealthPro, as well as sole source purchases. Once a Vendor has been contracted, particularly a new Vendor to our system, they will be required to complete a Vendor Orientation to be introduced to the policies and procedures of our Health Organizations as well as our VPM process.

### Best Practices

Best practices in VPM include:

- Building effective and collaborative relationships between Vendors and SS-SCD's Health Organizations;
- Maintaining effective, ongoing and open communications with Vendors;
- Outlining performance expectations;
- Measuring, monitoring and tracking performance; and
- Identifying variances between planned versus actual performance.

## 2 Definitions

See Appendix A.

## 3 Effective Date

Effective September 1, 2021, the VPM Program, as outlined in this document, will take effect on new procurements and resulting contracts.

## 4 VPM Program Objectives

SS-SCD is aiming to operate an open, fair and transparent VPM Program. The objectives of the Program are to:

- Establish an objective, standardized performance evaluation process;
- Facilitate ongoing, regular communication with Vendors, ensuring clarity of expectations and benchmarks that encourage quality Vendor performance;
- Incentivize good Vendor performance and encourage continuous Vendor performance improvement through appropriate corrective actions;
- Provide tools to manage Vendors;
- Minimize the need for Legal services due to poor performance;
- Hold Vendors accountable for poor performance and/or unacceptable behaviour;
- Establish a process for applying appropriate penalties to address shortfalls in performance;
- Enable better decision making on bidder selection through management of Vendor performance information;
- Ensure best value for use of public funds; and
- Enable SS-SCD to provide objective Vendor references.

## 5 VPM Application

The VPM Program applies to Vendor Contracts for which Central Regional Health Authority is the contracting authority and applies to Vendor Contracts with the five health organizations of the SS-SCD. The VPM Program does not apply to Contracts, related procurement activities such as Open Calls, and/or supply arrangements that

were entered into before the Effective Date of the Program (see Section 3) unless the Contract or arrangement is amended to incorporate the Program.

### Thresholds

VPM evaluations may be applied to contracts of any value. Evaluations will become mandatory for all contracts valued at \$1,000,000 or over; excluding renewal options. Contracts subject to the VPM Program are identified during the procurement planning stage. Prior to the commencement of the procurement process, Contracts may be opted out of the VPM Program if the Contract is deemed low risk. Conversely, any other Contracts that would not otherwise be subject to VPM, but are deemed high risk can be opted into the VPM Program.

### Vendor Segmentation

The SS-SCD has adopted a vendor segmentation model involving four segments: Strategic, Focused, Leveraged and Transactional. Strategic vendors typically meet one or more of the following criteria: provide unique and/or customized product or service; have high value; have long term contract(s); and provide critical product or service that would cause disruption to the health system if discontinued. The SS-SCD will begin implementing its VPM Program by evaluating the top Strategic vendors. As the program develops, more vendors will be included from the Strategic and Focused segments.

### Subcontractors

VPM discussions will be held with the contracted vendor and not any of their sub-contractors. It is important for Vendors to understand that they are responsible for the performance of their subcontractors as it will be reflected in their overall Performance Score.

### Vendor Mergers and Name Changes

In the event of a merger and/or acquisition and one company assumes responsibility of another (including contract assignments), they will also be subject to the performance evaluation and scoring of the original contracted party.

### New Vendors and Vendors without a performance rating

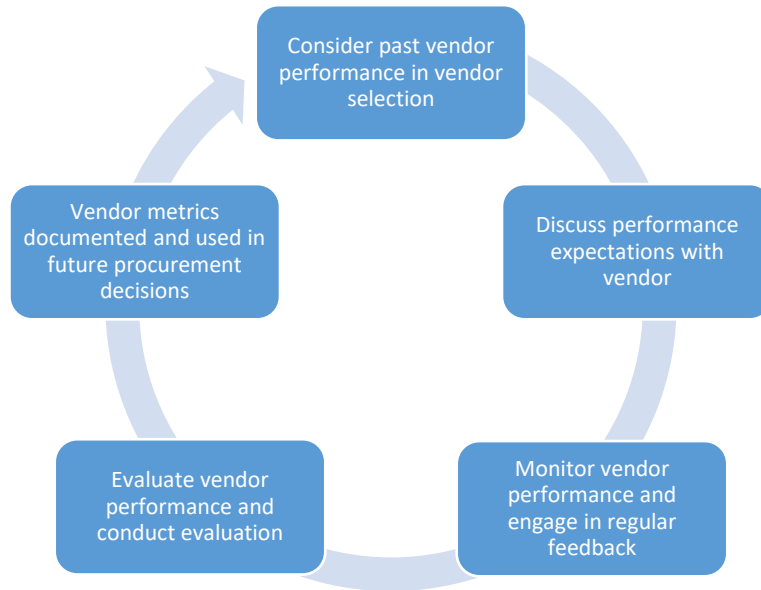
When using past performance as evaluation criteria in a procurement decision, Vendors without a performance evaluation history will be given a neutral rating or have points weighted to other applicable categories.

### Partnerships

For the purposes of evaluation, a partnership will be treated as if it were a single Vendor with one set of Vendor Performance Scores assigned for the Contract. The Vendor Performance Scores will then be assigned to each participating Vendor in the Partnership and will form part of its Vendor Performance Rating.

## 6 Process

The following diagram illustrates the VPM cycle:



## 7 Roles and Responsibilities

In order to be effective, various roles will be an integral part of the VPM Program. Below is an outline of common roles and their responsibilities.

### Vendor Management Division is responsible for:

- Maintaining and administering the VPM Program and providing oversight and guidance to SS-SCD's End users and stakeholders;
- Working with Legal department and Sourcing and Contracts division to incorporate standard VPM clauses in Supply Chain documentation, templates and Contracts;
- Providing communications and training to support the implementation and application of the VPM Program;
- Working with all parties, including the Vendor, when Vendor Evaluation Results are appealed;
- Managing the suspended Vendor list; and
- Monitoring the application of the VPM Program, assessing its responsiveness to stakeholder needs and exploring ways to continually improve the program.

### Vendor Analysts are responsible for:

- Supporting End users and providing advice and clarity about the application of the VPM Program;
- Discussing Vendor Performance Evaluation process at the beginning of the contract (with Vendors)
  - Review expectations outlined in contract
  - Review performance evaluation criteria
  - Review evaluation cycles
- Gathering performance information during evaluation period;
- Working closely with End users in evaluating Vendor performance and championing the VPM Program;

- Meeting with Vendors to discuss the performance evaluation results, gather vendor self-evaluation, and discuss any required corrective actions;
- Working with Vendors, End users and other stakeholders when a Vendor Performance Review (appeal) is requested by a Vendor;
- Documenting all performance evaluation notes, scoring and meeting notes and storing in central location for future access and reference; and
- Upholding SS-SCD's value of customer service in delivering honest, respectful and constructive service to End users, Vendors and other stakeholders.

**Vendors are responsible for:**

- Providing goods and/or services according to terms and conditions of Contract;
- Participating in performance evaluations as required, including completion of a self-assessment of performance;
- Responding in an effective and timely manner to any communications regarding performance;
- Implementing actions to improve performance as identified in the performance evaluation, if applicable; and
- In the case of an appeal request, duly completing and submitting the appropriate documentation within the prescribed timelines.

**Contract Managers are responsible for:**

- The management and administration of the Contracts lifecycle
- Using vendor performance scores in future procurement decisions;
- Ensuring statements on evaluating vendor performance are included in open call and contract documentation; and
- Collaborating with Vendor Analyst to discuss performance evaluation and evaluation cycle information to be included in Vendor Contract.

**End Users are responsible for:**

- Monitoring and administering Vendor performance and compliance to contractual obligations;
- Maintaining regular communication with the Vendor and proactively raising issues;
- Escalating any issues experienced with a Vendor to the Vendor Management team;
- Recording all issues and subsequent discussions with a Vendor;
- Identifying actions to improve Vendor performance, if applicable, and where appropriate work with Vendor to facilitate improved performance;
- Ensuring the timely completion of VPM documentation and submission to Vendor Analyst as required;
- Participating in VPM processes as required, including participation in VPM meetings and appeal procedures;
- Reviewing Vendor evaluations and approving Vendor scores; and
- Being open to and taking action, where appropriate on Vendor feedback (regarding the SS-SCD End User and/or Department) to seek continual improvement of the vendor relationship.

## 8 Communication with Vendors

Communication with the vendor community is paramount for the success of the VPM Program. Vendors should have a general awareness of the VPM Program from the initial procurement stages (i.e. Open Call). Further

information regarding performance expectations and evaluation should occur with Vendors when a Contract is being negotiated and at any time there is a change within the VPM Program. Communications with Vendors should be ongoing throughout the Contract term with respect to performance, proactively raising issues as they occur, to support a successful “no surprises” approach to VPM.

## 9 Evaluation Criteria

Our VPM Program will utilize four Vendor performance indices:

Quality	Cost	Schedule	Management
<ul style="list-style-type: none"><li>•Vendor's effectiveness in supplying deliverables (goods, services) of the required quality in conformance with the Contract.</li></ul>	<ul style="list-style-type: none"><li>•Vendor's effectiveness in managing contract cost in conformance with the Contract.</li></ul>	<ul style="list-style-type: none"><li>•Vendor's effectiveness in maintaining the schedule for the completion of the Contract, milestones, delivery, and administrative requirements in conformance with the Contract.</li></ul>	<ul style="list-style-type: none"><li>•Vendor's effectiveness to integrate and coordinate all activities needed to execute the Contract, including customer service, collaboration, and issue resolution in conformance with the Contract.</li></ul>

KPI's will be developed under each of these indices and performance will be evaluated based on the Vendor's ability to meet contractual obligations. Feedback templates will also be organized using these four indices.

## 10 Rating and Scoring

Vendor performance is evaluated using a combination of feedback and KPIs.

Vendor Performance Feedback Forms will be completed by End users who regularly interact with the Vendor during the Contract term. Feedback may be gathered from a cross-section of stakeholders, which may include: Clinical departments; Finance/Administration Services, Engineering, OHS, Human Resources, IT, Communications, Supply Chain, etc. To ensure fairness, transparency and consistency, a standardized approach will be used with all Vendors. The following five point rating scale will be used for rating individual performance indicators:

- 1 – Significant Improvement Needed: vendors performance is significantly below expected performance
- 2 – Moderate Improvement Needed: vendor's performance is below the expected performance
- 3 – Achieved: vendor's performance meets the expected performance
- 4 – Surpassed: vendor's performance exceeds the expected performance
- 5 – Exceptional: vendor's performance greatly exceeds the expected performance
- N/A – Not Applicable

Feedback received from End Users and departments must be objective, factual, and accurately reflect their experiences with the Vendor during the evaluation period.



KPIs may also be used to evaluate Vendor performance. Metrics will be collected throughout an Evaluation period and entered into the Vendor’s Scorecard. KPIs will be weighted by importance when calculating the scores. Scorecards will also include a section for a Narrative that supports and explains the score given.

Ratings and KPIs will be used to calculate an evaluation score. Each evaluation cycle score during the term of a Contract will be added together to form an overall Contract score. Multiple contract scores will be combined together to become a Vendor score.

Numerical scoring will be the preferred method, versus colour, letter, etc.

*Insert Link to KPI listing (when completed)*

*Sample Scorecard template*



Sample Scorecard

## 11 Data

Any performance information being used should be accompanied by supporting documentation (feedback forms, written compliments/complaints, scoring sheets, etc.). Vendor performance data will be stored in a central location that is easily accessible for the Vendor Management, Sourcing and Contracts, and SS-SCD Management teams. Record retention and disposal will be in alignment with internal business policies and legislative requirements.

Vendor Performance information will be treated by SS-SCD stakeholders as Confidential Information.

## 12 Timelines

Vendor performance evaluations should be completed as per the schedule agreed to in the Contract. For Strategic Vendors, evaluations should occur quarterly or semi-annually (or based on milestones) as well as at the time of Contract completion or termination so a contract score can be assigned. Evaluations may also be completed on warranty work completed in accordance with the Contract terms.

For Contracts where the first key milestone or deliverable is to be completed after a period longer than six months, the first evaluation will be completed within 30 Business Days of receipt of the first deliverable or completion of first milestone.

## 13 Vendor Evaluation of Their Performance

It is a VPM best practice for Vendors to self-evaluate their performance as it supports a holistic approach and creates a stronger working relationship between parties. It also serves to educate the vendor community that the public sector is value-driven.

On a high level, the Vendor should reflect on what aspects of their work have been completed successfully as well as how things could have been improved. This will help the Vendor to proactively think about areas for improvement.

Vendors will be provided with a self-evaluation form and asked to complete and return by a specific date. A Vendor Analyst will be available to review the self-evaluation form with the Vendor.

## 14 Performance Evaluation Discussion

Vendors will be provided their performance evaluation results and feedback in writing. These results will also be discussed at Business Review Meetings which will take place as scheduled in the original Contract to support ongoing, two-way dialogue and feedback. Notes may be taken during the Business Review Meeting and kept in the Vendor's performance file.

## 15 Evaluation Disputes

Vendors have the right to appeal their evaluation results and must do so in writing within 10 Business Days following receipt of the results. If the Vendor does not respond within this timeframe, the Vendor will be deemed to have accepted the results and the results will be final.

Both parties will collaborate to resolve the evaluation results dispute. The process for Vendors to appeal results and subsequent contract scores and/or vendor scores will follow these steps:

1. An attempt at informal resolution with the Vendor Analyst who assigned the score
2. Submission of a written review request to the Vendor Management Team. The request must be submitted by a duly authorized representative of the Vendor, who will be contact person for the purposes of the review, and include the following:
  - a. A copy of the performance evaluation result;
  - b. Identify the issue(s) and score(s) the Vendor disagrees with;
  - c. Reason(s) for the disagreement; and
  - d. Any and all documents in support of the Vendor's positionRequests not compliant with the above requirements 2(a) to 2(d) will not be considered.
3. Review by a third party within the SS-SCD who will make a decision ruling
4. Meet with Vendor to communicate final decision and next steps

In the event a Vendor is involved in a dispute review process and wishes to respond to an open SS-SCD bidding opportunity where past performance is an evaluation criterion, the Sourcing and Contracts team may either use a neutral rating or have points weighted to other applicable categories.

## 16 Vendor Discipline

Vendors that demonstrate repeat poor performance or have significant breach of contract may be suspended from future bidding activity for a period of time. In either circumstance, the Vendor will be issued a written communication outlining the areas of concern and given an opportunity to respond to each area. The SS-SCD team will make a decision on whether or not to proceed with the suspension of bidding privileges. If suspension is imminent, a second letter will be issued to the Vendor containing the details of the suspension and their right to appeal to the Provincial Chief Procurement Officer as per the *Public Procurement Act* and *Public Procurement Regulations*.

In order to ensure that a suspension is not circumvented, the suspension of bidding activity may be extended to new or existing businesses of the principals of the suspended Vendor. In addition to this, a suspended Vendor will also be suspended from contracting with another Vendor (i.e. subcontractor arrangement).

## 17 VPM Program Monitoring

The SS-SCD will monitor the application of the VPM Program to assess adherence and interpretation. This may include audits or continuous improvement reviews in order to verify that the VPM Program is appropriately implemented.

The Vendor Management division is responsible to ensure the VPM Program remains relevant and will assess its responsiveness to stakeholder needs. Vendors may also provide feedback to the SS-SCD on their experience in the VPM Program by completing a Vendor Feedback Survey.

## 18 Enquiries

Please direct enquiries about the VPM Program to the Vendor Management division at [vendor.relations@centralhealth.nl.ca](mailto:vendor.relations@centralhealth.nl.ca)