

Vendor Performance Manual

A values driven approach to procurement



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Introduction

The goal of the Vendor Performance Framework is to ensure ministry and Crown organizations maximize value, competition and fairness, and achieve the best possible balance of benefits to ministry and Crown stakeholders, customers and vendor community.

Vendor Performance Management does not replace ongoing contract management. Rather, it is a supplementary process used to ensure: a) vendors are receiving formal evaluation and feedback on their performance; and b) past vendor performance is considered in procurement decisions.

Application

It is recommended that vendor performance be applied to active contracts after the implementation of a Vendor Performance program.

Thresholds

Vendor performance evaluations may be applied to contracts of any value. Evaluations are mandatory for all contracts valued at \$1,000,000 or over; excluding option years (exceptions must be approved in advance by the head, president, CEO or equivalent or designate).

Strategic Vendors

Organizations may also want to consider ongoing performance evaluations of strategic vendors. Strategic vendors typically meet one or more of the following criteria: provide critical core business services or goods, have relatively high value contract(s), provide customized goods or services that would cause major disruptions if discontinued.

Subcontractors

Performance discussions should in most cases be held with the contracted vendor and not any of their sub-contractors. It is important to note that the vendor is responsible for the performance of their subcontractors.

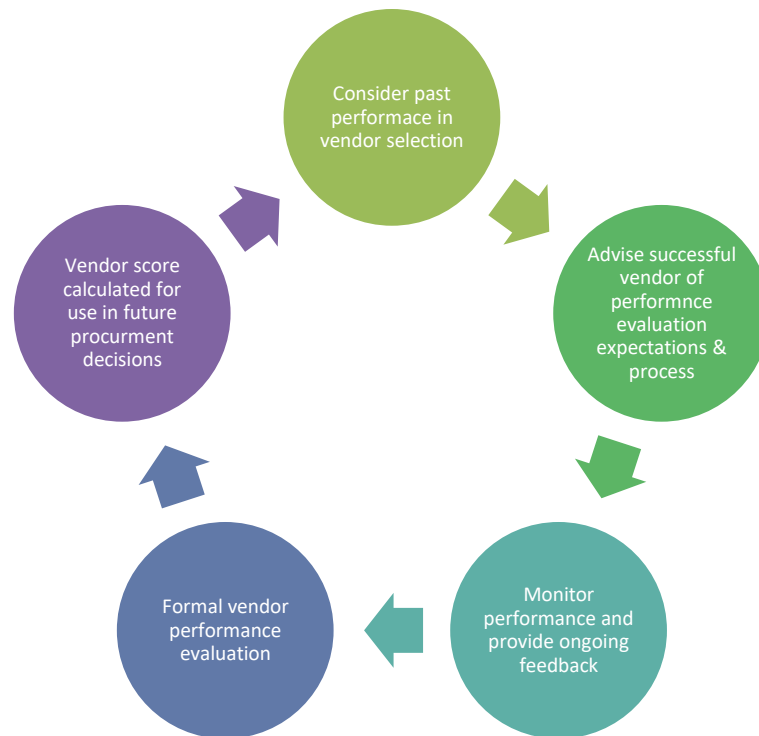
- The legal binding contract is agreed upon and signed between the vendor and Crowns and ministries.
- The vendor is solely responsible for their performance and that of any of their sub-contractors.
- All discussions in regards to performance will be with the vendor.

Name change or mergers between vendors

- If there is a merger and one company takes over responsibility of another (including contractual responsibility), they should also take the performance evaluation scores.

Process

The following diagram illustrates the vendor performance management cycle.



Detailed Process Example in Appendix

Roles and Responsibilities

Contract Manager

- 1) Discuss vendor performance evaluation with the vendor at the beginning of the contract:
 - Clearly communicate contractual obligations and performance expectations based on the contract and performance evaluation criteria.
 - Define evaluation periods throughout the contract.
- 2) Through the evaluation period, document and gather performance information.
- 3) At the end of an evaluation period, complete vendor performance evaluation and where applicable identify corrective actions.
- 4) Discuss the results of the vendor performance evaluation with the vendor, gather vendor self-evaluation if being used. Identify corrective actions.
- 5) Ensure the vendor performance evaluation scores are stored for future access.

Vendor

Provide goods and/or services according to the contract.

- 1) Participate in the vendor performance evaluation as required.
- 2) Identify action(s) to improve performance, if applicable.
- 3) Carry out actions suggested to improve performance as identified in the performance evaluation, if applicable.

Procurement Lead/Contract Manager/Evaluation Team

- 1) Use vendor performance scores in future procurement evaluations.
- 2) Ensure a statement on evaluating vendor performance is included in the contract.

Key Elements of a Vendor Performance Program

A vendor performance program will address the following key elements.

Communication with Vendors

Communication with the vendor community will ensure buy in and support for Vendor Performance programs. Priority Saskatchewan is communicating with the vendor community about general changes in procurement as a result of the Procurement Transformation Action Plan announced in 2015, but procuring entities should be ready to communicate with their vendor community and answer questions that may arise.

In addition to providing general information discussions should take place at the start of a contract, at the end of a contract or at any time there is a change within the vendor performance program. Although all vendors are expected to perform to required specifications, it is recommended that the vendors be notified of the potential use of performance in future supply decisions by including the following statement in all procurement opportunities: **The contractual performance of our vendors is a matter of paramount importance to ministry and Crown organizations. Each organization may monitor and assess a vendor's contractual performance and reserves the right to take past contractual performance into account when evaluating future bids from the vendor.**

Evaluation Criteria

A vendor's performance should be evaluated based on context of their contractual obligations. The following is a list of categories within which organizations may consider using as performance evaluation criteria.

Suggested Evaluation Criteria:

- Accountability
- Accuracy
- Administration
- Collaboration
- Communication
- Compliance
- Cost
- Delivery
- Emergency Response
- Environment
- Hazard and Risk Assessment
- Human Resources
- Innovation
- Invoicing
- Quality
- Safety
- Schedule
- Scope
- Supervision

Rating and Scoring

To support standardization and consistency with vendors, it is recommended that organizations consider adopting the following four point rating scale for rating individual performance indicators.

Common Rating Scale:

1 = Unacceptable: Failed to meet the contractual obligations

2 = Not Satisfactory: Consistently failed to meet the contract obligations in one or more essential areas.

3 = Satisfactory: Met the contractual obligations with few if any issues.

4 = Exceptional: Exceeds in all essential areas of responsibility, quality, and overall performance of work.

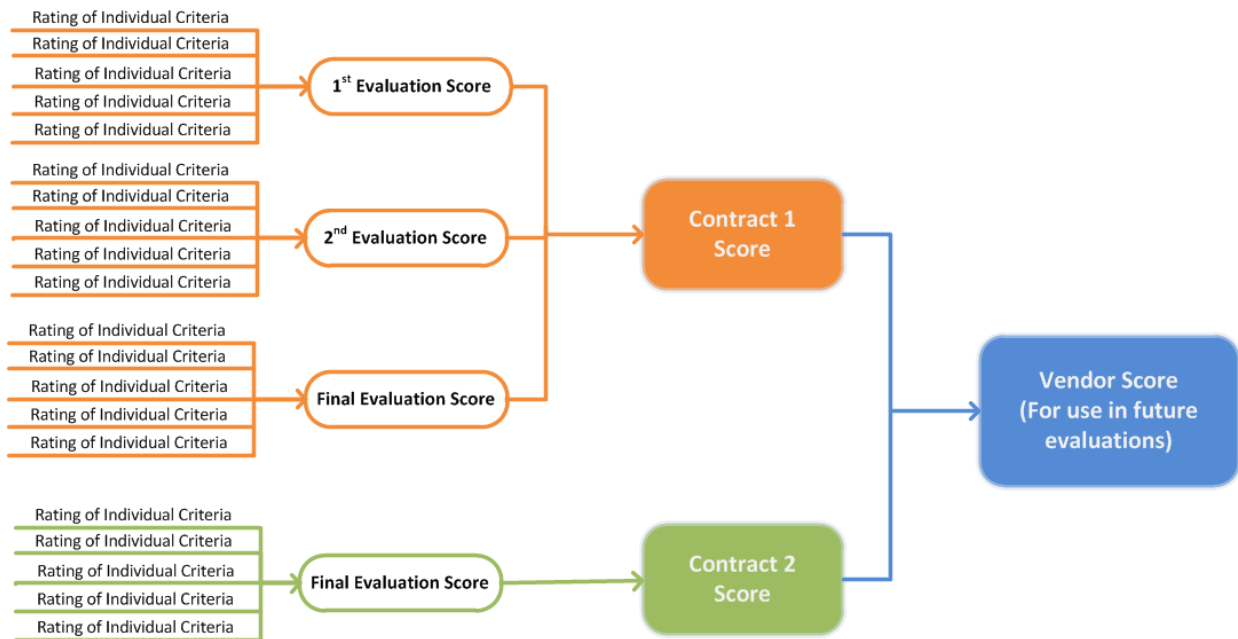
N/A = Not applicable

Scoring

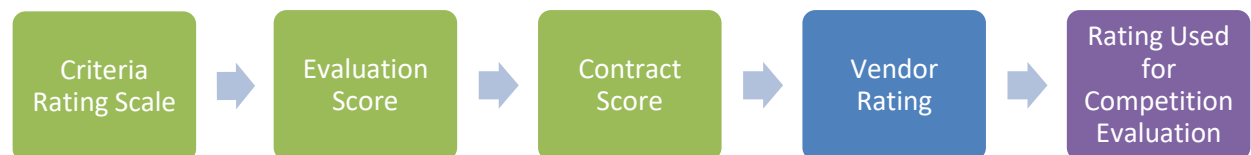
Each organization will determine how to calculate ratings into an evaluation score (e.g. average, weighted average) and how individual evaluations will be calculated to a vendor score for use in future procurement decisions. It is recommended that organizations adopt a numerical scoring system, versus colours (red, yellow, green), letters, etc.

The following diagram illustrates the flow of scoring, from rating individual criteria into the score for an evaluation. Evaluation scores combine to become the score for a contract and then contract scores combine to become a vendor score. For the first contract (orange) the vendor is evaluated three times. For the second contract, the vendor is evaluated once, at the end of the contract. The number of evaluations could depend on the duration and dollar value of the contract.

Sample Scoring Flow Diagrams



The diagram below is a different view of the flow of scoring, with the addition of the vendor score being converted to points for use in an evaluation.



Data: using, sharing, validity, retention, quantity

Vendor performance assessment ratings can become less useful with time and it is suggested that performance ratings for an individual contract should not be used more than 7 years after the performance rating was given.

Vendor performance information can be valuable in making selection decisions in an RFP process. However, Crowns and ministries should be cautious of using performance data, especially when the Vendor Performance system is first being implemented. The more data that is collected the stronger the data can become in assessing the chance of future success with a vendor.

New Vendors and Vendors without a performance rating

When using past performance as evaluation criteria in a procurement decision, vendors without a performance history with an organization will be given a neutral rating.

Example provided in the Appendix.

Data Storage

Each organization must store evaluation data in a central location that is easily accessible for best value decision making in the Procurement process.

Record retention times and disposal will be in alignment with internal business policies. Any performance scores being used should be supported by available documentation.

Data sharing between organizations

Once Vendor Performance processes are implemented and become mature, ministries and Crowns will investigate sharing supplier ratings.

Timelines

Vendor performance evaluations should be done at the time of contract completion, expiration or termination and a score should be assigned. Organizations may choose to perform interim evaluations throughout the contract (e.g. quarterly, based on milestones, extension or renewal of a contract etc.) Evaluations may also be completed on warranty work completed in accordance with the contract terms and conditions.

Vendor Evaluation of Their Performance

Purpose

- Encouraging vendors to self-evaluate their performance is regarded as general good practice and should therefore be seen as an integral part of Performance Management.
- It provides a 360 degree approach to Performance Management.
- The high level goal should reflect on what has been completed successfully as well as how things might be improved.

Benefits

- Creates a team approach, stronger working relationship.
- Will assist vendors to better understand areas for improvement.
- Provides information from the vendors perspective.
- Develops two way communication which is mutually beneficial for the relationship.
- Educates the market that the public sector is value-driven and not cost-driven.
- Demonstrates commitment to good practice and openness.

Process

- Provide vendors with a self-evaluation form.
- Review completed forms.
- Provide opportunity to review performance evaluation with the vendor.

Performance Feedback

After an evaluation has been completed, feedback must be provided to the vendor. Regardless of how the performance was rated, the vendor should know the results. A template feedback document is in the appendix.

Performance Evaluation Discussion

Timing

- If desired by the vendor a consultation meeting must be requested within 30 days of the vendor receiving their performance feedback.

Approach to Evaluation Discussion

- Where a request for consultation meeting is received from a vendor, organizations should respond promptly.
- The response should include information about timing, venue and who will be in attendance.
- Following the consultation, notes from the meeting should be made for record.

Evaluation Disputes

It is the responsibility of each ministry and Crown to develop and implement a process for vendors to discuss issues they may have with their evaluation score, contract score or vendor score. The process may include:

1. An attempt at informal resolution with the person who assigned the score;
2. Submission of a written complaint to the business unit that assigned the score;
3. Opportunity for review by a third party within the organization; and
4. For future evaluations, the opportunity for the supplier to move to a neutral rating if enough evidence is available to verify the supplier has implemented processes to improve.

Vendor Discipline

Vendors that repeatedly show poor performance (such as consistent late deliveries) or have a significant breach of contract (such as a serious safety violation) may be denied the opportunity of competing on future opportunities for a period of time. The ministry or Crown internal procedures should be followed.

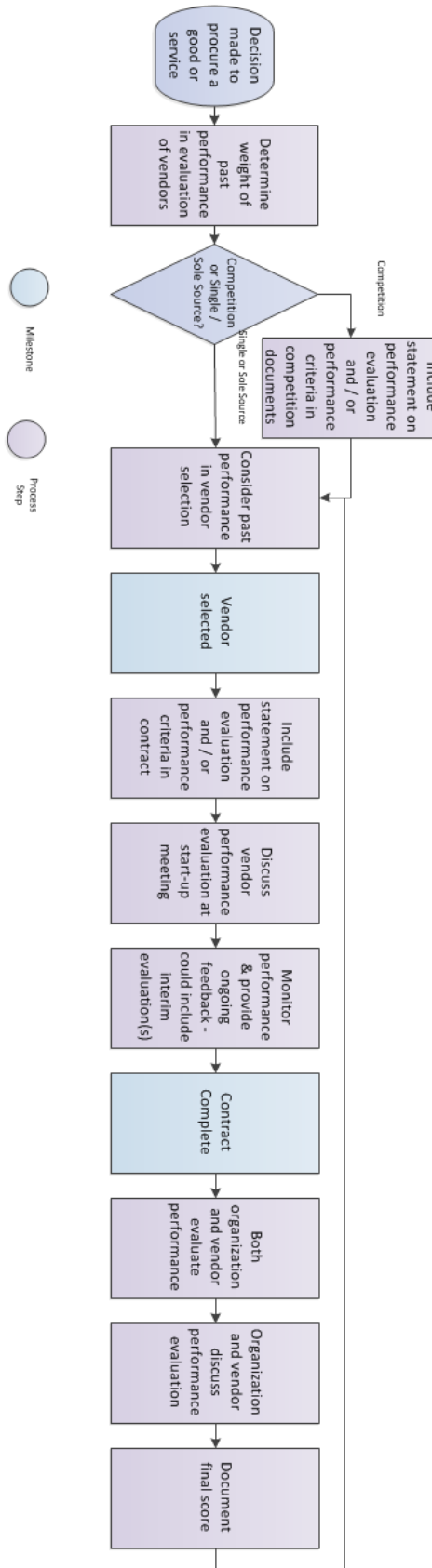
Appendix

Implementation Checklist

Recommended Steps:

1. Confirm Executive Support.
2. Via Executive representative request corporate wide participation in a cross functional team. Confirm participation and schedule meeting to identify the process requirements. – Best practice (Process Mapping).
 - Manage Vendor Performance.
 - Execute Procurement Process.
 - Analyze Vendor Information.
3. Identify “Key Performance Indicators” that will be used to measure vendor performance.
4. Develop a roll-out strategy.
 - Use corporate communication to announce strategy to the company.
 - Make the forms available to internal users.
 - Develop a training strategy and schedule session for contract administrators and vendors (training presentation required).
 - Develop Vendor Performance Management Guidelines.
 - ◆ Vendor package.
 - ◆ Contract Administrator package.
5. Develop a system to capture and provide feedback on performance.
 - Centralized intake and repository for evaluations.
 - Develop a system to capture scoring.
 - Develop a feedback form for vendor performance feedback.
 - ◆ Contract administration approval for vendor not meeting requirement.
 - ◆ Establish criteria where meetings are required for coaching with poor performers.
 - Develop a system to reward good performance or penalize poor performers in future opportunities.

Detailed Process Example



Sample Forms

Date: mm-dd-yy				
SAMPLE - Vendor Performance Evaluation				
Section 1 –Contract Information				
<input type="checkbox"/> Service		<input type="checkbox"/> Good		<input type="checkbox"/> Good & Service
Internal Tracking Number	Vendor #	Business Name	Material #	
Contract Administrator	Requisitioner	Delivery Site/Location of Work	Project Name/Number	
Vendor Contact Name	Vendor Contact Phone #	Description of Work/Goods		
Progress at Evaluation	Manager/Director Approval (if applicable)			
	Completed	Name		
	<input type="checkbox"/> Yes <input type="checkbox"/> No			
Section 2- Performance Evaluation				
2.0 Evaluation Criteria Scale: Unacceptable = 1 Not Satisfactory = 2 Satisfactory = 3 Exceptional = 4 Not Applicable = n/a Unacceptable = Failed to meet the contractual obligations Not Satisfactory = Consistently failed to meet the contract obligations in one or more essential areas. Satisfactory = Met the contractual obligations with few if any issues. Exceptional = Exceeds in all essential areas of responsibility, quality, and overall performance of work.				
Check applicable criteria in each section				
Rating (1-4)	A. Criteria Category			Comments/Recommendations for Improvement
0	<input type="checkbox"/> 2.1 Specific Criteria			
	<input type="checkbox"/> 2.2 Specific Criteria			
	<input type="checkbox"/> 2.3 Specific Criteria			
	<input type="checkbox"/> 2.4 Specific Criteria			
	<input type="checkbox"/> 2.5 Specific Criteria			
Rating (1-4)	B. Criteria Category			
0	<input type="checkbox"/> 2.6 Specific Criteria			
	<input type="checkbox"/> 2.7 Specific Criteria			
	<input type="checkbox"/> 2.8 Specific Criteria			
	<input type="checkbox"/> 2.9 Specific Criteria			
	<input type="checkbox"/> 2.10 Specific Criteria			
0	<input type="checkbox"/> 2.11 Specific Criteria			
Rating (1-4)	C. Criteria Category			
0	<input type="checkbox"/> 2.12 Specific Criteria			
	<input type="checkbox"/> 2.13 Specific Criteria			
	<input type="checkbox"/> 2.14 Specific Criteria			
Rating (1-4)	D. Criteria Category			
0	<input type="checkbox"/> 2.15 Specific Criteria			
	<input type="checkbox"/> 2.16 Specific Criteria			
	<input type="checkbox"/> 2.17 Specific Criteria			
*Note: Supporting documentation may be requested to validate evaluation				
A. Criteria Category	B. Criteria Category	C. Criteria Category	D. Criteria Category	E. Overall Rating (Average score)
0	0	0	0	0
Section 3 – Contract Details				
Original PO Amount	Actual PO Amount	Number of Change Orders	Number of Non-Conformance Reports Issued	

SAMPLE - PERFORMANCE EVALUATION REPORT				
SECTION 1 CONTRACT AND VENDOR INFORMATION				
Contract #	ITT/RFQ/RFP # (if applicable)	Start Date	Length of Term	Contract Amount
Brief Description of Work				
Contract Administrator's Name			Contract Administrator's Business Unit	
Vendor's Legal Name			Primary Vendor Contact	
Address		Phone	Email	
SECTION 2 PERFORMANCE CRITERIA AND RATING				
Possible Evaluation Criteria include:				
<ul style="list-style-type: none"> • Accountability • Accuracy • Administration • Collaboration • Communication • Compliance • Cost • Delivery • Emergency Response • Environment • Hazard and Risk Assessment • Human Resources • Innovation • Invoicing • Quality • Safety • Schedule • Scope • Supervision 				
The Rating System 4 Point Rating System: 1 = Unacceptable: Failed to meet the contractual obligations 2 = Not Satisfactory: Consistently failed to meet the contract obligations in one or more essential areas. 3 = Satisfactory: Met the contractual obligations with few if any issues. 4 = Exceptional: Exceeds in all essential areas of responsibility, quality, and overall performance of work.				
Category A:			Rating	

1. Specific Criteria	
2. Specific Criteria	
3. Specific Criteria	
4. Specific Criteria	
Category A Performance Rating: <input type="checkbox"/> Unacceptable <input type="checkbox"/> Not Satisfactory <input type="checkbox"/> Satisfactory <input type="checkbox"/> Exceptional	
Category B:	Rating
1. Specific Criteria	
2. Specific Criteria	
3. Specific Criteria	
4. Specific Criteria	
Category B Performance Rating: <input type="checkbox"/> Unacceptable <input type="checkbox"/> Not Satisfactory <input type="checkbox"/> Satisfactory <input type="checkbox"/> Exceptional	
Category C:	Rating
1. Specific Criteria	
2. Specific Criteria	
3. Specific Criteria	
4. Specific Criteria	
Category C Performance Rating: <input type="checkbox"/> Unacceptable <input type="checkbox"/> Not Satisfactory <input type="checkbox"/> Satisfactory <input type="checkbox"/> Exceptional	
Overall Performance Rating: <input type="checkbox"/> Unacceptable <input type="checkbox"/> Not Satisfactory <input type="checkbox"/> Satisfactory <input type="checkbox"/> Exceptional	
SECTION 3 COMMENTS AND EXPLANATIONS	

General Comments - Describe the vendor's overall performance under the contract:
Unacceptable and Not Satisfactory Ratings - Comments must be provided to explain and substantiate any "Unacceptable or Not Satisfactory" rating on any of the criteria:
Exceptional Ratings - Comments must be provided to explain and substantiate any "Exceptional" rating on any of the criteria:
SECTION 4 MEETING WITH VENDOR <i>This section to be completed if the vendor received an "Unacceptable" rating on any of the criteria in section 2.</i>
I met with the vendor on _____ to discuss the performance issues that resulted in the "unacceptable" rating, and I have considered the vendor's comments in finalizing this Performance Evaluation Report.
SECTION 6 NOTIFICATION OF VENDOR <i>If the Final Performance Evaluation Report is complete and a copy must be provided to the vendor.</i>
The vendor was provided with a copy of this Performance Evaluation Report on _____.

Date: mm-dd-yy				
SAMPLE - Vendor Self Performance Evaluation				
Section 1 –Contract Information				
<input type="checkbox"/> Service <input type="checkbox"/> Good <input type="checkbox"/> Good & Service				
Internal Tracking Number	Project Name/Number	Ministry or Crown Contract Administrator	Ministry or Crown Contract Administrator Phone #	
Business Name	Vendor Site Supervisor	Material #	Delivery Site/Location of Work	
Vendor Contact Name	Vendor Contact Phone #	Description of Work/Goods		
Progress at Evaluation:				
Section 2- Performance Evaluation				
2.0 Evaluation Criteria Scale: Unacceptable = 1 Not Satisfactory = 2 Satisfactory = 3 Exceptional = 4 Not Applicable = n/a Unacceptable = Failed to meet the contractual obligations Not Satisfactory = Consistently failed to meet the contract obligations in one or more essential areas. Satisfactory = Met the contractual obligations with few if any issues. Exceptional = Exceeds in all essential areas of responsibility, quality, and overall performance of work.				
Check applicable criteria in each section				
Rating (1-4)	A. Criteria Category		Comments/Recommendations for Improvement	
0	<input type="checkbox"/> 2.1 Specific Criteria			
	<input type="checkbox"/> 2.2 Specific Criteria			
	<input type="checkbox"/> 2.3 Specific Criteria			
	<input type="checkbox"/> 2.4 Specific Criteria			
	<input type="checkbox"/> 2.5 Specific Criteria			
Rating (1-4)	B. Criteria Category			
0	<input type="checkbox"/> 2.6 Specific Criteria			
	<input type="checkbox"/> 2.7 Specific Criteria			
	<input type="checkbox"/> 2.8 Specific Criteria			
	<input type="checkbox"/> 2.9 Specific Criteria			
	<input type="checkbox"/> 2.10 Specific Criteria			
0	<input type="checkbox"/> 2.11 Specific Criteria			
Rating (1-4)	C. Criteria Category			
0	<input type="checkbox"/> 2.12 Specific Criteria			
	<input type="checkbox"/> 2.13 Specific Criteria			
	<input type="checkbox"/> 2.14 Specific Criteria			
Rating (1-4)	D. Criteria Category			
0	<input type="checkbox"/> 2.15 Specific Criteria			
	<input type="checkbox"/> 2.16 Specific Criteria			
	<input type="checkbox"/> 2.17 Specific Criteria			
*Note: Supporting documentation may be requested to validate evaluation				
A. Criteria Category	B. Criteria Category	C. Criteria Category	D. Criteria Category	E. Overall Rating (Average score)
0	0	0	0	0
Section 3 – General Comments				
Please make note of any circumstances or information not previously stated on this form.				

Completed Sample:

Date: 02-29-16				
Government Agency 011 - Vendor Performance Evaluation				
Section 1 –Contract Information				
<input type="checkbox"/> Service		<input type="checkbox"/> Good		<input checked="" type="checkbox"/> Good & Service
Internal Tracking Number	Vendor #	Business Name	Material #	
0001545	45123	Vendor ABC	A-0089	
Contract Administrator	Requisitioner	Delivery Site/Location of Work	Project Name/Number	
Jon Doe	Jane Smith	Anywhere, Sask	Build XYZ	
Vendor Contact Name	Vendor Contact Phone #	Description of Work/Goods		
Ted James	306-147-2583	Supply of material A-0089 according to contract specification and install to Anywhere, Sask according to contractual requirements		
Progress at Evaluation	Manager/Director Approval (if applicable)			
75%	Completed <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Section 2- Performance Evaluation				
2.0 Evaluation Criteria Scale: Unacceptable = 1 Not Satisfactory = 2 Satisfactory = 3 Exceptional = 4 Not Applicable = n/a Unacceptable = Failed to meet the contractual obligations Not Satisfactory = Consistently failed to meet the contract obligations in one or more essential areas. Satisfactory = Met the contractual obligations with few if any issues. Exceptional = Exceeds in all essential areas of responsibility, quality, and overall performance of work.				
Check applicable criteria in each section				
Rating (1-4)	A. Administration		Comments/Recommendations for Improvement	
2.5	<input checked="" type="checkbox"/> 2.1 Invoicing – accurate, on time, discounts received		Several invoices have been late although they have always been accurate with the correct discounts applied.	
	<input type="checkbox"/> 2.2 Submission of extra work orders/change orders			
	<input checked="" type="checkbox"/> 2.3 Communication		There have been some difficulties with communication. If there is a conflict with a conference call or meeting, notice is required rather than non-response.	
Rating (1-4)	B. Quality			
3	<input type="checkbox"/> 2.6 Identification and correction of deficiencies			
	<input checked="" type="checkbox"/> 2.7 Product and/or services provided in accordance with specification		Work was completed in accordance with the specification supplied.	
	<input checked="" type="checkbox"/> 2.8 Quality assurance program and proper application related to the contract		QA program was followed as set out in the contract.	
Rating (1-4)	C. Schedule & Supervision			
2.5	<input type="checkbox"/> 2.12 Management of subcontractors			
	<input checked="" type="checkbox"/> 2.13 Met all scheduled milestone and deadlines		Met the first milestone but have missed the last two. A revised schedule should be provided with proper notice when a delay is identified.	
	<input checked="" type="checkbox"/> 2.14 Sufficient & qualified resources (staff, equipment)		Staff are knowledgeable and consistent; equipment matches requirements of work	
Rating (1-4)	D. Safety & Environment			
4	<input type="checkbox"/> 2.15 Emergency response			
	<input checked="" type="checkbox"/> 2.16 Hazard and risk assessments		Are very detailed and efficient.	
	<input checked="" type="checkbox"/> 2.17 Adhere to safety & environmental policy		All work has been done in accordance with policies and supported the safety culture of others.	
*Note: Supporting documentation may be requested to validate evaluation				
A. Criteria Category	B. Criteria Category	C. Criteria Category	D. Criteria Category	E. Overall Rating (Average score)
2.5	3.0	2.5	4	3.0
Section 3 – Contract Details				
Original PO Amount	Actual PO Amount	Number of Change Orders	Number of Non-Conformance Reports Issued	
\$55,000.00	\$50,000.00	0	1	

Feedback Template:

<p style="text-align: center;">COMPANY LOGO</p> <p style="text-align: center;">Vendor Performance Management Feedback</p> <p style="text-align: center;">DATE FEEDBACK WAS/IS SENT</p>	
<i>Business Name</i>	
<i>P.O. Number</i>	
<i>Crown/Ministry Contract Administrator</i>	
<i>Vendor Contact Name (person receiving the feedback)</i>	
<i>Location of Work</i>	
<i>Description of Work / Goods</i>	
<i>Score</i>	
<i>Feedback / Comments about the contract</i>	
<i>Recommendations for improvement</i>	

Using Performance Scores in Future Supply Decisions

- Companies with no performance history are assigned a neutral rating.
- The scale is used to reward suppliers with good performance scores or penalize suppliers with substandard scores.
- The following **example** represents up to 10% of the evaluation matrix but this can be adjusted to accommodate higher or lower percentages (using a 1-4 scale):

