

Questions and Answers: Vendor Performance Management Program

Q: What is the Vendor Performance Management (VPM) Program?

A: The VPM program is a contract management practice used to track, analyze, and manage the performance of a vendor in an effort to control costs, mitigate risks, and drive continuous improvement throughout the contract life cycle. The VPM Program assists in ensuring the delivery of quality infrastructure projects on time, on budget, and within scope. VPM ensures:

- vendors are receiving informal feedback and formal evaluations on their performance at regular intervals; and
- past vendor performance is considered in procurement decisions.

Q: Why is Infrastructure introducing the VPM Program?

A: We want to encourage vendors to deliver the best possible results for Albertans, and ensure that past vendor performance is considered in procurement decisions.

Q: What are the objectives of the VPM Program?

A: The VPM Program will provide assistance in managing, tracking, and assessing the performance of contracted vendors, supporting fiscal responsibility and stewardship of Alberta's public finances.

Q: How does the VPM Program impact me and how does my company benefit from this program?

A: The VPM Program will ensure that issues are identified and addressed early, resulting in better project outcomes for everyone. Similar to other jurisdictions, the VPM Program will include the following foundational elements:

- standardized approach to performance evaluations across Infrastructure;
- use of vendor performance ratings in bid selection;
- centralized repository of vendor performance ratings;
- encouragement to provide excellent service as per the contract;
- improved integrity through identification of underperforming vendors;
- ongoing two-way communications, including performance expectations; and
- principles of openness, fairness, and transparency supported throughout.

Completed work on a contract subject to the VPM Program will result in the ability for Infrastructure to provide your company with a reference.

Q: Is this a voluntary or compulsory program?

A: Infrastructure will identify contracts that will be subject to the VPM Program as per identified threshold criteria. The VPM Program will be compulsory when the contract is subject to the VPM Program, and this will be clearly identified in the procurement solicitation documents.

Q: When will it be implemented?

A: The program will be implemented January 6, 2020. This means all new procurement opportunities posted on or after January 6, 2020 may be subject to the VPM Program.

Q: What are the criteria that we will be evaluated on?

A: Vendors (Consultants and Contractors) will be assessed on five indices: quality; management; schedule; cost; and safety. There are some differences between how these are applied for a Consultant and a Contractor. Key performance indicators (KPIs) under each of these indices are outlined further in the Performance Evaluation forms and will form part of the solicitation documents and the successful vendor's resulting contract.

Q: How was the criteria selected?

A: Criteria was drafted based on jurisdictional research, feedback, and input from internal and external stakeholders.

Q: Are all criteria evaluated equally (are all criteria equal)?

A: Each index is weighted equally toward the total performance evaluation score. A Consultant has two indices dedicated to quality, encompassing safety, meaning quality is weighted higher in the performance result

Q: How are the KPIs assessed? What is the scale (excellent – satisfactory – unsatisfactory etc.)?

A: Some KPIs will be assessed based on pass/fail criteria, while others will be assessed using a 1-5 scale.

With regard to the latter, scoring starts with a “3 – achieved” rating on all KPIs. This provides a framework for scoring where evaluators will either mark the vendor up (4 or 5), or down (2 or 1). Scores must be substantiated with factual narratives.

Receiving a failing mark on any pass/fail KPI would result in an automatic 1 rating for the associated index.

The following chart provides the definition for the performance scale ratings:

Rating	Definition
Exceptional (5)	Vendor’s performance greatly exceeds the expected performance
Surpassed (4)	Vendor’s performance exceeds the expected performance
Achieved (3)	Vendor’s performance meets the expected performance
Improvement Required (2)	Vendor’s performance is below the expected performance
Significant Improvement Required (1)	Vendor’s performance is significantly below the expected performance
Not Applicable (N/A)	Not applicable to the contract or point in time evaluation

Q: Who assesses the vendor’s performance?

A: Infrastructure Project Managers will work with vendors and are responsible for evaluating vendor performance. All performance evaluation results will be reviewed in order to ensure consistency in scoring.

Q: Does the program align with the trade agreements obligations?

A: Yes. Trade agreements require the procuring entity to specify clearly, in advance, in its tender notices or tender documentation the evaluation criteria that will be used in the evaluation of tenders/solicitations, including methods of weighting and evaluation.

Infrastructure will outline, in advance, the specific evaluation criteria that will be used in its evaluation of tenders/solicitations. This will be communicated publically to align with the Government of Alberta principles of:

- integrity - governance structures provide appropriate VPM Program process oversight;
- fairness - all Vendors participating in the VPM Program are treated equally; and
- transparency and openness - VPM Program information, processes and evaluation methodology are clearly communicated and publically available.

Additionally, the Canadian Free Trade Agreement allows for exclusion of a vendor from participation in a procurement if there is supporting evidence of significant or persistent deficiencies in performance of any substantive requirement or obligation under a prior contract or contracts.

Q: If a vendor is not happy with the result, is there a process to have the result reconsidered? If so, what is the process?

A: The VPM Program includes the opportunity for a vendor to request a review of their performance evaluation result. Decisions regarding a review will be made by a committee consisting of senior level executives at Infrastructure.

Q: How often is the VPM Program re-evaluated?

A: Infrastructure is open to receiving feedback at any time. Under the VPM Program, a survey has been built-in at milestone intervals as a mechanism for Infrastructure to receive formal feedback from the vendor. The VPM Program will be evaluated on an annual basis for continual improvement. Feedback can be sent to infras.vendorperformance@gov.ab.ca.

Q: Can a vendor be re-evaluated? What happens if they have a good track record on a number of projects but their last project did not go well?

A: The VPM Program includes the opportunity for a vendor to request a review of their performance evaluation result. Decisions regarding a review will be made by a committee consisting of senior level executives at Infrastructure and their decisions would be considered final.

For contracts to which the VPM Program applies, vendor performance is to be evaluated every six months (resulting in interim vendor performance evaluation results) and at the end of the contract term (resulting in final vendor performance evaluation results). If a contract is less than six month, one interim evaluation will be scheduled.

A vendor will receive a score every six months for each contract subject to the VPM Program resulting in an Overall Vendor Performance Rating. The Overall Vendor Performance Rating is calculated:

- using a three-year rolling average of vendor performance evaluation results, where results from the current year (“year 3”) are given the most weight and the results from year 1 are given the least weight; and
- using all interim and final vendor performance evaluations from each contract subject to the VPM Program.

This will average out a poor score if the vendor has a good track record on a number of projects but their last project did not go well.

Q: How much of an impact will a vendor’s performance results have on a procurement evaluation, for example on a Request for Proposal or a bid submission?

A: Performance evaluation results from all contracts subject to the VPM Program that a vendor has with Infrastructure contribute to an Overall Vendor Performance Rating. The Overall Vendor Performance Rating is calculated as follows, and adjusted for years there is no performance data:

$$\frac{3(\text{average of year 3 scores}) + 2(\text{average of year 2 scores}) + 1(\text{average of year 1 scores})}{6}$$

The above Overall Vendor Performance Rating translates to a multiplier used to make an adjustment to the final procurement evaluation score or bid submission.

- In a value-based procurement, the adjustment can result in up to plus or minus 10 per cent of the procurement evaluation score.

$$\text{Adjusted Score} = \text{Total of Qualification \& Fee Scores} \times [1 + 0.10 \times (\text{OVPR} - 3) / 2]$$

- In a price-based evaluation, the adjustment can result in up to a plus or minus 5 per cent adjustment to the submitted bid.

$$\text{Adjusted Price} = \text{Bid amount} \times [1 - 0.05 \times (\text{OVPR} - 3) / 2]$$

Q: What do other jurisdictions’ programs look like?

A: The following chart provides an overview of other jurisdictions’ vendor performance management programs. In addition to those listed in the chart, Infrastructure Ontario and City of Ottawa were also reviewed.

	Alberta Infrastructure	Alberta Transportation	Public Services and Procurement Canada (based on draft policy)	Defense Construction Canada	City of Edmonton (program under review)
Application/threshold	Contracts at or above \$100,000, (there may be exceptions based on risk and complexity).	Prequalified engineering consultants in 6 categories on contracts at or above \$75,000.	Contracts at or above \$100,000 (there may be exceptions based on commodity).	All contracts	Design and Construction related contracts
Frequency of performance evaluation	Every 6 months; if less than 6 months, one interim evaluation.	Every 6 months	Every 6 months. If less than 6 months, only a final evaluation (there may be exceptions based on commodity).	Once a year; interim if required.	At defined milestones; interim evaluations (planned or unplanned) at a minimum of one year intervals, or evaluation at the end of the contract.
Performance evaluation criteria and KPIs	Qualitative KPIs measured by performance scale and pass/fail KPIs Focus on both good and poor performance	Qualitative KPIs measured by performance scale Focus on both good and poor performance	Qualitative KPIs measured by performance scale Focus on both good and poor performance	Qualitative KPIs measured by performance scale Focus on both good and poor performance	Qualitative KPIs measured by performance scale Focus on both good and poor performance
Past performance considered in procurement selection	Yes	Yes	Yes	No	No
Suspension from bidding on future contracts	Yes	No	Yes	Yes	Yes

	Alberta Infrastructure	Alberta Transportation	Public Services and Procurement Canada (based on draft policy)	Defense Construction Canada	City of Edmonton (program under review)
Review process (Appeal)	Yes	Yes	Yes	Yes	Yes
360 review	Yes	No	No	No	No