

Procedure



Manage Supplier Performance

This Procedure falls under the Contract Management Administrative Policy.

Approved By:
Deputy City Manager
Financial and Corporate Services

Date of Approval: 04/16/2020

Program: Financial Management
The City of Edmonton's resilient financial position enables both current and long-term service delivery and growth.

Next Scheduled Review: 04/16/2023

Purpose:

The purpose of this procedure is to prescribe the City's processes for conducting supplier performance management evaluations.

Definitions

All definitions contained in the Contract Management Administrative Directive apply to this procedure.

In addition:

- **"Final Performance Evaluation"** means a documented record of a supplier's performance against the pre-defined Key Performance Indicators, conducted at contract completion.
- **"Interim Performance Evaluation"** means a documented record of a supplier's performance against the pre-defined Key Performance Indicators, conducted prior to contract completion. These may be completed at pre-defined time intervals or milestones, or as the need arises during a contract.
- **"Performance Evaluation"** means either a Final Performance Evaluation or Interim Performance Evaluation.
- **"Performance Evaluation Score"** means a single numerical value, calculated as the average of all rating-type question scores within a Key Performance Indicator for a specific Performance Evaluation.
- **"Performance Improvement Plan"** means a plan written and owned by the supplier, with action items assigned to the supplier, to address and effectively close gaps in the delivery of goods, services, construction, or intellectual property rights to the City. The Performance Improvement Plan is developed to deliver sustained contract improvement and should be succinct, focused and actionable.
- **"Probation"** means a temporary period of time to correct poor performance and may include



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additional conditions the supplier is required to meet until the contract finishes or performance improves.

- **“Suspension”** means a specific type of Performance Standing where suppliers are not allowed to bid on City procurement opportunities, or be awarded City contracts for goods, services, construction or intellectual property rights directly or indirectly. Suspensions last for a specified minimum period of time, and include conditions and reinstatement requirements.
- **“Supplier Performance Evaluation Plan”** defines the type, the frequency and / or specific dates where interim or final Performance Evaluation will be conducted.
- **“Supplier Performance Rating”** or **“SPR”** is a calculated three-year rolling average of individual performance evaluation scores for a particular commodity group or contract type.

Processes

The Supplier Performance Management (SPM) program supplements other contract management procedures and provides a standardized approach to formally measure supplier performance and ensure good value is derived from the contracted goods, services, construction and intellectual property

All City contracts subject to the Supplier Performance Management program will be actively managed by the contract manager, who will:

- monitor and evaluate supplier performance;
- conduct periodic performance reviews with the supplier;
- determine root causes and initiate corrective measures for unsatisfactory performance;
- avoid and reduce cost through continuous improvements;
- foster business relationships, development and innovation.

1. *Prepare and implement a Supplier Performance Evaluation plan*

- 1.1. As part of the contract management plan, the contract manager will develop a Supplier Performance Evaluation plan, which will identify the type of evaluation and its frequency.
- 1.2. At the start of every contract, and prior to the commencement of the work, the Contract Manager will review the Supplier Performance Evaluation Plan and scorecard created in SAP Ariba with the supplier to clarify performance expectations associated with each of the selected Key Performance Indicators (KPIs.)

2. *Manage and monitor Supplier Performance*

- 2.1. The Contract Manager will conduct Performance Evaluation in accordance with the Supplier Performance Evaluation plan and;



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- seek feedback regarding the supplier's performance from relevant City employees and stakeholders for input into the Performance Evaluation;
 - periodically schedule and chair performance review meetings with the supplier to address any developing trends, risks, and issues that require timely remedial action.
- 2.2. The Contract Manager must substantiate evaluations with proper performance metrics and documentation, such as notices of non-conformance or any instances of non-performance.
- 2.3. Performance Evaluation Score will be discussed with the supplier prior to finalizing the Performance Evaluation for use in the calculation of the Supplier Performance Rating.
- 2.4. If a Performance Evaluation Score calculated on an Interim Performance Evaluation falls below 60%, a joint and agreed upon Performance Improvement Plan will be developed and implemented to ensure successful contract delivery.
- 2.5. Continued unsatisfactory performance may also result in a supplier being put on Probation or Suspension.

3. *Review and Appeal Process*

Performance Evaluation

- 3.1. Following the review of the Performance Evaluation with the Contract Manager, the Supplier may request a meeting with the Contract Manager and Contract Manager's Supervisor to dispute the Performance Evaluation.
- 3.2. In the meeting described in section 3.1 above, the Supplier must identify the disputed sections of the Performance Evaluation and provide reasons, documentation, and any other materials necessary for the Contract Manager and Business Area Supervisor to determine whether the Performance Evaluation should be revised.
- If an amendment is made, the Contract Manager will update the Performance Evaluation and re-issue to the Supplier.
 - If no amendments are made, the Contract Manager will notify the Supplier that the Performance Evaluation will remain unchanged.
- 3.3. Once the Supplier has been provided a hard or an electronic copy of the Performance Evaluation scorecard and, if requested by the Supplier, the Contract Manager and Business Area Supervisor have met with the Supplier under section 3.1 above, a supplier may file an appeal of their Performance Evaluation for review by the Supplier Management Appeal Committee
- 3.4. The Supplier Management Appeal Committee may make the following decisions:
- Dismiss the appeal (no change to Performance Evaluation Score(s)); or
 - Increase or decrease the Performance Evaluation Score and/or modify any comments on the scorecard or the Performance Evaluation.
- 3.5. The decision of the Supplier Management Appeal Committee is final and binding. There is no further right of appeal within the City or the courts

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Probations and Suspensions

- 3.6. Continued unsatisfactory performance may result in a Supplier being put on Probation or Suspension
- 3.7. Recommendations for Probation or Suspension with supporting documentation, will be made by the Contract Manager to the respective Branch Manager. If approved by the Branch Manager, the request will be forwarded to the Supplier Management Appeal Committee.
- 3.8. The Supplier Management Appeal Committee will make a written decision to support or not support the recommendation, and make revisions to the proposed terms of the Probation or Suspension.
- 3.9. The default length of Probation or Suspension is six (6) months for Probation and one (1) year for Suspension.
- 3.10. In situations considered by the City in its sole discretion to be egregious, the supplier may be suspended without going through Probation. Also, after removal of a Suspension, a supplier may be placed on Probation by the City for a period of time determined appropriate by the City.
- 3.11. The decision of the Supplier Management Appeal Committee is final and binding. There is no further right of appeal within the City or the courts.

Additional Resources

The Branch Manager, Corporate Procurement and Supply Services may, after review by the City Solicitor, approve standards to support or provide further detail to the above processes; however any amendments to the processes contained in this procedure must be approved by the City Manager.