



**NL Health
Services**

Supplier Performance Management Framework

Supplier Relationship Management Division – Supply Chain

Updated December 2024

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Introduction

The Supplier Performance Management (SRM) Program supports the NL Health Services Supply Chain Department's (NLHS) strategic goal of service delivery and sustainability by ensuring the delivery of quality products and services to its patients, clients and end users on time and on budget.

NLHS's SRM Program expands and supports the Government of Newfoundland and Labrador's (GNL) *Public Procurement Policy*, Section 24 which encourages the monitoring of supplier performance throughout the duration of a contract to ensure that suppliers "*are fulfilling their contractual obligations and taxpayers are receiving best value for dollars spent.*"

The SRM Program will be managed and administered by the Supplier Relationship Management division of the NLHS. The overall intention of this division is to build and maintain a more focussed and proactive approach with suppliers in order to facilitate open and constructive relationships between the supplier community and NLHS 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 NLHS's suppliers in an effort to improve supply chain outcomes for the NLHS, its stakeholders, the Province and the supplier community.

SRM does not replace ongoing contract management, but rather the two processes will run in parallel. NLHS 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. SRM is a supplementary process used to ensure that suppliers are receiving formalized evaluations and feedback on their performance, and that past performance is considered in procurement decisions.

Background

SRM is a business practice to measure, analyze and manage a supplier's ability to comply with, and preferably exceed, their contractual obligations. By monitoring and measuring supplier performance, NLHS and its stakeholders can manage risk, monitor costs, identify performance gaps, drive improvement and achieve contract outcomes. Not performing SRM 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 suppliers, and NLHS not achieving value for money outcomes.

SRM ensures suppliers 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 suppliers to improve their performance, support better decision making, minimize the need for Legal Services pertaining to non-compliance, and ensure the NLHS is able to hold suppliers accountable for poor performance or unacceptable behaviour.

In order for our SRM Program to be effective, NLHS's Supplier Relationship Management and Sourcing and Contract divisions will work closely together. The latter will be responsible to enter into contracts with our suppliers 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 supplier has been contracted, particularly a new supplier to our system, they will be required to complete a Supplier Orientation to be introduced to the policies and procedures of our Health Organizations as well as our SRM process.

Best Practices

Best practices in SRM include:

- Building effective and collaborative relationships between suppliers and NLHS's end users;
- Maintaining effective, ongoing and open communications with suppliers;
- Outlining performance expectations;
- Measuring, monitoring and tracking performance; and
- Identifying variances between planned versus actual performance.

Effective Date

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

SRM Program Objectives

NLHS is aiming to operate an open, fair and transparent SRM Program. The objectives of the Program are to:

- Establish an objective, standardized performance evaluation process;
- Facilitate ongoing, regular communication with suppliers, ensuring clarity of expectations and benchmarks that encourage quality supplier performance;
- Incentivize good supplier performance and encourage continuous supplier performance improvement through appropriate corrective actions;
- Provide tools to manage suppliers;
- Minimize the need for legal services due to poor performance;
- Hold suppliers 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 supplier performance information;
- Ensure best value for use of public funds; and
- Enable NLHS to provide objective supplier references.

SRM Application

The SRM Program applies to Supplier Contracts for which NL Health Services (or one of its legacy Health Organizations) is the contracting authority and applies to supplier contracts with the five health zones and Digital Services of NLHS. The SRM 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

SRM 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 SRM Program are identified during the procurement planning stage. Prior to the commencement of the procurement process, contracts may be opted out of the SRM Program if the contract is deemed low risk. Conversely, any other contracts that would not otherwise be subject to SRM, but are deemed high risk can be opted into the SRM Program.

Supplier Segmentation

The NLHS has adopted a supplier segmentation model involving four segments: Strategic, Focused, Leveraged and Transactional. Strategic suppliers 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 NLHS will begin implementing its SRM Program by evaluating the top Strategic Suppliers. As the program develops, more suppliers will be included from the Strategic and Focused segments.

Subcontractors

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

Supplier 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 Suppliers and Suppliers without a performance rating

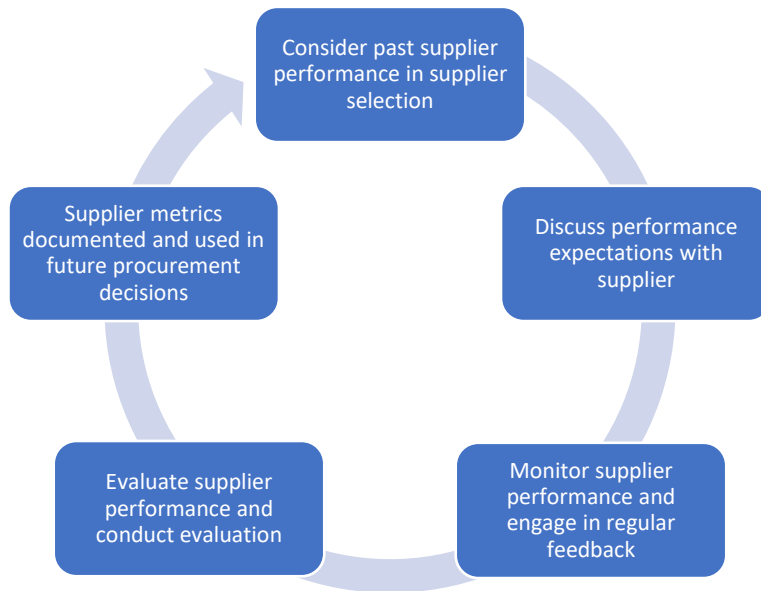
When using past performance as evaluation criteria in a procurement decision, suppliers without a performance evaluation history will be given a neutral rating or have points weighted to other applicable categories.

Partnerships

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

Process

The following diagram illustrates the SRM cycle:



Roles and Responsibilities

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

Supplier Relationship Management Division is responsible for:

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

Supplier Relationship Management Analysts are responsible for:

- Supporting end users and providing advice and clarity about the application of the SRM Program;
- Discussing Supplier Performance Evaluation process at the beginning of the contract (with suppliers)
 - 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 Supplier Performance and championing the SRM Program;
- Meeting with suppliers to discuss the performance evaluation results, gather supplier self-evaluation, and discuss any required corrective actions;
- Working with suppliers, end users and other stakeholders when a Supplier Performance Review (appeal) is requested by a supplier;
- Documenting all performance evaluation notes, scoring and meeting notes and storing in central location for future access and reference; and
- Upholding NLHS's value of customer service in delivering honest, respectful and constructive service to end users, suppliers and other stakeholders.

Suppliers 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 supplier performance scores in future procurement decisions;

- Ensuring statements on evaluating supplier performance are included in open call and contract documentation; and
- Collaborating with Supplier Relationship Management Analyst to discuss performance evaluation and evaluation cycle information to be included in supplier contract.

End Users are responsible for:

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

Communication with Suppliers

Communication with the supplier community is paramount for the success of the SRM Program. Suppliers should have a general awareness of the SRM Program from the initial procurement stages (i.e. Open Call). Further information regarding performance expectations and evaluation should occur with suppliers when a contract is being negotiated and at any time there is a change within the SRM Program. Communications with suppliers 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 SRM.

Evaluation Criteria

Our SRM Program will utilize four supplier performance indices:

Quality	Cost	Schedule	Management
<ul style="list-style-type: none"> •Supplier's effectiveness in supplying deliverables (goods, services) of the required quality in conformance with the Contract. 	<ul style="list-style-type: none"> •Supplier's effectiveness in managing contract cost in conformance with the Contract. 	<ul style="list-style-type: none"> •Supplier's effectiveness in maintaining the schedule for the completion of the Contract, milestones, delivery, and administrative requirements in conformance with the Contract. 	<ul style="list-style-type: none"> •Supplier'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.

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

Rating and Scoring

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

Supplier Performance Feedback Forms will be completed by end users who regularly interact with the supplier 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 suppliers. The following five-point rating scale will be used for rating individual performance indicators:

- 1 – Significant Improvement Needed: supplier's performance is significantly below expected performance
- 2 – Moderate Improvement Needed: supplier's performance is below the expected performance
- 3 – Achieved: supplier's performance meets the expected performance
- 4 – Surpassed: supplier's performance exceeds the expected performance
- 5 – Exceptional: supplier'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 supplier during the evaluation period.

KPIs may also be used to evaluate supplier performance. Metrics will be collected throughout an evaluation period and entered into the supplier'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 supplier score.

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

[Insert Link to KPI listing \(when completed\)](#)

[Sample Scorecard template](#)



Sample Scorecard

Data

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

Supplier Performance information will be treated by NLHS stakeholders as confidential information.

Timelines

Supplier performance evaluations should be completed as per the schedule agreed to in the Contract. For Strategic Suppliers, 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.

Supplier Evaluation of Their Performance

It is a SRM best practice for suppliers 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 supplier community that the public sector is value driven.

On a high level, the supplier 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 supplier to proactively think about areas for improvement.

Suppliers will be provided with a self-evaluation form and asked to complete and return by a specific date. A Supplier Relationship Management Analyst will be available to review the self-evaluation form with the supplier.

Performance Evaluation Discussion

Suppliers 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 supplier's performance file.

Evaluation Disputes

Suppliers 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 supplier does not respond within this timeframe, the supplier 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 suppliers to appeal results and subsequent contract scores and/or supplier scores will follow these steps:

1. An attempt at informal resolution with the Supplier Relationship Management Analyst who assigned the score

2. Submission of a written review request to the Supplier Relationship Management Team. The request must be submitted by a duly authorized representative of the supplier, 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 supplier disagrees with;
 - c. Reason(s) for the disagreement; and
 - d. Any and all documents in support of the supplier's position

Requests not compliant with the above requirements 2(a) to 2(d) will not be considered.

3. Review by a third party within the NLHS who will make a decision ruling
4. Meet with supplier to communicate final decision and next steps

In the event a supplier is involved in a dispute review process and wishes to respond to an open NLHS 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.

Supplier Discipline

Suppliers 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 supplier will be issued a written communication outlining the areas of concern and given an opportunity to respond to each area. The NLHS 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 Supplier 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 supplier. In addition to this, a suspended supplier will also be suspended from contracting with another supplier (i.e. subcontractor arrangement).

SRM Program Monitoring

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

The Supplier Relationship Management division is responsible to ensure the SRM Program remains relevant and will assess its responsiveness to stakeholder needs. Suppliers may also provide feedback to the NLHS on their experience in the SRM Program by completing a Supplier Feedback Survey.

Enquiries

Please direct enquiries about the SRM Program to the Supplier Relationship Management division at supplier.relations@centralhealth.nl.ca