

	 <p>From anywhere... to anyone</p>
<p>SCRUTINIZING CONTRACT PERFORMANCE: APPLYING BALANCED SCORECARD APPROACH AT CANADA POST</p>	
	<p>Vijay Gandhi Manager, Supplier Quality Assurance Canada Post Corp. PMAC's 12th Annual Conference Ottawa ON Canada October 23rd, 2009</p>

<p>Topics to Cover</p>	 <p>From anywhere... to anyone</p>
<ul style="list-style-type: none">• Overview of Canada Post• Why measure supplier performance• Measurement strategy & approach• Measurement model: A – Balanced Scorecard• Example scorecard• Scorecard implementation and results: cases• Questions / Answers / Discussion	
<p>Ensure value for money spent & pursue continuous improvement</p>	<p>Page 2</p>

Background - Canada Post at a Glance



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- \$7B organization
- 40M items/day (physical and electronic)
- 7000 retail outlets
- 14M points of call
- 1M businesses
- 71K employees
- 24K points of access
- 96%+ on-time delivery performance






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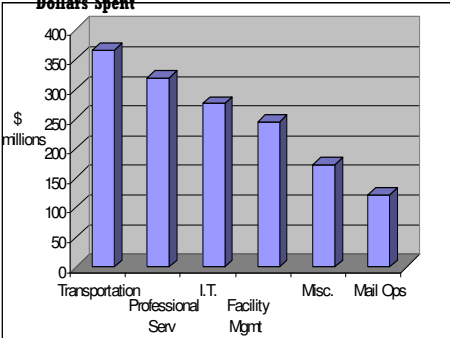
Sourcing Management Dimensions



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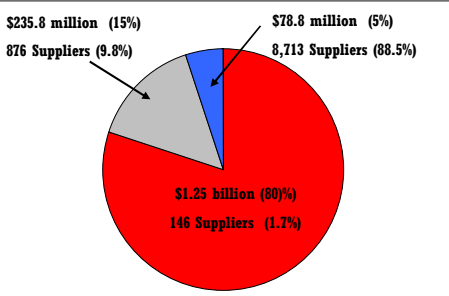
Expenditure Profile

Dollars Spent



Category	Approximate Spend (Millions)
Transportation	380
Professional Serv	340
I.T.	290
Facility Mgmt	260
Misc.	190
Mail Ops	140

"ABC" Analysis -



Category	Value	Percentage	Supplier Count
A	\$1.25 billion	80%	146 Suppliers
B	\$235.8 million	15%	876 Suppliers
C	\$78.8 million	5%	8,713 Suppliers

■ "A" = 80% of \$ □ "B" = 15% of \$ ■ "C" = 5% of \$

AUTOMATION

Purchase Order (P.O.s) : Over 190,000 Auto POs (e-procurement) annually


Electronic Invoices : 80%

Vendor Payment : 64% EFTs:

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INTRODUCTION:



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- **A story of successful application of SPM (supplier performance measurement) system at Canada Post, to gain insight into, and make judgment about, our supplier's capabilities, processes, people, and determine the extent of compliance to their contractual obligations to the corporation.**
- **However, we do not stop at gathering & analysis of performance data; rather, use performance measurement for managing contracts with suppliers and drive improvements, compliance & achieve cost savings.**

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Why Measure Supplier Performance?



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- **Sustain negotiated contract savings**
- **Mitigate hidden risks in supply base**
- **Drive continuous supplier improvement and innovation**
- **Improve quality, delivery, cost & efficiency**
- **Manage supplier relationship**
- **Improve sourcing decisions**

'What Gets Measured Gets Managed'

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Strategy and Approach – Rules of Engagement




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- **Suppliers must measure their own performance**
- **Performance Reports must be validated by stakeholders**
- **Measurement must be meaningful to clients**
- **Data must be timely, easy to collect and verifiable**
- **Measurements designed to drive appropriate action**
- **Criteria must ideally be contractually agreed**

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Performance Measurement Model: MEASUREMENT QUADRANTS



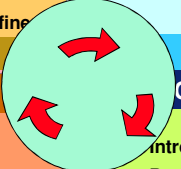
From anywhere... to anyone

- Product defects < contractually defined
- Missed assignments < contractually def.
- Labeling/shipping errors/erroneous count <contractually defined
- Invoice accuracy > contractually defined
- Downtime on critical system < (SLA)
- User complaints < contractually defined

DEFECT-FREE PRODUCT

- Product/service delivered on-time
- Monthly Rpts. by a specified date
- Fill Rate as contractually defined
- Problem analysis & corrective action within agreed upon time
- Response to inquiries/action items within agreed time

ON-TIME DELIVERY



VALUE FOR MONEY

- Cost improvement year-over-year
- Added value without added cost
- Shared cost initiatives
- Innovative approaches that reduce life cycle cost
- Provide assistance (eg: regulatory, labour relations, environmental, customer relations)

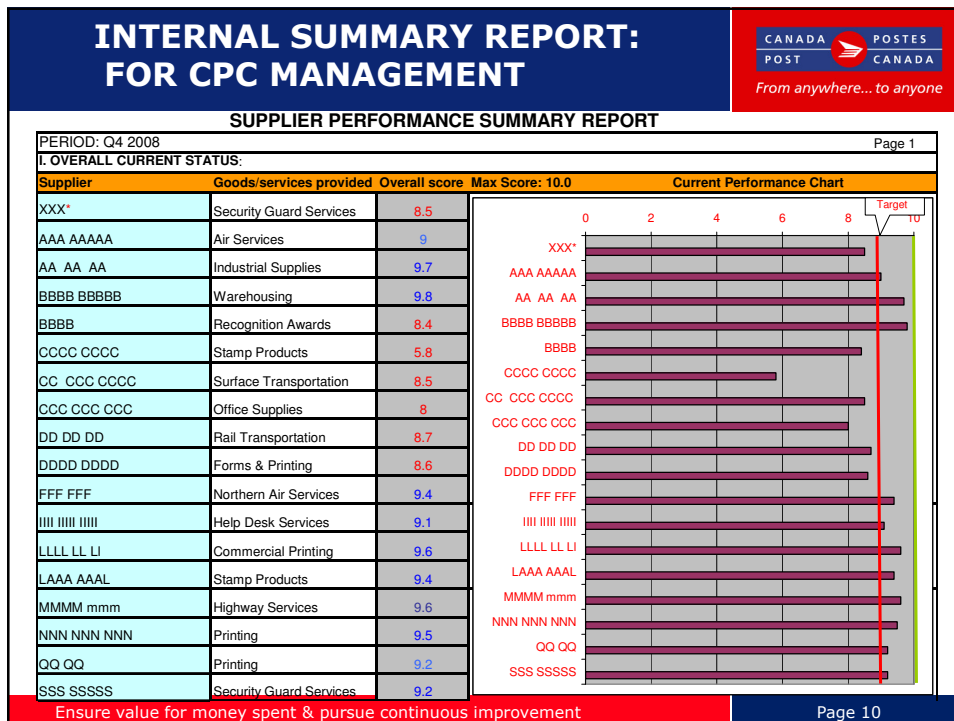
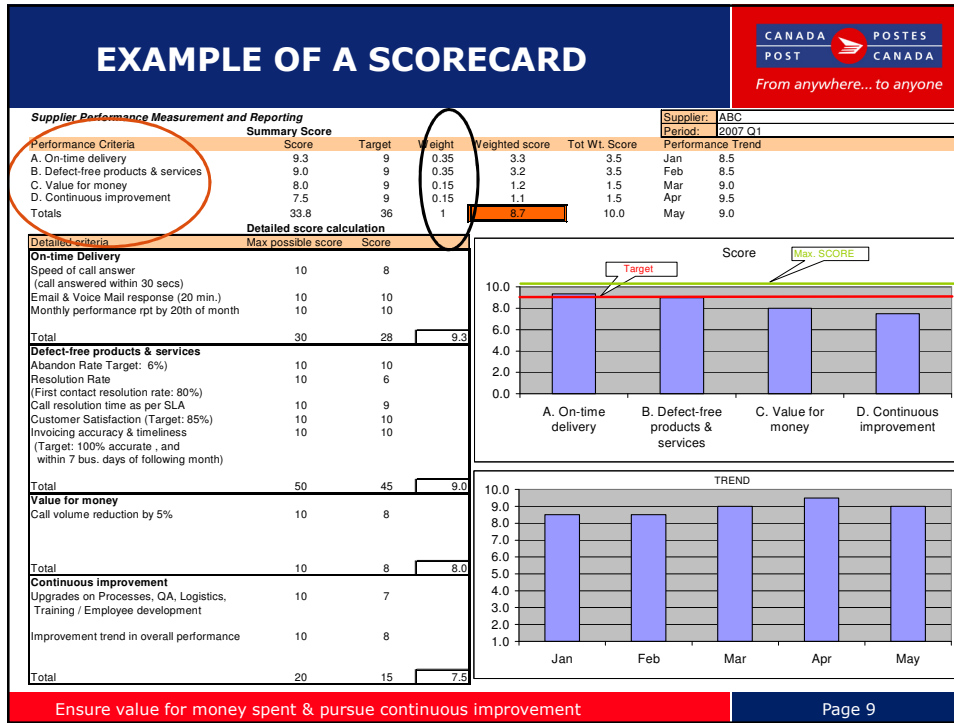
CONTINUOUS IMPROVEMENT

- Introduction of new technology
- Process improvement
- Participation in JPI
- System provides early warning of potential problems
- Documented quality mgmt. system
- Employee development plan


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S-1: Scrutinizing Contract Performance



OVERALL BENEFITS:	 <i>From anywhere... to anyone</i>
<ul style="list-style-type: none">• Ability to determine how well suppliers support corporate vision & strategies• Ability to correlate supplier performance to Canada Post performance• Identify and implement formal improvement programs with suppliers• Utilize Supplier performance data to manage and negotiate contract improvements• Suppliers are integrated into business processes through their active involvement in day-to-day activities	
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OVERALL BENEFITS... continued	 <i>From anywhere... to anyone</i>
<ul style="list-style-type: none">• Reduction in supply variability & distribution (using predictive analysis of scorecard data as a forward risk management instrument)• Reduction in product / service defects & issues; improved cycle time & overall product / service quality• Increased customer value and boost profitability• Tap into suppliers' innovation and expertise• Improved supplier relationship & trust (A corporate asset)• Increased customer-satisfaction	
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SUPPLIER SCORECARD AT CANADA POST		 <i>From anywhere... to anyone</i>
QUESTIONS / ANSWERS / DISCUSSION		
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