

How can the federal government work better with small businesses?



hosted by Dave Newman

Sit down, take a deep breath, sip a beverage, open your mind and stay awhile while we chat with:

Marshall Moffat, Director General, Small and Medium Enterprises Sector, Public Works and Government Services Canada

Small is beautiful – right?

Newman: What challenges do small businesses face in doing business with the Government of Canada?

Moffat: Small and medium enterprises (SMEs) are the backbone of capitalism in this country, and many do not give them credit for how well they compete. Of the 2.4 million SMEs in Canada, about 1.8 million have some service or product bought by the Government of Canada (GoC).

With lower overheads and cost structures, SMEs often compete on price very well. They're able to customize, adjust and respond to specific client needs. They can specialize in niches, corner the expertise in that area and focus marketing efforts on the niche product areas.

But smaller companies also have weaknesses, due to their size and often narrower product lines. To respond to extremely large contracts, or contracts that reflect a broad area of product, they may have to form a joint venture or other arrangement. SMEs tend to be more localized or regional and may only deliver a product in one province or region.

We have designed contracting methods that deal with each of those weakness-

DESPITE SOME PRETTY influential nationals and multi-nationals, Canada is and has always been very much a country of smaller businesses. And we like it that way. Governments know that, and so do politicians – so much so that there have been small business secretariats, agencies and ministries in a variety of places in our federal government for some time. Now there's a new one – Public Works' Office of Small and Medium Enterprises (OSME) in its Acquisitions Branch – that may actually touch small businesses where they really live: in their wallets.

Marshall Moffat, with a solid grounding in government and business, including a previous job as DG of Innovation Policy Branch at Industry Canada, leads this office. So, – let's chat!

es. Many new cross-departmental standing offer requests are designed as regional standing offers so a company does not have to supply us across the entire country. In terms of the product line, we deliberately divided some standing offer requests into blocks of products, so companies can compete in their own area. For example, in professional services, instead of going with one instrument to contract up to, say \$5 million for a certain service or product area, we designed tiers – say, up to \$200,000, then \$200,000 to \$1 million, then \$1 to \$5 million. The mandatory and rated requirements for each tier can be changed to match our requirements. Because we can tune requirements based on the scale of the purchase, an SME participating in a smaller scale requirement won't have the same mandatory requirements as a large company. SMEs have access, can compete, and move up a ladder of scale as they evolve.

SMEs have few employees, which limits the time and effort they can put into bidding for a contract. They have to put in the same effort as a large company to understand a complex request. Spread over fewer employees, that cost is much higher. So, [SMEs] tend to bid on smaller contracts. We are working around that trying to make the procurement process simpler, to produce simplified documents and a standard approach for doing RFPs.

Where's the meat?

Newman: This small business effort resulted partly from customer complaints and needs identified outside PWGSC, and partly from a number of internal studies. How does having a special office permit SMEs to influence your efforts?

Moffat: The origins of [OSME] were in the proposal to transform procurement in the federal government to make it more effective and smarter – to make it operate better for the government, and the supplier. We realized there could be a potential negative impact on SMEs.

SMEs are ubiquitous within the Canadian economy – 99.9 percent – so obviously there is and has been a historical interaction with the GoC across the country. Two things are different. First, transformation is taking place. Our office is to ensure that a strong relationship with SMEs prospers in the future. The second, is that PWGSC decided that some practical, interactive people should advocate for fairness, transparency and increased business opportunities for SMEs, so, [OSME] is at the centre in the acquisitions branch. Being small doesn't mean thinking small.

Newman: Technology plays a role in procurement transformation in ways that SMEs themselves may not have the capacity to exploit. Past government SME initiatives have largely been outreach or access programs. How will you provide tangible service and deliver real benefits?

Moffat: We helped increase the number of SMEs interested in doing business with the government by about 10,000 last year; we directly helped over 12,000 particular SMEs over the past year; and we had a substantial impact on the design of all new cross-government procurement instruments.

Another PWGSC initiative is 'Professional Services Online.' It doesn't yet have all the functionality we want, but it does

allow departments to access small professional service companies and hire them without having to go through a standing offer holder or another procurement instrument. We have big plans for this [vehicle] in terms of enabling both suppliers and demanders in departments to have a hard look at each other and be more strategic. This is going to be very effective and advance fairness, openness and transparency.

There are two elements to our work, both input and outreach. [OSME] sits at the decision making table along with the other government policy and process professionals. We have access and input to the procurement people and the decisions. As an advocate office, a policy office, we have no executive authority over procurement programs, but we reach out to SMEs, partly through our regional offices across the country, and provide practical advice. We

interact with individual SMEs and industry associations to identify issues, get feedback on what we are doing, understand what SMEs need, answer questions about doing business with the government and provide vital information so SMEs can compete more effectively.

There are particular challenges small companies have in doing business with the GoC. These are often horizontal, like the complexity of RFP documents or how much information is required relative to the size of the contract. The department has been imaginative in responding to both the horizontal issues and ensuring access to the individual RFP.

[OSME] advocates on behalf of SMEs with PWGSC and other government programs. We can take the temperature of the SME supplier on a regional and national basis, but we also can negotiate with colleagues in Public Works to ensure that new procurement approaches are designed to tap SME competitiveness and the kinds of goods and services they can deliver.

Our work is not at all altruism. We do it so the GoC can have better service, better products and achieve its mandate more effectively more often. [As well], the government specifically recognizes that SMEs are tremendously important for the economy, employment and regional development.

The vast majority of SMEs want no favours, no special arrangements and no set-asides. They want a fair opportunity to compete. OSME does not advocate at all for particular companies on an individual basis or in the bidding process. We do not stick our nose into any live contracting processes. However, when RFPs come out we look at them to identify broader or generic SME issues. And after the fact, our mandate becomes engaged in addressing issues suppliers may have related to process – continuously improving, correcting and modifying our procurement approach.

Vive la différence!

Newman: How do six regional offices help PWGSC to better understand and serve different business needs across the country?

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Moffat: The regional offices are our eyes and ears. We are deliberately building a highly interactive, cohesive approach between those offices and the policy centre here at headquarters. At HQ we deal regularly with associations and other groups, but the focus is on adjusting the procurement system to respond to issues identified in the regions. The outreach function is a huge part of what we do, but it's not all of it. Our mandate relates to understanding what the issues are and evaluating the effectiveness of what we are doing to adjust to those issues.

We improved our administrative data systems which tell us who is bidding, what the contracting situation is with each product, how much business large and small companies are getting, regional firms versus national, etcetera. We continuously work to acquire and use the data to better help

SMEs. Our quantitative analysis unit improves our understanding of supplier realities. We can't do our job without it. Statistics and formal evaluation are absolutely key functions – important for the department as a whole.

[OSME] acts as a single window to provide information and answer questions and is forming joint ventures with industry associations in that role. When their members get together, we present attuned information sessions – what is happening, what is changing and how to go about procurement for the product areas relevant to that industry.

When the government comes out with, as we are, master standing offers cutting across all departments and agencies, we provide advice, based in part on information from our regional offices, on how the intended design can be fine-tuned to ensure that SMEs can compete successfully and, at the same time, meet our transformation objec-

tives. That is done on an RFP by RFP basis. Before an RFP becomes live, we interact with the procurement people raising issues and proposing design shifts and changes [that sometimes leads] to new procurement approaches.

Some policy areas provide opportunities for small suppliers, including green procurement. smaller companies discover a lot of the new exciting technologies and services required as parts of an environmental program.

Another area is innovation. We are working with other departments and suppliers to make the procurement system more responsive to innovative products, to ensure that we are using the best possible technologies without running undue risk and that we get best value for the government and taxpayers. We are moving strongly towards functional specifications that offer more scope to identify new products that would meet requirements.

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Canadian Public Procurement Council, October 2007

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