

Merx works ...better

“REGARDLESS OF THE MONIKER, the elemental roots of a majority of government initiatives can be traced back to the new public management (NPM) ideology where efficiency, accountability, decentralization and marketization are the main components or drivers.” (J.E. Lane, *Public Sector Reform: Only deregulation, privatization and marketisation*, Public Sector Reform, 1997). The concept of applying private sector principles to public sector practice is not new or unique as is illustrated in a 1995 article by Dr. Ronald D. Utt titled, “Privatize the General Services Administration through an employee buyout.”

The premise behind the move to “privatize” public sector practice is based on the perception or misconception that private sector practice is somehow superior to public sector process. MERX has its roots in the public sector; its move to broaden its market to include the private sector may be indicative of a possible reversal of the NPM trend which assumed that private sector programs were the key to public sector efficiency.

Referred to as Canada’s electronic tendering service through which prospective suppliers to the government can gain “easy access to finding government contracts,” MERX was originally owned by the Bank of Montreal (BMO). Then, and now, MERX is the leading provider of government e-tendering solutions in Canada.

In the December 11, 2002 press release announcing the Montreal-based Mediagrif Interactive Technologies Inc acquisition of MERX, the organization boasted relationships with more than 2,000 government buying organizations in Canada, and with more than 24,000 suppliers accessing the Canadian government’s billions in annual spend, who are a critical building block for MERX’s future success.

However, and as illustrated in a post at my blog, Procurement Insights, titled “Levelling the intangible playing field of professional services procurement” (August 19, 2008), supplier reception and response to the e-tendering process (i.e., RFx) has been uneven. Extensive research shows that suppliers usually fall into one of three categories; the masses, the strategically displaced, and the in crowd. These findings, as well as results from other studies involving both the public and private sectors, indicate that any purported convenience in terms of access is offset by the perception held by suppliers that the lion’s share of business ultimately goes to a select few suppliers.

Despite that perception, there are successes in the MERX world that extend beyond the realm of multinational corporate giants that purportedly claim the lion’s share of Canadian government contracts.

The following excerpt from an October 2006 MERX newsletter titled “A Vision, an Internet Connection and a Subscription to MERX Gives Way to a \$10M Business,” clearly demonstrates that the “little guy” can win, and win big through the utilization of MERX.

“When Barry Payne founded Adirondack Technologies Furniture Inc. in 2002, he planned to sell his furniture to the public sector in Canada. Payne conducted preliminary market research and was not

encouraged by what others were telling him. Many told him that starting a new business was risky and to do it focused on selling to the public sector was an impossible task.

“The naysayers also communicated that public sector opportunities posted on MERX are not really open – it would be very difficult for Adirondack to win public sector contracts by using MERX alone to bid on tender opportunities. It didn’t take long for Payne and Adirondack to dispel this myth.

“Adirondack started out as a one man business. Four years later, it has evolved into a multi-million dollar corporation based strictly on winning tenders from public buying organizations. How did Payne do it? He made MERX his sales and marketing organization.”

Obviously vendors can, and do, prosper through the e-tendering process; but how widely is that success distributed across the entire supply network, and is it indicative of a sustainable model? Enter the Commonwealth of Virginia and their successful eVA initiative.*

In the year prior to eVA’s launch in 2001, between 5,000 and 6,000 of the 20,000 registered suppliers received orders. By 2006, the distribution of contract awards over the entire supply base increased dramatically as 14,371 of the then registered 34,000 sup-

Moving beyond its roots as a public-sector initiated online bid system, MERX broadens to include the private sector.

pliers received orders. According to data available only 8 months into the 2007 campaign, this upward trend continued. (Note: while the final 2007 figures are not yet available, one can safely assume that the business distribution percentage likely topped the 45 percent level.)

According to Paul Bodnoff, senior director of marketing for MERX in Ottawa, MERX’s online tendering service has achieved similar results. While specific data concerning the distribution of contract awards over the entire supply base since 2001 was not readily available, the number of registered suppliers has increased from 20,000 to approximately 50,000.

What is interesting to note is Bodnoff’s assessment that the broader distribution of contract awards is not so much linked to subscriber growth, but is instead an indirect result of expanded bid opportunities “driving the subscriber growth and therefore broader distribution of contract awards.”

Why MERX? And, building on the organization’s historic success within its indigenous market, how well positioned is MERX to expand its existing client base into the even more demanding private sector?

If the distribution of contract awards runs parallel to the increase in the number of registered suppliers, then like eVA, the MERX model appears to have overcome the traditional obstacles the majority of e-tendering services face as a result of a skeptical (perhaps cynical) supply community. Their success may directly challenge the belief that public sector operations would be more efficient if they followed a private sector model. ♫



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*The Procurement Insights Blog is currently available in English, Chinese, Portuguese and Russian.

Web resources: *Privatize the General Services Administration through an Employee Buyout*: <http://www.heritage.org/Research/GovernmentReform/BG1036.cfm>
The Bands of Public Sector Supplier Engagement: <http://procureinsights.wordpress.com/2007/12/13/the-bands-of-public-sector-supplier-engagement/>