



RECOMMENDATIONS FOR IMPROVING FEDERAL PROCUREMENT TO ENHANCE ACCESS AND OUTCOMES FOR SMALL AND MEDIUM ENTERPRISE'S (SMEs)

ABOUT THINKING BIG

- A privately held SME established in 2004 and headquartered in Charlottetown, PEI.
- The company provides enterprise digital services and solutions to organizations seeking to extend their digital capabilities and significantly enhance their clients' and/or end users' digital experience.
- Thinking Big employs 50 highly experienced IT and digital business specialists, providing attractive and future leaning employment opportunities in the local economy.
- Regardless of the physical location of an organization, Thinking Big, can provide its services and solutions across Canada via modern communication methods and tools.

EXPERIENCE WITH FEDERAL PROCUREMENT

Thinking Big has been providing services to Veteran Affairs in Charlottetown for the past 13 years and has been a supplier under a subcontract arrangement with an Ottawa based professional services company for the past 4 years.

Key strategic objectives for Thinking Big are to be able to bid on opportunities as a prime contractor versus a subcontractor, and to grow its direct business with the federal government.

Our focus on hiring to develop cohesive teams and experimenting with innovative technology is aligned with the government advancing its digital services through agile development and procurement processes.

However, there are impediments in the federal government procurement system which Thinking Big has experienced. The company is seeking strategic and tactical changes that will make it easier for regional SME's to prospect opportunities and have better federal procurement outcomes. At the same time, the federal government is expected to realize high quality and innovative services and solutions from regional SMEs.

CONCERNS AND RECOMMENDATIONS

Thinking Big has identified 7 concerns as outlined below, along with recommendations for each:

Concern #1 – Lack of Diversity in C-Suite Leadership for IT and Business Services Companies

While the government appears to be considering set asides for "Women-Owned Businesses", Thinking Big believes there are also benefits associated with culturally diverse C-Suite Leadership. As a "Woman-Led Business", Thinking Big feels passionate about requesting that the government also consider recognizing leadership by women and other disadvantaged groups in the federal procurement system. This can only help encourage more organizations to promote people from these diverse groups to their C-Suite.

Recommendation #1 – Recognize C-Suite leadership diversity through the potential to score additional points in the evaluation of bids.

Concern #2 – The NCR is Frequently Identified in RFPs as the Location of the Work

Traditionally, federal government enterprise service delivery improvements have been led by departmental headquarter operations with requirements contracted from the NCR. The location of the work identified in the RFP is the NCR, as this is where the government clients or project managers are located. In the past, this has been an impediment to SMEs located outside the NCR. However, with today's communications and collaboration tools, work such as digital services and solutions can be provided to federal national capital region (NCR) based clients from anywhere in Canada.

Recommendation #2 – Rigorous review of professional services and solution requirements to open the location of the work by the contractor, to any geographic region within Canada.

Concern #3 – Restrictive Mandatory and Point Rated Bid Evaluation Criteria and High Weighting of Price

Evaluation criteria that unnecessarily limits SMEs direct access to federal procurement opportunities is highly problematic. It frequently occurs that SMEs may be the sole or prime service delivery provider on a contract; however, as they do not have the corporate¹ project references and/or business volume levels and/or experience, the SMEs are forced to bid through another company, that adds an additional percentage to their prices and limits ability to build brand awareness. This detracts from the competitiveness of the SME, their direct access to the client during the performance of the work and eats into the SMEs potential profitability.

Placing a high weighting on the price versus the technical proposal forces companies to low ball to win the bid and detracts from the quality of the resources that can be provided and/or the solution delivered.

Recommendations #3 –

- A) In establishing the threshold levels and parameters for evaluation criteria, take measures to ensure that every consideration is given to setting levels that do not unnecessarily restrict SMEs having an opportunity to bid as the prime contractor.*
- B) Ensure that the weighting of the price is set to support obtaining high quality resources and solutions.*

Concern #4 – Bundling of Requirements and Long Durations including with Option Years

The complexity of federal procurement and the length of time it takes, has led to extensive bundling of government requirements into a single RFP as well as longer multiyear durations with option years.

¹ A federal RFP often includes criteria identified as corporate criteria and criteria applicable to the resources being proposed. Corporate criteria apply to the experience of the bidder, i.e. prime contractor. Criteria applicable to the resources is the experience of the individual proposed for the work and can be experience gained from any previous employment or contracts they personally had or contracts with any other party.

Option years are typically exercised. This practice has the impact of removing opportunities for SMEs across Canada.

While the government's solution to bundling is to ensure such arrangements include SME contracting plans, SME opportunities via an established prime contractor are limited. A Walmart approach to price negotiations with SMEs can occur and can ultimately impact the quality of resources/solutions delivered as the lead vendor is not necessarily an expert in all streams of service and may not appreciate the value the SME brings to the client (valuing instead the margin they receive for brokering). The reality is that many SMEs would prefer to contract directly with the government and control their own destiny.

Recommendation #4 – Revisit already bundled requirements and, in the future, reconsider if bundling is really required and/or establish flexibility within RFPs, for smaller bundles that can be awarded to SMEs. For example, there may be the opportunity to issue bundles via geographic regions or discrete business segments versus a winner take all bundled approach.

Concern #5 – Thresholds for Single Source Contracting are Not Reflective of a Dollar Value that Allows a Reasonable Package of Work to be Undertaken

The current threshold including taxes is \$25k which is quite low, particularly for professional services and solutions. The level of effort to prepare a bid in response to a competitive RFP of this dollar value is often three to five days which makes it impractical for SMEs to bid as they cannot recoup the opportunity cost associated with bidding.

Recommendation #5 – Increase the single source threshold for contracting to \$50K.

Concern #6 – Government Appears to Focus on Staff Augmentation Versus Buying Solutions and Higher Value Solution Focused Professional Services

There has been a tendency for government to buy services to augment their internal resources versus buying solutions.

Recommendation #6 – Focus on buying solutions and outcome-based professional services.

Concern #7 – Level of Effort for SMEs to Prospect and Bid on Opportunities

Seeking out opportunities and responding to RFP's is both complex and time consuming. SME resources are often stretched. It is challenging to identify federal procurement opportunities early enough to be well positioned for a bid and to have sufficient management time and focus to prepare a bid response. SMEs are seeking simplification of the bidding process, less complexity and the ability to submit bids electronically. The latter is very important to SMEs outside the NCR who are disadvantaged by 2 to 3 days over NCR firms in bid preparation time due to the lead time for courier delivery of a bid to the NCR.

Recommendation #7 – Reduction of the complexity and simplification of government procurement.

There is much that can be done in this area. Here are Thinking Big's more detailed recommendations for the federal government:

- 7.1 Publish more information about what the government will be buying at the beginning of a new fiscal year.*
- 7.2 Deploy a digital online bidding process.*
- 7.3 Streamline and simplify the bidding process.*
- 7.4 Use plain language in RFPs & Contracts and simplify the terms & conditions to more commercial terms and conditions.*
- 7.5 Pay suppliers more quickly to better support the cash flow of SMEs.*

Concern #8 – Security Clearance for Newcomers Takes Too Long

As a regional SME we, like many other Canadian regions outside the NCR, are going to be looking more and more to access the talent pool of newcomers to Canada. Unfortunately, the security clearance process for people who have lived outside of Canada in the past five (or ten) years, takes too long to leverage and propose these resources on RFPs. We suspect that the due diligence employed by immigration on these candidates was extensive and complementary/overlapping with the same information and investigation needed by OLISS. Can the Government of Canada create efficiencies by collaborating across the departments for these processes?

Recommendation #8 - OLISS and Immigration coordinate efforts and share data to expedite the security clearance process for newcomers to Canada who are able to work in Canada.

Questions

Thinking Big appreciated the opportunity to identify its concerns and put recommendations forward. If there are any questions about this submission, please contact:

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