DEVELOPING THE DIGITAL STATE:
The Government of Ontario’s Procurement of I & IT from Micro, Small and Medium-Sized Vendors
—Considerations and Potential Strategies—

By Patrice Dutil and Andrea Migone
Institute of Public Administration of Canada

July 2018
TABLE OF CONTENTS

1. EXECUTIVE SUMMARY OF FINDINGS AND RECOMMENDATIONS FOR BEST PRACTICES
2. INTRODUCTION
3. TERMS OF REFERENCE: MANDATE, SCOPE AND METHODOLOGY
4. FINDINGS
5. RECOMMENDATIONS FOR BEST PRACTICES
6. CONCLUSIONS AND FOLLOW-UP
7. APPENDICES
   I. QUESTIONNAIRE
   II. CASE STUDY 1: OFFICER A: THE NEED TO CONNECT WITH THE RIGHT PEOPLE AT THE RIGHT TIME
   III. CASE STUDY 2: OFFICER B: PROCURING PROOF OF CONCEPTS FOR ONTARIO.CA
   IV. CASE STUDY 3: OFFICER C: PROCURING NEW INSTRUMENTS FOR IMPROVED DATA ANALYTICS
   V. CASE STUDY 4: OFFICER D: IMPROVING PROCUREMENT FROM THE INSIDE
   VI. CASE STUDY 5: AGENT 1: SCALING UP DIGITAL HEALTH CARE
The Government of Ontario is committed to connecting to the citizenry to deliver better services and better policymaking. To succeed, it must use the best digital instruments and software. Without these tools and services, digital government is simply impossible. The dilemma is that government cannot, nor does it need to, create these modern tools and services on its own. It must buy or lease them from the private sector. Some are big multinational companies; others are boutique outfits that specialize in very particular fields.

Concurrently, there is a widespread conviction that government is not doing enough in using this lever to improve Ontario’s innovative capacity. Regulatory impediments, cumbersome procedures, a risk-averse culture and a suspicion that Micro, Small, and Medium Enterprises (MSMEs) innovators will require a heavy investment of time for them to ramp-up their understanding of government procedures, militate against the state’s ability to become a focus of private-sector innovation, particularly in Information & Information Technology (I & IT).

There is also a growing awareness that micro-size and SME directors are not aware of the government’s interest in procurement, or have been repelled by what appears to be a cumbersome, bureaucratic process.

Our study explores this dilemma and makes recommendations based on interviews with individuals involved at both ends of commercial transactions; those that have been realized and those that have been unfulfilled.

The study reveals that government officers have demonstrated some ability to adapt the procurement system to the new realities of the I & IT world. It also shows that the government procurement world, particularly in term of I & IT procurement, is living the tension of competing values. Procurement has traditionally been judged on its fairness, transparency and ability to seek value for money efficiently. Now, it must also perceive new levels of innovation, adaptation and insight being discovered outside the public service. This tension can only be resolved with entrepreneurial leadership, and tech-savvy management that will trigger a new era of openness and discussion with private sector providers.

Our research has highlighted two types of responses:

**Tactical:** Employees of the Ontario Public Service have adapted their approach to extract as much efficiency and flexibility from a rigid system so that modern, flexible and better procurement outcomes could be achieved. These approaches worked well within the allowable boundaries and logic of the OPS procurement rules and did not challenge the core values of
the system. The latter include the notion of procurement as process as opposed to strategy and procurement aimed at well-understood and mature products and services. Examples in this category were achieved for low procurement sums.

The study makes the following recommendations:

- The introduction of a category in the VOR for procurement of B2B services and products should be considered;
- Pricing guidelines and the list of approved products that can be procured must be updated more frequently to reflect the fast transformation of IT products and services;
- The Government should track its performance in awarding contracts to I & IT MSMEs and make this information available;
- That government agencies review their procedures to ensure payment to MSMEs by thirty days of receipt of invoices.

**Strategic:** these include initiatives that are designed to shift the Ontario Public Service towards using procurement more often as an enabler of strategic outcomes. These tend to be larger projects, which involve significantly more knowledge, capacity, cooperation and authority than the tactical ones.

The study makes the following recommendations:

- Capacity building among procurement staff and general staff should be enhanced so that it becomes a more effective collaborative partner in the acquisition of IT;
- Active encouragement of MSMEs should be sought through procurement;
- “Market Sounding” and “Competitive Negotiation” practices need to be pursued more often with potential vendors;
- The government’s challenge function could be amplified to draw in more MSMEs by investing in a ‘showcase by use’ approach;
- There should be an annual report on procurement that goes beyond what is currently recorded in the Public Accounts of the province that would include a categorization of procurements from MSMEs, including IT;
- That consideration be given to identifying targets for Ministries and Agencies; that once established they be reviewed annually;
- That procurement officers and departments and agencies make more strategic use of established mechanisms that act as B2B networkers in high-tech (e.g. Communitech, various university and college-based small business incubation labs, MaRS);
- That a single-window registration process for MSMEs be established;
- That consideration be given to recognizing VOR status acquired in other provinces, cities, governments;
- Facilitate effective connections between the OPS and start-up/SME community, which may pass through a combination of the following measures:
  - Visibility Building: the government needs to multiply its efforts in ensuring that it is visible to the SME community;
  - Implement a concierge function inside government to improve the match between government needs and what is being developed and offered by SMEs and start-ups (such as what has been created recently in British Columbia);
  - Reduce the economic and administrative burden of participating in OPS procurement for SMEs and start-ups;
  - Establish set-aside contracts for SMEs and start-ups.

---

**About the Authors**

Patrice Dutil, Ph.D. is Professor of Politics and Public Administration at Ryerson University. He worked in the public and para-public sector for almost twenty years before joining the university in 2006. He served as Director of Research of the Institute of Public Administration of Canada from 1999 to 2006. He is the author of many studies on a wide range of policy issues. His website is: www.Patricedutil.com

Andrea Migone, Ph.D. has been the Director of Research and Outreach of the Institute of Public Administration of Canada since 2013. A specialist in procurement, before joining IPAC he worked both as a consultant and as a university lecturer. His academic career includes work on globalization, innovation policy, social innovation, political economy and governance.

The authors wish to acknowledge the support of Profs. Jonathan Craft and Evert Lindquist, whose project on the digital state provided the funding for this study.
To succeed in the 21st century, the people of Ontario need access to the technologies that will guarantee prosperity; they must learn to use them and to develop them. The demand for innovation in an internationally competitive market with growing trade conflicts puts an additional stress on governments as they work to ensure that their local economy benefits.

To confront this challenging environment, governments have adopted a wide range of innovation strategies that draw on a mix of policy and program instruments (see table 1).

The Government of Ontario is an active player on this front. From its support to innovation in colleges and universities to direct support for technological developments in particular industries, it has long demonstrated a commitment delivering a technology-friendly environment. It has also been committed to ensure better service and better policy to the citizens of the province. In order to succeed, it inevitably needs to use the best digital instruments and software. Without these tools, digital government is simply impossible. The dilemma is that government cannot create these tools on its own. It must buy or lease them from the private sector. Some of these acquisitions are from big multinational companies; others are boutique outfits that specialize in very particular fields.²

Government must innovate in order to stay relevant to peoples’ lives, and that objective has entailed new opportunities. For a long time, a widespread conviction existed that one way government can reach its goals of encouraging innovation is to become a customer, a buyer of new technology. The logic is that the public sector, given its vast responsibilities, lends itself as a natural adopter that can help micro, small and medium-sized developers “concept-proof” and “market-proof” their products and services. It can go further by helping smaller companies scale-up their offerings.

At the same time a widespread conviction exists that government is not doing enough in using this lever to improve Ontario’s innovative capacity. Regulatory impediments, cumbersome procedures, a risk-averse culture and a suspicion that SME innovators will require a heavy investment of time to ramp-up their understanding of government procedures, militate against the state’s ability to become a focus of private-sector innovation, particularly in IT.²

1. See Patrick Dunleavy. “Public Sector Productivity: Puzzles, Conundrums, Dilemmas and Their Solutions”, in J Wanna, H-A Lee & S Yates (eds), Managing Under Austerity, Delivering Under Pressure: Performance and Productivity in Public Service (ANU Press, 2015) 25-42. In examining the UK, Dunleavy notes that most of the work being done in IT is in fact carried by a handful of large enterprises that effectively control the cost. A more comparative perspective is provided by Patrick Dunleavy, Helen Margetts, Simon Bastow, Simon and Jane Tinkler, Digital Era Governance: IT corporations, the state and e-government (Oxford: Oxford University Press, 2006). In this work, Canada is included along with the United States, the United Kingdom, Australia, New Zealand and Japan. Canadian governments are depicted as having retained comparatively more IT expertise in house, thus allowing for a stronger presence of the public sector in choosing IT solutions and in adapting them. See also North, D., Smallbone, D. & Vickers, I. “Public Sector Support for Innovating SMEs” Small Business Economics (2003) 16: 303-321 for a survey of practices in the United Kingdom. The article is a bit dated, and does not cover procurement as a specific focus.

This is a study of how officers in the public service of Ontario have used procurement to help make the provincial government innovative. The “public procurement of innovation” is a phenomenon that “occurs when a public agency places an order for a product or system which does not exist.” A recent study of 800 public sector suppliers in the UK found that public procurement has emerged as an instrument for innovation policy and that many policy instruments already exist to support procurement of innovation. But it also found that there were barriers to furthering this policy, including lack of coverage, lack of ownership by purchasers, failure to address the whole cycle of acquisition and to address risk aversion. The scope of policy measures needs to be extended in time, breadth of reach and depth.\(^4\) This is not to ignore the rules of procurement that must be respected by Government of Ontario employees. Trade agreements, laws of competitive bidding, and procurement policy directives must be complied with in order to ensure that the processes are always fair, accessible, transparent, and blind to unfair preferences. Above all, procurement officers must seek the highest value for money. They must be ethical at all times. They must provide full disclosure to all bidders and have a duty to reject non-compliant bids. They must conduct fair competitions where the scale of the project requires them. They have a duty to award the contract to the winning bidder and must award the contract as it was outlined in the tender.

---

**Table 1: Taxonomy of Innovation Policy Tools (Edler and Georghiou 2017: 953).**

<table>
<thead>
<tr>
<th>Supply-side Measures</th>
<th>Services</th>
<th>Demand-side Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity support</td>
<td></td>
<td>Systemic policies</td>
</tr>
<tr>
<td>Fiscal measures</td>
<td></td>
<td>Regulation</td>
</tr>
<tr>
<td>Support for public sector research</td>
<td>University funding. Laboratory funding. Collaborative grants. Strategic programs for industry. Support for contract research. Equipment sharing</td>
<td>Use of regulations &amp; standards to set innovation targets. Technology platforms to coordinate development.</td>
</tr>
<tr>
<td>Networking measures</td>
<td></td>
<td>Support of private demand</td>
</tr>
</tbody>
</table>

---

In addition, government procurement officers must ensure that their transactions comply with government legislation such as the Freedom of Information and Protection of Privacy Act (FIPPA), the Public Service of Ontario Act, the Environmental Protection Act (EPA), the Occupational Health and Safety Act (OHSA) and the Accessibility for Ontarians with Disabilities Act (AODA).

For IT projects, procurement projects must also respect the general “I & IT Directive”, the “Contractor Security Screening Policy” as well as the “Information Security and Privacy Classification Policy.”

This study discovered that it was simpler to innovate and implement more flexible procurement arrangements in the Ontario Broader Public Sector (BPS) than in the OPS. Projects like the MaRS Discovery District led procurement by co-design in the health care sector, the opt-in procurement in the Local Health Integration Network (LHIN), and the greater success of Supply Chain Ontario in creating innovative procurement projects like “market sounding”, showcase the existence of successful alternatives to classic government procurement in Ontario. However, it also suggests that some variables within the OPS itself inhibit a similar result.

Good procurement policy follows clear procedures and is strategic. It is based on a sound needs assessment, a rigorous assessment of suppliers, the correct methods of procurement, a clear understanding of risk requires officers to deliver the right products/services on time and on budget and, not least, a robust consultation with stakeholders in the bureaucracy—those who will ultimately be using the services or goods. This is necessary not only to improve on outcomes in I & IT but also to ensure that public servants are not left behind the technology curve that could result in both disenfranchisement and cynicism. In this sense, the Government of Canada plans to have the Departmental CIOs work in close connection with stakeholders from other jurisdictions, academia and organizations such as the Public Sector Chief Information Officer Council, the Open Government Partnership, and the Digital Advisory Board to provide better strategic thinking to the process.

The SMEs interviewed for this study, as well as industry observers, indicate consistently that SMEs specialized in IT don’t want special favours. What they do want is a ‘fighting chance’ to compete when they are structurally at a disadvantage. Few leaders in these boutique firms have experience with government procedures and many are repelled by them. Unlike larger IT firms, they have no dedicated staff that can specialize in government procurement. The consequence is that time taken out to focus on a procedure-heavy application with few chances of success is substituted from efforts made to deepen research and development.

There are other obstacles, however. Barriers for sourcing from smaller businesses also arise from the procurement process as such. For instance, it is often suggested that the public sector should bundle its contracts to achieve a greater negotiating power over suppliers. Such aggregation of demand through consortium buying is, for example, recommended in the National Procurement Strategy for Local Government in the United Kingdom as a means to make procurement more cost-effective. This would hurt the chances of MSMEs.

WHY IS IT URGENT?

In both its Transforming the Ontario Public Service for the Future (2017) and Ontario Public Service of the Future: 2018 Action Plan (2018) documents, the Government of Ontario points to a new vision for the OPS that includes “Harnessing Disruptive Technologies” and providing public servants with the technological tools to cooperate across units and areas of work. Indeed, five of the six vision points will rely on a much more effective use of software. The reality is that micro, small and medium enterprises (MSME) are innovative in areas that can be of significant assistance to the very particular needs of government. They can be more responsive, faster in execution and quicker in follow-up simply because they are not burdened by the more complex decision-making apparatus of large firms who inevitably seek to make their products as uniform as possible. The track record is undeniable: in many industries, it is the smaller firms who innovate. Not least, their services and ability to customize tend to cost far less than the large firms who carry important overheads. There is evidence that EU governments are attaching a new significance to public procurement as part of their innovation policy.\(^8\)

The time is right to draw on the services of MSMEs. At the dawn of the computer age, the wisdom of drawing on large IT firms made sense as the corporate habits of the Ontario Public Service (OPS) were called to be transformed. The second wave of computerization brought upon by the Internet also made significant demands to integrate new technologies. The large firms were the magnets for talent and proved that they had the capacity to deal with the large entities of government.

However, technology today is nimbler and faster. Services are increasingly delivered through the cloud and do not require integration to massive legacy systems. Not least, there is an important capacity outside government in software development that is ready to respond to State needs, but also to the needs of the population that is more and more demanding of on-time services in practically all areas of government activity.\(^9\) An important study among 1,100 firms in Germany found that public procurement propelled innovation success as much as knowledge spillovers from universities and that public procurement was “especially effective for smaller firms in regions under economic stress and in distributive or technological services.”\(^10\)

Canada has long attempted to position itself at the leading edge of the technology curve, both in terms of research and commercialization. However, the competitive edge of the country in this area is weak: the World Economic Forum’s Competitiveness Report 2017-18 concludes that in Canada “Struggling in 68th position. As governments push business and investors to do more, it might be wise to look in the mirror too and have the government lead by example.”\(^11\)

Finally, both the 2017 discussion paper and the 2018 action plan point to the need to do things differently, more creatively. The former commits the government to “leverage the power of new technologies—including mobile, analytics and cloud computing—to increase innovation and improve productivity.” It calls upon the OPS to “harness the power of data and information to provide solid evidence to back up decision on program design and enhancements.”\(^12\) The latter stressed the central role that technology will have in both delivering services and in supporting innovation in the OPS.\(^13\)

An important study among 1,100 firms in Germany found that public procurement propelled innovation success as much as knowledge spillovers from universities and that public procurement was “especially effective for smaller firms in regions under economic stress and in distributive or technological services.”

In the last three decades, state procurement has been the focus of both internal and external analysis. The range of that analysis was broad, spanning the new nature and format of policy advice systems, the apparent emergence of a contracting state, to concerns about appropriate approaches towards procurement and its value to the use of temporary help, just to cite a few. Of specific concern to various authors has been the ostensible disadvantage faced by Small and Medium Enterprises in government procurement. A recent study of the Government of Canada’s procurement of goods and services from SMEs showed that the most significant hurdle was the conviction among small entrepreneurs that the public sector was not a likely customer. The Government of Canada itself highlighted the need to rethink its procurement process for I & IT as a key priority in the 2017-2021 IT Strategic Plan. This includes developing a more agile process, address aging legacy systems, rationalizing applications and shorten procurement cycles.

Within this broad research, an area of particular interest is represented by Information & Information Technology procurement. Various authors have analyzed government I & IT activities in the US States and federal government, the Finnish government, various governments in Canada, and international comparatively. Although not directly related to this study, it is worth noting the increasingly more common notion that innovation can be sped along with procurement tools. Of course, this is usually simpler in theory than in practice, as many analysts have noted.

In June 2018, the government of British Columbia introduced the Procurement Strategy 2018, which tackled many of the areas this report will touch upon. The new BC procurement strategy is based on four interconnected goals:

1. To realize best value and increased benefit to British Columbians by using procurement strategically to improve social and environmental outcomes and promote innovation;

2. To make it easier to do business with government with simpler, more intuitive processes;

3. To create more opportunity for businesses of all sizes, adapting practices towards supporting, growing and sustaining a community of suppliers;

4. To build greater capacity for procurement in the B.C. public service through enhanced training and support.

Born of an extensive engagement with suppliers, this new strategy recognized some of the critical challenges faced by government procurement systems, which created real obstacles to attaining a fair procurement process. Among them were:

- inconsistencies in how procurement was managed;
- a lack of incentive to propose innovative solutions;
- complex and long-winded processes that inevitably favour large companies; and
- a lack of internal capacity in government procurement.

The provincial government intends to create a Procurement Concierge program that will work to connect suppliers and government officials. Growing ‘made in BC’ innovation will also be a priority with a start up in residence program and focusing on providing opportunities for businesses located in the Province.
At the same time, a strong focus will be placed on making it easier to do business with the provincial government. This will include fostering better access to government procurement for SMEs, but also engaging in a process of educating suppliers, expanding the government understanding of the market, and modernizing the procurement process. The latter will include redesigning the bidding process, developing better strategic approaches to procurement, developing effective pre-qualified supplier lists and so forth.

A key component in the British Columbia’s approach is to increase the public service’s capacity in procurement. This will include not only creating a procurement community of practice, but also developing a distinct career path in procurement to recruit and retain skilled professionals, who would be supported by a specific HR and training plan and would be able to refer to an integrated, government-wide procurement governance framework.

The effects of the new approach are already beginning to be felt within the I & IT procurement process. Recently, the BC public service awarded a $1.5M contract to a local technology company over a 17-day timeframe. This contract was the first awarded under the Sprint with Us program, which is designed to reduce the costs, time involved, and level of complexity involved in smaller bids.

Designed in collaboration with BC technology firms through the BCDevExchange team and aimed specifically at SMEs, this procurement process involves contracts of $2 million or less. The program was launched in May 2018; as of July 2018, 58 companies have signed up as potential suppliers. From a streamlining perspective, Sprint with Us reduces the hard costs of submitting a bid down from an estimated $15,000-25,000 to $1,000-2,000. It is also designed to reduce the timeframe needed to submit a proposal from around three months to a maximum of six weeks.
This study is part of a broader academic study into the challenges of creating a ‘digital state’ in Ontario led by Prof. Jonathan Craft (University of Toronto) and Prof. Evert Lindquist (University of Victoria). It was funded by Cabinet Office in the Government of Ontario. The agreed scope was to include a relevant literature review, to seek and interview examples of exceptional creativity in procuring IT services from SME and identify key challenges.

This product is thus based on a literature review and an examination of reported best practices. As part of our analysis we have also undertaken a series of semi-structured interviews selected by a snowball sampling method with OPS employees, City of Toronto employees and private sector entrepreneurs to better understand the culture and process of procurement of IT. Four case studies were drawn from the public sector and one from the private sector. These are studies of success, not failure, and as such point a light at what is achievable. Interviewees tended to be younger (under 40), a mix of women and men, highly educated, and deeply experienced in the public sector or in procurement. They tell compelling stories that reflect the opportunities and frustrations of working within procurement rules that make government risk-averse and needlessly burdensome in terms of process. The case studies were anonymized because the majority of our interviewees requested it (See Appendices).

Finally, the draft report was distributed to opinion leaders and a meeting was held in late June to validate the findings and to discuss the recommendations.

31. This method was used in the context of the Republic of Ireland. See Davis, Paul and Olivia Brady. 2015. “Are government intentions for the inclusion of innovation and small and medium enterprises participation in public procurement being delivered or ignored? An Irish case study” Innovation: The European Journal of Social Science Research. 28 (3): 324–343.
Among the people we interviewed, there is a broad consensus that the Government of Ontario has an obligation to keep modernizing its operations and remain relevant in the digital age. Just as important is the recognition that government does not have the capacity to develop the tools and methods unilaterally. Finally, there is a responsibility to use the State to help Ontario firms develop and scale up new IT. This can be done by helping to showcase advances, brokering relationships between suppliers and buyers, by co-developing, by ‘incubating’ through research grants and, not least, by outright procurement.

But if MSMEs are critical to helping reach the Government of Ontario’s vision, it is not clear to what degree this is being accomplished. It is always very difficult to establish exactly the spending levels for I & IT at the government-wide level and the OPS is not an exception. We can use the Public Accounts however to analyze in a conservative fashion these expenses by looking at which expenditures are explicitly noted as belonging to this area at any level (program or program component). Over the fiscal years 2014/15 to 2016/17 a little over $2.7B have been allocated to I & IT programs.

The lion’s share of this spending is concentrated in the Ministry of Health and Long-Term Care with $1.9B, which represents 70% of the whole. This is not necessarily surprising as the health sector has been at the centre of strong technological growth.

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CITIZENSHIP, IMMIGRATION AND INTERNATIONAL TRADE</td>
<td>$2,116,946.00</td>
<td>0.08%</td>
</tr>
<tr>
<td>COMMUNITY AND SOCIAL SERVICES</td>
<td>$14,819,669.00</td>
<td>0.55%</td>
</tr>
<tr>
<td>COMMUNITY SAFETY AND CORRECTIONAL SERVICES</td>
<td>$101,266,560.00</td>
<td>3.73%</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>$176,558,587.00</td>
<td>6.50%</td>
</tr>
<tr>
<td>ENERGY</td>
<td>$372,335.00</td>
<td>0.01%</td>
</tr>
<tr>
<td>GOVERNMENT SERVICES</td>
<td>$67,215,365.00</td>
<td>2.47%</td>
</tr>
<tr>
<td>HEALTH AND LONG-TERM CARE</td>
<td>$1,900,408,774.00</td>
<td>69.97%</td>
</tr>
<tr>
<td>MUNICIPAL AFFAIRS AND HOUSING</td>
<td>$1,840,859.00</td>
<td>0.07%</td>
</tr>
<tr>
<td>NATURAL RESOURCES AND FORESTRY</td>
<td>$102,371,446.00</td>
<td>3.77%</td>
</tr>
<tr>
<td>NORTHERN DEVELOPMENT AND MINES</td>
<td>$110,251.00</td>
<td>0.00%</td>
</tr>
<tr>
<td>THE ENVIRONMENT AND CLIMATE CHANGE</td>
<td>$72,586,708.00</td>
<td>2.67%</td>
</tr>
<tr>
<td>TOURISM, CULTURE AND SPORT</td>
<td>$2,228,811.00</td>
<td>0.08%</td>
</tr>
<tr>
<td>TRAINING, COLLEGES AND UNIVERSITIES</td>
<td>$3,124,289.00</td>
<td>0.12%</td>
</tr>
<tr>
<td>TRANSPORTATION</td>
<td>$173,210,254.00</td>
<td>6.38%</td>
</tr>
<tr>
<td>OFFICE OF THE ASSEMBLY</td>
<td>$30,382,759.00</td>
<td>1.12%</td>
</tr>
<tr>
<td>TREASURY BOARD SECRETARIAT</td>
<td>$67,453,231.00</td>
<td>2.48%</td>
</tr>
<tr>
<td></td>
<td>$2,716,066,844.00</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 1. I & IT Select Spending by Department – Public Accounts of Ontario
An examination of the program level spending reveals a clear confirmation as the e-Health and Information Management program accounts for $1.47B. The analysis of the Canadian I & IT situation has been less present in the academic literature. The work accomplished has often presented Canada in a comparative setting and relatively few ‘Canadian-only’ examples are extant and of these, only some focus squarely on information management. However the sector draws substantial attention across the country. This is not surprising. The Government of Canada is home to over 17,000 IT professionals. In the recent past it has been spending around $5 billion on IT each fiscal year of which $3 billion in applications, computing devices and IT program management. This pattern is repeated across jurisdictions: the Auditor General of British Columbia (2016) reported that for the 2014/15 fiscal year the BC government spent $668 million on IT capital, up from $508 million in 2012/13, a value close to 10% of all capital spending.

At this point, however, statistics are unavailable that would enable researchers to assess which percentage of these contracts went to MSMEs and which to larger companies. A proxy calculation is possible with the Government of Canada’s contract history open data. In Table 3, the distribution by supplier size of all goods and services and of select IT categories (all GSIN codes containing the keywords ‘informatics,’ ‘software’ and ‘computer’) is reflected by contract value. This of course is just one side of the equation as SMEs are defined both through size (less than 499 employees) and by gross revenues (less than $50M annually).

<table>
<thead>
<tr>
<th>Size of Supplier</th>
<th>Select IT</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 4 employees</td>
<td>3.96%</td>
<td>4.82%</td>
</tr>
<tr>
<td>5 to 9 employees</td>
<td>2.47%</td>
<td>6.99%</td>
</tr>
<tr>
<td>10 to 19 employees</td>
<td>5.00%</td>
<td>3.92%</td>
</tr>
<tr>
<td>20 to 49 employees</td>
<td>13.68%</td>
<td>8.20%</td>
</tr>
<tr>
<td>50 to 99 employees</td>
<td>5.61%</td>
<td>6.12%</td>
</tr>
<tr>
<td>100 to 199 employees</td>
<td>12.22%</td>
<td>7.52%</td>
</tr>
<tr>
<td>200 to 499 employees</td>
<td>6.17%</td>
<td>7.28%</td>
</tr>
<tr>
<td>500 to 999 employees</td>
<td>14.23%</td>
<td>11.28%</td>
</tr>
<tr>
<td>1000 to 1499 employees</td>
<td>5.41%</td>
<td>6.31%</td>
</tr>
<tr>
<td>1500 to 2499 employees</td>
<td>8.70%</td>
<td>10.41%</td>
</tr>
<tr>
<td>2500 to 4999 employees</td>
<td>3.73%</td>
<td>11.94%</td>
</tr>
<tr>
<td>5000 employees and over</td>
<td>17.86%</td>
<td>9.92%</td>
</tr>
<tr>
<td>Self-employed</td>
<td>0.03%</td>
<td>0.12%</td>
</tr>
<tr>
<td>Unknown</td>
<td>0.93%</td>
<td>5.16%</td>
</tr>
</tbody>
</table>

Table 2. I & IT Select Spending by Program – Public Accounts of Ontario

Table 3. Government of Canada Contracting by Size of Supplier – January 2009 to March 2018

Source: Government of Canada Contract History file

In this example, 49.10% of the contracts went to companies having less than 499 employees, compared to 44.85% in the general category. Significantly, the 20 to 49 employees’ category receives an important share of the contracts (13.68%) while 12.22% goes to companies with a workforce between 100 and 199 employees. Micro companies do comparatively well with around 5.5% of contracts going to companies with less than 10 employees. This would suggest that SMEs may be indeed successfully participating in the procurement process in general, but it is not clear to what degree that participation is in the space of IT. Anecdotal evidence would suggest that IT firms are not successful in selling their services and products to the public service. Only further quantitative analysis of procurement distribution will demonstrate otherwise.

Government procurement of IT offers substantial opportunities for streamlining provided that it is aligned with best practices. A 2016 ATKearney report estimated average savings of 5% to 15% in many areas with peaks of up to 30% in the United States Federal Government IT spending. Often these savings can be achieved by reducing the complexity of the system, moving to a cloud environment, and by modernizing the technology landscape. The start-up community is a relevant one in terms of IT contracting across the world. In 2016, global GovTech spending was estimated to be around US$400B but the market behind it is still relatively poorly understood, very much a “market hiding in plain sight.” However, in some jurisdictions the focus on SMEs is very strong. For example, in the United Kingdom, government has committed to spend 33% of its procurement budget on SMEs by 2020 and the digital transformation agenda is likely to result in greater involvement of these companies.

The two interconnected, but partially conflicting, drivers of modern procurement have been to inject more agility and flexibility in the system while at the same time maintaining not just the value-for-money imperative but also a high standard of political and financial risk abatement. Various alternatives to traditional approaches have emerged recently such as agile procurement, especially as it relates to IT, commissioning, procuring for social goals and social corporate responsibility.

The promise of new processes, deeply reshaping the way in which the public administration functions because of the IT processes it will embrace might not have fully borne its fruits yet, but certainly triggered a series of internal reflections and attempts. Increasingly, governments and public administrations in Canada have been working on developing better IT systems and have recognized that different procurement models need to be developed for this field than those that are traditionally used within the public administration. In this sense, Treasury Board President Scott Brison announced in May 2017 that the Government of Canada would embrace agile methods in the digital field, including agile procurement.

“No more 200-page RFPs. Instead, bake-offs and competitions. No more blind marriages with big IT providers, instead constant dating... more show and less tell, more focus on working prototypes [so] that we really see what a company or provider can do, more competition and more agile providers.”

- Scott Brison

The Government of Canada’s Chief Information Officer, Alex Benay, and the newly created Canadian Digital Service unit have been at the forefront of this approach. The first implementation was a widely publicized challenge-based procurement process aimed at enhancing the user experience for the Open by Default portal, which was awarded in the record time, for the Government of Canada, of two months.
The focus on agile procurement – an approach that is supposed, among other things, to speed up the process, build a more collaborative dynamic between the client and the providers, and employs a more iterative design – has been often connected with the need to help public service innovate more effectively. In these areas, the question asked sounds generally like this: how is it possible to maintain organizational capacity in a rapidly changing world if even relatively small procurement projects are slow, encumbered by various layers of regulation and subject to multiple vetoes from diverse internal stakeholders?

The answers tend to focus on reducing regulatory burden, using ‘agile’ or ‘smart’ processes and introducing design thinking, co-production and citizen-centred models. I & IT systems have been recognized as a critical element in this area because of their perceived centrality to any future efforts of governments and because of the very short timeframes for innovation and change that many I & IT products have. It is entirely within the realm of possibilities that a variety of these products may actually become stale-dated within the timeframe of an average government procurement process.

The focus on this area has also brought along the creation of structures like the Information Technology Procurement Working Group within the Society for Information Management in the United States and the Information Technology Procurement Working Group within the Public Sector Chief Information Officer Council (PSCIOC) in Canada.

This study reveals that government officers have demonstrated some ability to adapt the procurement system in order to deliver creative and innovative IT services. In effect, they partially ‘hacked’ the procurement process because it was either too slow or unresponsive. Their actions have been improvised attempts to bridge the gap between the ‘rules,’ their needs and those of the people they serve. Never infringing laws or ethics, they invested their time and creativity to move procurement into new directions. The challenge ahead is in learning from their insights and actions to make the process of government procurement more agile, more responsive, more efficient and more effective.

A key focus in recent years of the Government of Ontario has been to increase the capacity of SMEs, start-ups and scale-ups. Using procurement to support the growth of SMEs is a well-established strategy for the federal government46 and in general across the country.47 In 2016, as part of its economic outlook and fiscal review process, the Government of Ontario announced the Business Growth Initiative (BGI), a multi-pronged approach, to foster economic development. The BGI strategy rests on three pillars:

1. Helping SMEs to grow and compete in international markets;
2. Reduce the regulatory burden by modernizing the Province’s approach to regulation, including an update to its Open for Business Strategy;
3. Creating an innovation-driven economy.

Each of these pillars provides various initiatives and a substantial focus has been placed on utilizing government procurement and targeted investment as a flywheel for supporting the growth of SMEs in the province. This includes the Ontario Tech Opportunities Platform, where companies can connect with government opportunities and networking events.

The Small Business Innovation Challenge (SBIC) is designed to provide $28.2M in funding – and to operate in partnership with Ontario Centres of Excellence (OCE) – to support both feasibility and merit projects (Phase 1) and product development and demonstration work (Phase 2) through public-sector challenges.

The Ontario Scale-up Voucher Program focuses on providing financial and advisory support to companies in the clean technology, internet and communications technology, advanced materials and manufacturing and life science sectors to plan and execute a scale-up plan. Procurement activities are framed and regulated by the OPS Procurement Directive, which includes a focus on the Vendor of Record mechanism, electronic tendering (for goods above $25,000.00 and services above $100,000.00) and defines both competitive and non-competitive procurement.48

---

45. See also Alexandru V. Roman, “The ‘Mental Revolution’ of the Public Procurement Specialist: Achieving Transformational Impacts within the Context of E-Procurement” in Natasia Pomazalova (ed.), Public Sector Transformation Processes and Internet Public Procurement: Decision Support Systems (IGI Global, 2013) pp. 1-16. The context in this case is slightly different, but the transformative role of the individual is highlighted.
47. OECD 2017.
48. The Draft Public Service Procurement Directive applies fully to all ministries, and to provincial agencies that are also prescribed by regulation as Commission public bodies. They are partially applied to provincial agencies that are not Commission public bodies, the Independent Electricity System Operator IESO and the Ontario Power Generation OPG. The latter category has more flexibility in its procurement approach.
A point of comparison is the Government of Canada’s Build in Canada Innovation Program (BCIP). BCIP was created in 2010 and is managed by Public Services and Procurement Canada (PSPC).

These rules are matched by specific thresholds for services and goods, which establish the ability of the individual ministries, which can design their own procurement processes based on these rules, to apply flexibility to their purchases.49

Furthermore, in April 2018, fees on government procurement opportunities were eliminated and faster ‘refreshers’ for the Vendor of Record program are planned. Overall, the OPS regulatory framework for procurement is laudable but still shows a variety of traditional characteristics. One of the assumptions driving the critiques of traditional approaches is that there is an internal dissatisfaction with traditional models matching an external concern with the nature of procurement. One of the products of these two pressures, it is also assumed, might be a series of non-traditional approaches to procurement that remain partially hidden from view because they break not with the rules but with established practice.

49. A point of comparison is the Government of Canada’s Build in Canada Innovation Program (BCIP). BCIP was created in 2010 and is managed by Public Services and Procurement Canada (PSPC).

---

**Table 1. Procurement Types – Ontario Public Service**

<table>
<thead>
<tr>
<th>Type of procurement</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open competitive</td>
<td>Allows all interested suppliers to submit a bid proposal</td>
</tr>
<tr>
<td></td>
<td>Utilizes the OPS electronic tendering system/VoR</td>
</tr>
<tr>
<td></td>
<td>Compulsory for all consulting</td>
</tr>
<tr>
<td></td>
<td>Compulsory for procurements valued at or above the threshold established by</td>
</tr>
<tr>
<td></td>
<td>the trade commitments and set out in Appendix A of the Directive</td>
</tr>
<tr>
<td>Invitational competitive</td>
<td>A minimum of three qualified suppliers must be asked to submit a bid proposal</td>
</tr>
<tr>
<td></td>
<td>Usually limited to smaller procurement values</td>
</tr>
<tr>
<td>Non-competitive</td>
<td>Must be supported by a comprehensive business case</td>
</tr>
<tr>
<td></td>
<td>May require ministries to post an advance contract award notice</td>
</tr>
<tr>
<td></td>
<td>Subject to strict rules</td>
</tr>
</tbody>
</table>

**Chart 4. Thresholds for Procurement – Ontario Public Service**

<table>
<thead>
<tr>
<th>Type of acquisition</th>
<th>Ministry flexibility</th>
<th>Thresholds for competitive procurements (Invitational competitive required)</th>
<th>Thresholds for competitive procurements (Open competitive required)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>Under $25,000</td>
<td>Not applicable</td>
<td>$25,000 or more</td>
</tr>
<tr>
<td>Consulting Services</td>
<td>Not applicable</td>
<td>Up to but not including $100,000</td>
<td>$100,000 or more</td>
</tr>
<tr>
<td>Non-consulting Services</td>
<td>Under $25,000</td>
<td>$25,000 up to but not including $100,000</td>
<td>$100,000 or more</td>
</tr>
</tbody>
</table>
5. **RECOMMENDATIONS**

I. **CAPACITY BUILDING**

One of the recurring themes in our research and interviews was the need for more capacity among procurement officers. Officers in charge of procurement, regardless of whether they work in line ministries or in procurement services, must be fully conversant with emerging technologies.

- Training forums along the lines created by the Canadian Institute for Procurement and Material Management;
- Invest in training IT professionals in procurement processes;
- Participation in the Government of Canada’s Federal Specialist in Procurement certificate program (or some adaptation of it to suit the Government of Ontario). Such designation might be desirable for employees looking for validation;
- Staff exchanges with industry and academe. The San Francisco Office of Civic Innovation had a ‘Startup in Residence.’ For example, an employee of the OPS has been placed in Ryerson DMZ. Famed public administration scholars Gilles Paquet and Ruth Hubbard have argued in *Driving the Fake Out of Public Administration: Detoxing HR in the Canadian Federal Public Sector*[^50] that cultural change will not happen without an aggressive effort to involve outside partners in government affairs, including co-habitations, co-hirings, and exchanges;
- A cross-ministry council of IT procurement forum should be organized.

Government should go beyond training procurement staff, however. It is vital that all officers be up-to-date and aware of the emerging technologies that are likely to ‘disrupt’ the way of doing things. To that end:

- Attendance at various tech forums that explore the emergence of new technologies and that challenge officer to “think about the future” should be mandatory.

A better understanding of the broad implications of procurement and the external confidence implicit in the pursuit and completion of respected certification programs are competence and confidence building. Moreover, it will educate the procurement community to the changing nature of risk and the methods to eliminate, reduce and manage it.

An integral part of capacity building is raising awareness among OPS staff of the depth of technology talent and solutions that exist within the I & IT community in Ontario. This means not just the established suppliers but also the start-up and SMEs. At the same time, a process of ‘education’ for the SMEs and start-up community in the opportunities offered by the OPS is also necessary to ensure that effective connections are established.

In this field an ‘internal concierge’ service that functions to facilitate those connections may be an important additions to the OPS’ tool kit.

---

[^50]: Invenire 2016.
II. PROCUREMENT BUILDING

The act of procuring IT from MSMEs will require deliberate efforts, either on a department or cluster basis. A number of policies and practices have been flagged by the research and in interviews.

- Departments or IT clusters should create ‘set asides’ for procurement of I & IT from SMEs;51
- That government agencies review their procedures to ensure payment to MSMEs by thirty days of receipt of invoices;
- Transparency Building: Departments should report on how they are working with Ontario SMEs;
- Introduction of a category in the VOR for procurement of B2B services and products;
- The introduction of micro-purchase platforms for the purchase of IT such as 18F, a digital service innovation team in the United States government, a reverse auction system that leverages legal flexibilities to obtain software development through simple credit card purchases;
- Adopt new model RFPs that will allow for maximum creativity;
- Adopt contract models that will allow for creativity and discovery in the course of product delivery that will lead to hassle-free amendments;
- Policies should be reviewed to make it easier for small firms to join the VoR;
- Consideration be given to recognizing VOR status acquired in other provinces, cities, governments;
- Adoption of reasonable pricing guidelines; the list of pre-approved items and services should be updated regularly and frequently;
- There should be an annual report on procurement that goes beyond what is recorded in the Public Accounts of the province that would include a categorization of procurements from MSMEs, including IT;
- That consideration be given to identifying targets for Ministries and Agencies; that once established they be reviewed annually.

Transparency Building: Departments should report on how they are working with Ontario MSMEs;

III. OPENING DATA

We heard from many in the industry that the government data made available is still insufficient and restricting creativity. By making more raw data available, government may find more success in helping SMEs adopt an ‘open strategy’ for innovations and partnerships. A study based on the fifth UK Innovation Survey noted that SME success in procurement form is often determined on the degree to which they open to adapting technologies from outside and working with multiple partners. Making a wider range of data available may spark more interest and activity.52

- Government needs to accelerate its release of data and seek to expand the range available.

IV. Enhancing the Challenging Function

Harnessing the creative energy of the private sector and post-secondary sector has become a key tool in the government toolbox. In the United States, the Defense Advanced Research Projects Agency (DARPA) of the Department of Defense, for instance, has made extensive use of crowd ‘challenge’ contests to fuel research into strategic military needs for many years. A new Defence Unit Innovation Experimental (DIUx) was created in 2015 to help the Defence Department in the United States find new ways of working with the private sector. It created a new kind of acquisition mechanism called the Commercial Solutions Opening (CSO). In essence, it solicits interest in procurement by sharing the challenges it faces on its website. Vendors with potential solutions are asked to submit a ‘solution brief’ online and a few candidates will be invited to pursue the initiative.

The process has not supplanted the Department of Defence’s procurement policies, but instead adopted a ‘set-aside’ category for procurement called ‘OT,’ for ‘Other transactions.’ Moving from first contacts with potential partners to actual contracts took less than three months.

In San Francisco, the Mayor’s Office of Civic Innovation was created to connect start-up vendors with city agencies. The City of Toronto has recently created a similar office.

The Government of Ontario has embraced innovative procurement approaches in its search for new ways to deal with technology challenges through the Small Business Innovation Challenge and has been developing a procurement primer that explicitly uses procurement as an innovation tool in various areas where the Ontario public service is operating. The same model has recently been adopted by the Government of British Columbia with the Start-up in Residence (STiRx) project. The procurement model of the BC Startup in Residence model takes on a challenge-based approach – thereby moving away from pre-determined solutions – and the subsequent call for proposals are outcome-based. The process is tech-agnostic so that it can procure emerging technologies and not just mature or established ones.

This process makes the system less complex to navigate for start-ups by simplifying contracts, introducing educational programming through its residency program, and adopting a phased approach. Finally it aims to deliver a working minimum viable product within sixteen weeks, thereby significantly shortening the process of procurement.

In the area of pre-commercial R&D on public sector challenges the Small Business Innovation Challenge funding is an important approach that is designed to leverage government capacity to create new Intellectual Property through the private sector that will tackle government challenges. This approach, known in Europe as “pre-commercial procurement (PCP)” allows SMEs to engage directly with government to showcase their products and the public service benefits from being exposed to more technology and greater diversity. In this challenge approach the process begins with a ‘champion’ Ministry that is in fact the Ministry that ‘owns’ the area that would be affected by the technology. A problem statement is developed in collaboration with other stakeholders and once that is in place the champion Ministry provides a presentation to the various companies involved in the process. The program is funded with $28M with a potential funding of up to $7M per challenge.

After an initial selection process the program has two stages. A first concept feasibility phase, which lasts for six months and in which up to $100,000.00 are allocated to enable the company to develop a feasibility study of technical and commercial viability of the product. The second phase covers product development and demonstration and it is designed for the companies to provide a prototype but not a fully commercialized product yet. It lasts 24 months and the OPS provides up to $1M representing 75% of the cost where the other 25% is matched by the company, which retains full control of the IP. A third phase, not administered by the OCE, can take place where the champion Ministry and MEDG can initiate a pilot procurement project where each Ministry provides 50% of the procurement amount.

Up to this point the system has gone through two rounds of challenges.

- March 2017 to March 2018 (Round 1) 17 projects were funded under two challenges: Digital Identity and Vehicle Occupancy
- March 2018 to March 2019 (Round 2) two challenges emerged: Cannabis Detection (Ministry of Transportation) and Electronic Sales Suppression (Finance)

This is an interesting challenge approach from the OPS, but it is not, strictly speaking, focused on engaging the procurement system.

V. Ensuring a Robust, On-going Dialogue with SMEs

All our interviews, in addition to the literature, confirm that the key to success is finding the mechanism necessary to maintain an ongoing dialogue with industry about government needs. The Report of Ontario’s Special Task Force on the Management of Large-Scale Information & Information Technology Projects recommended this mechanism in 2005, but it has only been applied informally and periodically.54

We were told repeatedly how the government world of procurement, particularly in terms of the narrower field of I & IT procurement, needs to adapt to the realities of new technologies and of the working habits of the companies that develop them. In the world of public administration theory, the bureaucracy is living the tension of competing values. Whereas procurement has traditionally been judged on its fairness, transparency and ability to seek value for money efficiently, it must also perceive the new levels of innovation, adaptation and insight being discovered outside the public service (see Figure below). This tension can only be resolved with entrepreneurial leadership, tech-savvy management that will trigger a new era of openness and discussion with private sector providers.

To overcome these tensions, public procurement officials need to engage in a new dialogue about their work and, just as importantly, must continue to engage in new forms and formats of exchange with the I & IT community. This necessitates a cultural change. Public servants must move from the left-bottom quadrant to the upper-right quadrant. They must be open to new possibilities and stop assuming that they know the solutions to problems. The purpose of these dialogues would be two-fold. First, to demonstrate the government’s willingness to share its needs with even the smallest enterprises. Secondly, to help MSMEs overcome their hesitation in approaching government.

These dialogue sessions could be organized by a third party.

- That procurement officers and departments and agencies make more strategic use of established mechanisms that act as B2B networkers in high-tech (e.g. Communitech, various university and college-based small business incubation labs, MaRS)
- There should be a single-window registration process for MSMEs

54. See the Report of Ontario’s Special Task Force on the Management of Large-Scale Information & Information Technology Projects (Government of Ontario, 2005) p. 27.

Lindquist and Marcy, 2016.
This study has highlighted two types of responses:

**Tactical**: Ontario Public Service’s employees have adapted their approach to extract as much efficiency and flexibility from a ‘by-design’ rigid system so that better procurement outcomes could be achieved. These approaches worked well within the allowable boundaries and logic of the OPS procurement rules and did not challenge the core values of the system. The latter include the notion of procurement as process as opposed to strategy and are aimed at well-understood and mature products and services. Examples in this category are for low amounts.

**Strategic**: these include initiatives that are designed to shift the Ontario Public Service towards using procurement more often as an enabler of strategic outcomes. These tend to be larger projects, which involve significantly more knowledge, capacity, cooperation and authority than the tactical ones.
Studies such as this one are inevitably the product of authors and circumstance. The research was conducted in the final months of the fiscal year and many individuals both inside and outside government pleaded a lack of time for an in-depth interview. The findings of this study could bear more corroboration with a broader-scaled effort.

A less time-consuming method of surveying could also be applied in this line of research. In this method, a Likert scale of preferences would be proposed (e.g. from “Strongly disagree” to “Strongly agree”) and the answers would be submitted to a rigorous quantitative treatment. Such a questionnaire could be applied to the vast gamut of procurement officers across the OPS. For this to be revealing, however, a strong level of participation would be required.

Effective IT procurement practices hold the potential to provide substantial savings both financial and in terms of resources used. However, a broader study based on better data would be needed to quantify the level of efficiency loss existing in the current system.
APPENDIX 1

INTERVIEW QUESTIONS

1. How do you describe your work? What was your experience with procurement (if any) in the past?
2. Can you describe how you identified this new need?
3. Can you describe how you investigated the market to find the product/service you wished
4. Can you describe how you investigated the uniqueness of your needs? i.e. did anyone else in your department have the same need? Someone else in government?
5. How would you describe the current culture of procurement?
6. How would you describe concerns with FOI, Documentation, VOR issues?
7. Was there potential to adapt a past purchase?
8. Could this product/service be developed by your own department?
9. Was there a cost analysis performed?
10. Can you describe how you went about to identify potential suppliers?
11. How did the existing GO procurement rules help or hinder you?
12. How did you communicate your needs to suppliers? i.e. requests for quotation, requests for proposals, requests for information, requests for tender, request for solution or a request for partnership?
13. What concerns were there for installation, maintenance or warranty?
14. Can you describe how the decision to purchase was made?
15. Can you describe your relationship with the supplier before the purchase was made?
16. Can you describe your relationship with the supplier after the purchase was made?
17. Were you satisfied by the purchase?
18. What were the points of friction during this process?
19. What facilitated the process?
20. Were any risk management processes in place to protect against fraud?
21. Was the budgeting process a hindrance?
22. How should procurement rules be changed? Education needs?
Appendix 2

Case 1

Officer A: The Need to Connect with the Right People at the Right Time

Officer A often found himself in conference and trade shows, his task being to connect people. He had worked in the OPS for over a decade and knew procurement policies and practices as he routinely contracted private sector companies to supply meeting facilities, catering, translations, etc. One year, he was working on Ontario’s participation in a major conference in Toronto that promised up to 500 participants from thirty countries. In his view, this was a critical opportunity to make contacts for the province. The traditional method for this is to contact conference attendees individually and make appointments. The conference organizers, however, had heard of a Canadian company that had invented an App that would essentially provide an introduction service to Ontario attendees. It had the potential to radically accelerate the process of making introductions. (It is important to note that attendees are not known until the conference opens, so time is of the essence.)

Officer A got in touch with the company, and judged that the product was what the provincial team needed and told the firm that he would start the procurement process. He was convinced that the province needed this tool. “We needed to procure this App because the conference organizers did not have the funding for it. The cost was $20,000.00 for a 3-day license to cover the conference,” he says. “To organize this sort of service through traditional middlemen would cost many times that, running in the hundreds of thousands.”

The conference was four months away, but the company informed Officer A that it needed twenty business days to get the App ready and loaded with the relevant data. Because it was such a small amount of money and because there was no other product that could be compared to the proposed one, Officer A and his team prepared a sole-sourced procurement document four months before the big conference. The request was rejected. Sole-sourced contracts for any amount are frowned upon in the OPS and require Assistant Deputy Minister approval. He was told by his director that it was impossible that no other company could provide the same service, and Ontario had never done business with this small company (it was not a Vendor of Record) even though it had been functioning well for over a decade. The rules are that for a procurement project under $25,000.00 a minimum of three quotes were required. Officer A had a problem—time was running short. A’s team dedicated a week to find alternatives. “We looked at all of the possible options to find the potential three quotes that we needed and we could not find them,” says Officer A. “The only other company that does something similar—though not as effective—is in the UK.” There was no way the OPS could create such an App on its own.

Officer A took his mission seriously, and resented the loss of time: “I felt that I could not provide timely responses to either the conference organizers or to the App developer; the processes of the OPS made me feel that our lack of flexibility made the government of Ontario look bad and not very much business-oriented.” He also perceived a definite generational gap – people who are older in the unit did not perceive the issue in the same way he and his younger colleagues did. He did a cost analysis and concluded that the price of licensing the software was fractional compared to using human facilitators. Budgeting was not an issue, something his supervisors agreed with. Convinced now more than ever, he opted for another route to obtaining this piece of software. Instead of procuring the service directly, he negotiated with the conference organizers to buy the App on behalf of the government, and then be billed for it. That procedure was acceptable to his supervisors; no approval would be needed from higher-ups in the bureaucracy. “It was my pushing,” he says, “when things became difficult and our sole-source approach was rejected, I went around to each Director in my unit trying to find a solution and the one responsible for marketing suggested that we follow that route. I was immediately on board. I want to get the App in place. I was pushing, but many others are not willing to do it or not willing any longer.”

It turned out to be a splendid investment. There were a few problems at first: “There were glitches when we installed the app for the first time – about a week before the conference – we could not upload our picture and it did not sync well with other social media but we made that known to the supplier and everything was fixed by the time the confer-
ence started.”

Officer A says Ontario received exceptional visibility because it was using the software and he organized ten meetings on his own during the conference. “We were given a report by the company after the event and we had over 200 downloads/meetings at the event. Many of these meetings involved multiple delegates. There is no way we could have matched this performance using past methods.”

Reflecting on his experience, Officer A recognizes that rules exist in order to prevent abuse or unfair procurement. “The rules are in place for a reason, I understand that,” he says, “but they can become problematic especially when we need to show that we can move with the pace of modern technology and procurement.” For the government, this was a low-risk operation; no information was shared with third parties, all information collected was deleted after the report was prepared.

For Officer A, this was a major accomplishment, and he takes pride in his decisions, but he says that there were lessons learned. He wants to find a “visualization tool to make [procurement] logic models interactive; I want to showcase how the various units are connected,” he says. He has two other key recommendations. One is cultural and the other is in training “We have to remove some of the stigma and fear associated with sole-sourcing,” he says. “We also need to have the management in non-procurement areas such as policy and programming learn more about the procurement process itself. That would remove most of the barriers.”

**LESSONS LEARNED:**

- Officer A got what he wanted, but instead of dealing directly with the small I & IT provider, he procured the service through a subcontractor.
- Rules on sole-source procurement are too tight when it comes to the I & IT sector.
- Staff, generally, needs training in modern data analytics and be conversant with emerging technologies. This area cannot be the exclusive preserve of procurement officers.
Officer B, who had been with the OPS for 25 years, was involved in the web and content management modernization project for the Ontario.ca website. The site functioned well but the signs were clear that the Stellent platform on which Ontario.ca functioned had run to the limits of its effectiveness. The decision was made that it had to be changed or radically upgraded and that new software would be needed.

There were new bidders for this important project. The challenge for Officer B and his team was to “future proof” the new platform. In other words, she had to ensure that the new product could be adapted at will for a very long time. Cabinet Office was fully on board and gave Officer B and her team six months to ascertain the degree to which the new platform could be guaranteed to work effectively. She had part of her team build a prototype for Stellent and a second team working on the recent OpenText tools that the OPS had purchased.

Officer B was a keen proponent of using open source models for the government of Ontario’s IT needs but, she recognized, “there was really no appetite from OPS management for open source.” But Officer B had enough time to do some creative work and to fully research how open source tools could be profitably used by the Ontario government. She decided to focus on three projects, do some prototyping of a few websites and then draw comparisons. Then, she thought, she would have enough data to present a strong business case for the winning option. All she needed now was to find a contractor who could build these prototypes and have the key functionality, look and feel of Ontario.ca. The need was unique.

Office B and her team was told by the procurement experts to prepare an RFP. The process quickly showed itself as time consuming as she and her colleagues consistently changed the document to represent newly available techniques and concepts. She concluded that for the same time, she could hire a firm to build prototypes that would meet her team’s expectations. Instead of a big RFP, she opted to chop up the work and contract out three projects for less than $25,000 each.

Officer B and her team were technically savvy, but the whole idea was to demonstrate that the private sector could not do much better than what government employees could accomplish. It was an integral part of the proof of concept. A cost analysis was done, concluding that it made sense to have the private sector involved. “At the time, in government not a lot of people did open source projects nor did they engage in prototyping to develop a proof of concept of the sort we were looking for. We knew a variety of people and companies, we reached out through our networks and made inquiries about who might be interested and able to provide the prototypes. There are many small firms in this area. This type of contract would not be that usual in this area, so it would not come up that often. We selected the winner based on a ‘price & promise’ approach.” Within three weeks, three Ontario-based SMEs were working on the government of Ontario’s prototypes.

Officer B had a hunch that SMEs would be best positioned for these contracts. In part, it was because she had long worked with large IT companies and knew how they worked. “We knew that the large companies, if they won the $75,000.00 contract, would just have subcontracted the job to some smaller company so the cost would have been higher. So, once the cost per contract went under $25,000.00 we were free to operate in a more agile fashion: we still needed to get three quotes per contract so we definitely played by the rules but the issues with VOR were bypassed.” This process also allowed Officer B to manage risk, smooth the process of procurement, and allowed her and her team to tap into multiple resources, reduce dependencies and take advantage of the specific capacities they needed from the outside.

The procurement process had been adapted to meet the IT needs of the government, but it had added extra time and effort needlessly. The RFP track that had been initially proposed was burdensome and would not have yielded the right
kind of contractor or the right solutions. “They slowed us down,” Officer B said. But there was a quick lesson learned. She used the procurement rules to her advantage by cutting down the size of the contracts. Another month was dedicated to crafting the smaller RFPs and within sixty days, she and her staff were working on testing the resilience and adaptability of the prototypes delivered by the smaller IT firms. According to Officer B, “the extra six months that we had to complete the proof of concept ensured that we could provide the report with that option to do it internally through open source.” Because she and her team were expert, and because they were well acquainted with the firms who won the contracts, the process was almost entirely frictionless and the prototypes, in her words, “did what we needed them to do.”

Officer B issued a report at the six-month mark and recommended that the OPS proceed with one of the larger suppliers (Vignette, Stellent, OpenText) and inserted as an appendix the results from the prototypes. Cabinet Office was convinced by the open source option.

Reflecting on her experience, Officer B noted that, even though she worked within the procurement rules, these face big challenges in their adaptations to the demands of modern service design. “Rules are based on creating very detailed specs for the services we require so that we can than buy exactly that service. The current system has been created to fraud-proof government procurement. Therefore, it has plenty of safeties and checks,” she says. “Modern service design is more flexible and creative. We know from experience the final product will be is based on co-design and on working with our clients and stakeholders. To change the procurement rules therefore requires a fundamental shift in thinking.” She continues: “The IT sector within government is subject to all of the general procurement rules of the OPS and then it is subject to specific IT rules because procurement in this sector is centralized. This is logical because you don’t want to end up with a host of video cards that are all different and you cannot support all of them, but now it has become overly complex. Furthermore, central procurement rules are then layered by the rules that are created in the individual ministries and divisions.”

For Officer B, the government’s challenge is to learn to work with smaller teams. “The Government of Ontario is not used to agile processes yet. In some cases we shall need to figure out how we build new procurement rules to create agile processes, discovery and prototyping,” she says. “The benefits of working with sole-sourced SME contractors are real and the challenge of protecting against fraud is easily dealt with: declaring conflicts of interest, controlling the process, invoking the ethics of fair and just public service, etc. “These rules can be enforced and the existing rules do not necessarily stop fraud either,” she notes.

The government must learn to be more comfortable with less detailed RFPs. “We know we get better results when we are not so specific because we can, in course, correct when – for example – the users bring their point of view to you through the iterative process,” she says. “However, the iterative process does not lend itself to knowing what the exact shape of the final product is, so it makes government officials nervous.”

**LESSONS LEARNED:**

- Officer B divided the big RFP that was initially recommended into three smaller contracts under $25,000. This allowed her to sole-source contracts.
- Rules demanding detailed RFPs may actually undermine the ability to select firms and run the risk of not providing an optimal outcome when it comes to the final product.
APPENDIX 4

CASE 3

OFFICER C: PROCUREMENT OF NEW INSTRUMENTS FOR IMPROVED DATA ANALYTICS

Officer C had been in government for about three years after a stint working at a big bank where she had some experience in procurement of outside services. She and her team were looking for a tool to conduct analytics on citizen behaviours in the province. While she was highly educated (Engineering and Business) and experienced in using sophisticated software, many of her staff were policy people who did not have strong skill sets in data analytics. The budget was an issue and the Ministry’s directors wanted to see precise data on what this initiative would cost before they committed to anything.

Officer C started looking for a software solution to her Ministry’s condition. Creating the program was an option: “I could have developed the product myself, wrote the code for it, but that is not my job. I was hired to manage a team and help develop solutions and writing the software would neither be a good use of my time and nor my mandate.” She asked questions among the individuals in her circles, but it was the people she encountered on her inter-governmental/Federal-provincial networks that seemed to be the most insightful in terms of providing possible solutions, and many pointed to a large multinational’s offering. At that point, she got in touch with the company and was connected to a specialist who was directing its budding public sector business. The software would be provided free of charge, and updated every month.

Officer C had no choice. Some other ministries were using the sophisticated software, but it only conjured up problems. “I could have piggybacked on some of the software that other Ministries had,” she said, “but for all of those we would have needed to pay and there was no budget for that. Further some pieces of software required specialized environment that was not available and might have cost even more.” The software came at no cost: what was material was the cost of upgrading the capacities of her staff. It was delivered in two weeks.

“We chose it not simply because it was free but also because our policy staff plus a few directors and senior management staff were comfortable with the interface and software,” Officer C says, and the adoption went relatively smoothly. There were issues, however, with the IT services. Because the software was constantly being updated, it was decided that everyone in her new “analytics team” would get “system administrator-level access… and this raised a lot of questions from IT.” The issues were resolved by constant communication and showcase of products. Until the acquisition, there had been no contact between Officer C and the multinational firm. “Our relationship has improved since,” she says, the firm is now inviting my team members to their offices for learning and innovation events.

The impact of the choice of software went beyond financial concerns. Officer C made her choice because it fit the capacity of her team. It has paid dividends as she now applies the Google ‘20% time’ rule in her team, where members are allowed to apply their creativity in using the software for entirely different purposes. “I allowed people to work from home, which is not something that was the norm in her Ministry, to watch instruction videos – at the time the OPS blocked YouTube so that could not be done in the office – but in return those people would had to share what they learned with the rest of the team.” Officer C saw nothing less than a cultural change play itself out in her team.

With that difficult hurdle well managed, Officer C turned to another issue: she now needed a special sort of printer to produce her tables and charts. She ran into an entirely different procurement problem.

The printer she wished for was a rarity and expensive, came with a small annual servicing cost, but relatively simple to obtain. She had spotted a relatively less expensive model, but the seller was not on the government’s VOR list. The exercise of purchase turned out to be demanding. The procurement rules had already pre-selected two other printers. “There is a lot of paperwork and it is very restrictive. Procurement committees and teams require us to write a twenty-page business case if we want something from outside of the Vendor of Record (VoR) list, to use the actual VoR, or to procure something at no cost. Some of the rigidity might actually be coming from some past experiences of bad
procurement choices,” she observes. “This was not too complicated but afterward the documents had be approved by a variety of people across the executive chain.” Officer C abandoned the project of purchasing the cheaper, less fussy printer after four months and instead acquired the more expensive appliance. “This was an important experience for me, because it taught me that these attempts to procure something that is not already aligned the rules are very long and seldom successful.”

The IT department was always suspicious. Free software came with risks, for instance, which she acknowledged. There was a concern that the multinational firm might shut it all down. “When someone is procuring software without involving them they get suspicious and feel like you are sideling them,” said Officer C. “I tried to get them involved. The other argument that was raised was about who owned the work being performed by the analysts. There was friction about a non-issue. My point was that the analytics belonged to the OPS, it was ‘ours’ not ‘mine’ or ‘yours.’

Officer C’s abilities to mix policy and technology was a significant asset in managing the tensions over the use of the software. “Being able to speak the language of IT was important and helped the process,” she said. “Also I learned that being able as a leader to tell the same story and sell the same idea from a variety of points of view to different people until those people incorporate it in their thinking and perceive it as being their own is fundamental to move innovation forward.” She gives credit to upper management for supporting her. And, of course, she is very proud of her innovative and courageous team.

LESSONS LEARNED:

- Officer C opted for free software from a multinational corporation in order to best complement her staff’s capacity.
- Procurement problems persisted with equipment directly related to the performance of digital technologies. VOR rules and inflexible standards drove the purchase of equipment that was not suitable to the tasks required.
- A supportive management team above, and a bold and creative team below, can do wonders regardless of the problems faced.
Officer D has had a ringside seat on the evolution of procurement in the OPS for many years. His task is to goad the system so that it is LEANer, more efficient in terms of cost, and delivering the desired outcomes of departments who are acquiring goods and services. Currently, he is focused on three broad initiatives, including collaborative procurement, where separate entities will buy together to achieve savings and efficiency. The second function is operation excellence based on LEAN principles. The third area is Innovation Procurement. This is around changing procurement to enable innovation adoption. His projects have been underway since 2014 and has focused on health, education and the municipal sector.

He and his team are trying to meet a few objectives. The first is to introduce new practices, models, tools, and mechanisms for procurement. The second is cultural. There we are trying to identify the early adopters, the champions, the leaders, to think broadly about what strategic procurement is all about. He points to MRI wait times as an example: the conventional approach to reducing wait times was, in the end, to purchase more MRI machines. Instead, he aims to put the question to the market. “There is a lot of intelligence and innovation in the market that we are not tapping in our strategic planning and we are not using to inform our process.” In a way it is a way of learning about “what we don’t know.”

Officer D’s new approach includes piloting a “market sounding” approach to complement or even replace Requests for Information (RFI). For him, particularly when it comes to IT, RFIs and RFPs don’t seem to work as they once did. The bureaucracy can point to a tangible output, but he finds that small companies that are creative are not even looking for RFI postings. In addition, RFI are based on what the bureaucracy thinks it knows, not on what is known in the wider community. Government risks being caught in a trap of procuring poor, outdated technology.

Market sounding, says Officer D, presents the challenge “as if government were saying ‘here’s my problem; here’s how I am going about solving it; here’s what I am thinking about buying this from the market; what are your thoughts about all of those things?’ You might receive insight on how the provider market judges the scope of the project, its likely outputs and likely outcomes. This is useful information.”

Market Sounding has the potential to be a more widespread tool. It’s completely legitimate within the scope of the procurement policy framework and does not place the government in a binding situation. According to Officer D, the incentives for vendors to respond are entirely different because then they can affect the ‘ask’ as opposed to just giving up their IP for nothing. “Market Sounding has not gone beyond the small experimental stage,” he observes, “because the culture of procurement is risk averse and more focused on compliance than on outcomes.”

Officer D points to a recent project completed in the field of health care. It wanted to implement an e-referral system. It assumed that it could buy a product off the shelf but after doing a market assessment it found that only 60 percent of what they needed was being provided by the market. Typically, consultants will advise a ‘buy what is out there and we’ll customize the rest for you’ and that is what the Local Health Integration Network (LHIN) did. With the help of the Ontario Health Innovation Council, other LHINs bought in and the cost of the project was shared with the Government of Ontario.

Officer D recognizes that the system may give the impression of bypassing the procedures of fair bidding, but that would be wrong. Existing policies do allow procurement officers to do what is needed in order to give the government the best opportunity to buy while maximizing value. His belief is that the market sounding practice, in combination of the Opt-in strategy for potential buyers, will lead to better acquisitions that will respect market rules. The other potential drawback is that the process is encouraging the creation of consortia that can be difficult to create and maintain. For government in a hurry, that process can seem needlessly laborious. On that front Officer D remains confident that
there is enough incentive for consortia to remain viable.

The key advantage is that by using this method, public sector buyers are more likely to finally purchase the best solutions for their wants. It helps to close the knowledge gap between government authorities that may not be entirely ‘up to date’ with IT solutions. As Officer D put it, “when potential IT providers are telling you that you are trying to boil the ocean, you are not likely to find one company that has what you want, it’s a clue that perhaps a consortia solution is likely to be better.” In his view, what really closes is the gap between the problems that need solutions and the solutions themselves.

The buyers went to a second phase in their search for potential bidders: two sessions with what turned out to be SMEs. An invitation was posted on the tendering portal that said “come if you are interested.” “So they had the two collision days,” Officer D explains,

*the speed-dating thing was first, and then they engaged in a multi-staged procurement process. They had a request for qualification, then they qualified their suppliers. Following that they had a dialogue session to narrow down what was going on; that whittled down the field further. When they got down to the final two they gave $20k to each finalist to create a proof of concept mock up. The final evaluation would be a sum of all submission and proof of concepts. One of the finalist was a large company the other was a consortium of three SMEs. The SME consortia won because their proof of concept was better.*

The procurement method gave the winner a one-year contract to validate and if the outcomes were satisfactory the winner would get a tenure contract that could be scaled to other LHINs. They met their outcomes and they are now scaling to five other LHINs, which is funded by the Ministry of Health. This process took from the start of market engagement to the award of the initial contract it took 14 to 16 months which is average for that kind of procurement.

The process had advantages over the traditional procurement. The touchpoints built in the process are valuable because it builds relationships between the procuring agency and the providers, but the SME community benefits also because it plugs it into the public sector marketplace and it can understand what government needs.

Officer D considers leadership building to be critical in government procurement. He is sensitive to the need to attract the best procurement people, and fears that this may not be achieved consistently. “The only way to attract and retain great people is to create these big projects,” he says. “These big projects also build the capability that you need to enable the smaller projects. If we want to create the infrastructure of the future, for example, we need to keep building on the market engagement and outreach capacity that Regional Innovation Centres (RICs) have.” For Officer D, it is not so much a question of changing the rules of procurement, it is about changing the culture around how to use the rules.

It comes from the top. Procurement has to find its champions, and the option of sub-contracting procurement presents itself because a smaller entity may have the knowledge edge to manage the process more effectively and more efficiently. Flexibility and leadership are key, but so is accountability.

The process can be slow, even with the government of Ontario’s offering money for participating in market sounding exercises. Office D notes that to this day, only a fraction of firms actually engage in market soundings. They are themselves risk averse, capacity-challenged, and are often fearful that they don’t have a good way to present themselves to government. In Officer D’s experience the issue for many SMEs is that they don’t know how to break into that sphere and live by the conviction that government does not know them.

The CIO community has bought into the idea that the future is not hundreds of millions of dollars contracts but that it is modular and agile. The key is constant dialogue with the IT suppliers to know what is being offered and what is possible. “The only way we can reach this goal,” he says, “is by refining the process of market sounding.”

**LESSONS LEARNED:**

- Officer D has managed a particularly complex procurement project by boosting the mechanisms of ‘market sounding.’
- Capacity on the government side is a key to risk management. Better training and constant exposure to SMEs developing creative new approaches is essential.
- Procurement rules are robust. This is a question of working within the rules, and respecting their reasoning. It is not about working around them.
Agent 1 has been the head of her Toronto-based software company for seven of the ten years she’s been with it and she knows well the process of how to get a ‘sale.’ The focus of her company is to provide IT to the health sector and her firm has been very successful both in Ontario, in Canada at large and in the United States. Despite the clear hierarchy of authority in the provincial healthcare system, she notes, “There are often several layers of sale we have to go through,” she says,

we must first sell to an individual hospital and then track the RoI, which is usually outcome-based as opposed to financial, so shorter length of stay, discharges, a whole host of clinical outcomes and then we say to the LHIN ‘we have done this with one hospital, why don’t we do this with a group of hospitals in your LHIN?’ and then we go to the Ministry and say to them, usually with the LHIN ‘here are the results of this one LHIN, why don’t you or have some entity procure this for all 14 LHINs?’ so it is very much a scale up it is extremely slow and it is very much solution-oriented. Here we solved your small problem, which ultimately is a very big problem, and then the procurement starts.

As a software engineer, Agent 1 sees herself as not only a solution provider, but as a problem identifier. Her deep familiarity with the healthcare system and her vast network of sources inform her and her team of what problems are likely to arise. She sees this capacity as critical in ensuring that her firm is more than a supplier but a “trusted partner” in finding solutions to problems before they become difficult to manage.

Agent 1 is fully aware that she and her firm are in competition with multinational companies with vaster resources. She knows that the multinational will be often approached first by the health care provider. “My goal,” she says, “is to become that ‘go-to’ partner so instead of going to USA-X or Dutch-Y. I want them to come to us and say ‘Hey, I know I have this very big problem, can you help us with a clinical tool that is deployed in your cloud?’ so we become the consultants, but we also stay.”

Based on her experience, Agent 1 considers that Governments are good at telling you what their problems are. She and her team analyze the content of ministerial mandate letters as well as any reports or remarks that come out of the healthcare system. She considers these statements as cries for help because the organization does not know how to fix the problem. This turns out to be a problematic part of the pre-procurement process. “So that’s where the conversation starts and you have to be flexible in terms of how you adapt to their specific problems,” Agent 1 observes. This is usually an easy phase to overcome.

The more difficult phase is to translate the need-and-solution into an actual RFP. In her field, it is challenging to actually order a ‘solution’ when the problem has not been fully analyzed. “Government cannot do that; its officers have to explain very well to the market what they want to buy through a procurement document and most of the times, with IT, they don’t have the bandwidth to understand what the solution is, and they don’t know what they want to buy in detail. They know they want to buy an outcome, but they don’t know how to get there.”

The procurement process is very cautious and slow, observes Agent 1, and this has had a consequence that has favoured the big multinationals: “There is a adage of ‘nobody ever gets fired for hiring USA-1’ so the conservative play dominates.” The net result is that homegrown companies—firms that are creative and cost-effective—are disadvantaged. But at the same time, Agent 1 recognizes that another limitation is the capacity of public-sector purchasers to understand the emerging technology. She worked in the public sector for many years before making the leap to the private sector.
The hard part about commissioning work in the IT sector is that government workers – who are trying to do the best they can, and they work very hard – but it is not a fair fight. It is hard for our software engineers, who are some of the best in the industry, to keep up with the technology. How can a health administrator keep up with it? It’s impossible; it makes no sense. And yet for good transparency reasons and because it is public dollars and you have to have a process around it, they don’t know how to go from a conversation about outcomes to actually explaining the guts of the technology they are trying to purchase.

A second problem is the presumption that procurement starts with large up-front costs for an acquisition, followed by relatively low-cost maintenance. This is based on generations of mechanized acquisitions that no longer lend themselves to IT projects. The assumption will be that equipment acquisition will be the most expensive, up-front expense. In IT, however, that RFP-solution is no longer valid. “Not only is the tech wrong,” Agent 1 observes, the tech will not solve the clinical problem they want to solve, but the pricing is geared towards the old way of doing things. I actually lose points for having a lower price over a five-year period than these guys who are selling 1995 technology because the whole construct is ‘what is your maintenance? How much comes out capital and how much out of maintenance?’ They are used to thinking ‘well this is a big problem, so we should have a big ticket upfront and trailing maintenance cost.’

This form of acquisition actually harms the Ontario-grown company. Private equity firms looking to invest in IT companies will favour firms that can demonstrate consistent and repeated sales over many years, not one-off contracts. “The way government buys technology is outdated and that hurts innovation,” she says. The key decision-makers on procurement are the ones dealing with the problems, not the ‘tech guy’ or the procurement officer. Agent 1 finds that the people in charge of procurement are hamstrung by outdated knowledge, and that this problem is exponentially larger as the various layers of the healthcare system in Ontario—and in Canada more generally—pose tremendous obstacles to her firm’s ability to scale up. While her home-base province has been responsive, she says, her firm has been frustrated in not being able to bring their Ontario successes across borders. Given the integration of the healthcare system, she finds this reality doubly frustrating.

The procurement process is too concerned with risk management. The system is heavy with pilot projects that will take up to 18 months. In part this is because the purchasers are very careful, but Agent 1 also notes that it is because the multinationals who often manage the “mother systems” need to examine the product provided by the small Canadian firm. For Agent 1, the system exposes a weak link: “They need validation from outside forces.” In other words, it is often the case that USA-1 and Dutch Y are the gatekeepers and ultimate deciders on what will be acquired. Ironically, the same procurement officers are worried that Canadian innovators will be bought out by a multinational. “That works its way into the conversation with the Canadian government,” Agent 1 says, because of privacy concerns. Instead, she wishes procurement officers put aside that concern and help Canadian firms become world leaders, and that it accelerate the process by which procumbent is done. “Ontario has to recognize that it is the largest single payer system in health care in North America. It should be buying as fast as possible proven, home-grown, technology and the way to do that is to have innovative opt-in procurement where if one LHIN procures something other LHIN can opt-in without doing their own procurement. I would give up on price all day long for speed. But that’s an easy process and this is now very unusual.

Agent 1’s company has learned to play within the rules of government procurement. Indeed, she created a small team that is entirely focused on responding to RFPs and ensuring that VOR issues are quickly resolved. She also sees progress in government’s ability to integrate innovation in existing contracts. These can take the shape of an amendment to scope of work, (depending on contract size) while some programs have expanded, scaling for instance, form five LHINs to fourteen. She sees great progress in a policy change at the Ministry of Health and Long-Term Care where LHINs can band together and offer more joint RFPs.

For Agent 1, the key to successful procurement is constant dialogue. “Ultimately everyone talks with each other,” she says. “Communication is fundamental and happens consistently. It is how you get to understand what the new problems are coming.” What makes the difference in successful procurement ventures is the building of trust. Good companies are always distinguished by their ability to engender a trust relationship. This is true of IT also.

But Agent 1 wishes government was more liberal in making data available. This would accelerate the process of finding resilient solutions to real problems.
LESSONS LEARNED:

- The slow, divided process of acquiring IT services in the province is harming SMEs and preventing them from scaling up.
- Lack of updating among government procurement officers is making the system all the more risk-averse.
- Acquisitions procedures must be updated and decision-making accelerated.
- More data-sharing is required.
BIBLIOGRAPHY


