



Watershed Partners
DIALOGUES EVENT

DRIVING CHANGE:
PROCUREMENT SYSTEMS
OF THE FUTURE

WRAP-UP REPORT

WATERSHED PARTNERS AND PUBLIC POLICY FORUM
FEBRUARY 2021



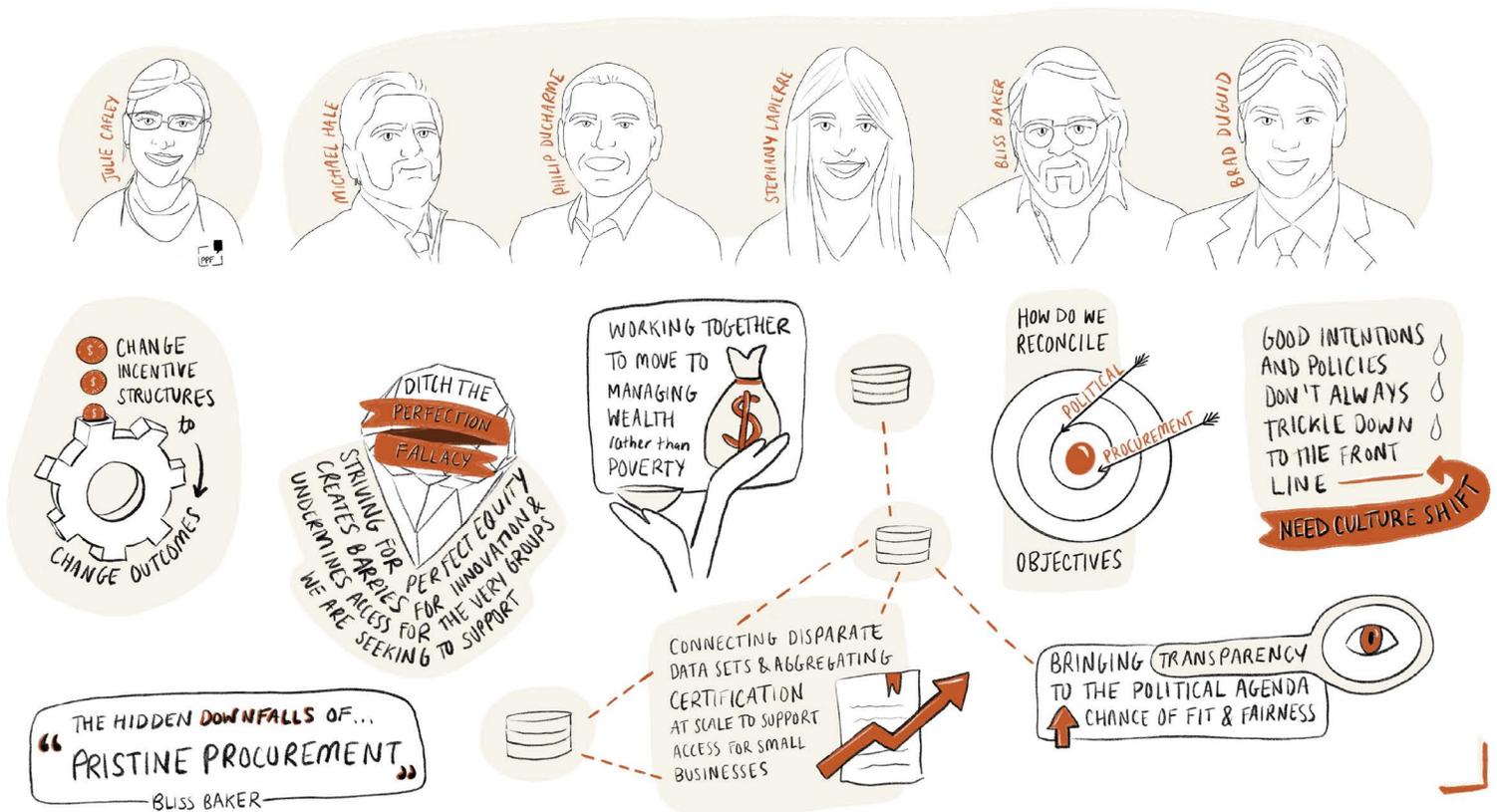
Driving Change: Procurement Systems of the Future

WATERSHED PARTNERS AND PUBLIC POLICY FORUM
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On February 4, 2021, Watershed Partners hosted *Driving Change: Procurement Systems of the Future* in collaboration with Public Policy Forum, as part of our Watershed Dialogues virtual event series. We convened 34 individuals with diverse backgrounds and perspectives to discuss how procurement processes can change:

- to build trust in the system,
- nurture faith in fair outcomes, and
- deliver on the immense needs we expect procurement to solve.

This group included five speakers and one moderator.





Participants were aligned in their belief that current procurement processes are neither effective nor capable of inspiring innovation, and change is overdue. This desire and urgency to change procurement systems are mirrored across Canada. Governments like Yukon, the Northwest Territories, and Canada are revising policies to address inequities for Indigenous peoples; Ontario is overhauling its procurement system to ensure greater value; and companies across sectors are working to increase their access to diverse businesses whose unique value propositions are often lost in processes that focus on finding the most competitive price.

The global economy is fundamentally shifting as a result of the COVID-19 pandemic. Across Canada, governments are increasing their spending and need to find ways to do so efficiently, effectively, and in-line with their political and policy objectives. Similarly, businesses across Canada need to forge new B2B relationships to thrive in remote environments or to re-establish supply chains and labour pools disrupted by the pandemic. All sectors are changing their practices to meet societal expectations for reconciliation, diversity, and inclusion.

Procurement is also attracting international attention. In 2020, the World Bank launched a [global public procurement database](#) and the Organization for Economic Co-operation and Development released a [report](#) on responsible business conduct in public procurement. Across the private sector, trends like social procurement and procurement that result in knowledge transfer and capacity building continue to grow in popularity.

But how many of these changes are guided by default—the inertia of global instability and the guiding hand of reactivity—instead of by intentional design and a commitment to collaborate to reach a meaningful outcome? What is working well in procurement and, importantly, what is failing and why? Throughout *Driving Change: Procurement Systems of the Future*, we set out to unpack these types of questions, unearth unknown alignments, and discover threads of difference that can empower dialogue and change.

ABOUT

WATERSHED PARTNERS

Watershed Partners is a collaborative design firm that facilitates multi-interest alignment toward shared outcomes. In times of change and opportunity, we bring people together to find common values, build healthy relationships, and collaboratively design resilient outcomes.

PUBLIC POLICY FORUM

Public Policy Forum is an independent, non-artisan, non-profit organization, committed to building bridges among diverse participants in the policy-making process. We believe good policy is critical to making a better Canada and works to feed new perspectives and fresh ideas into these discussions.



EVENT FORMAT

This 2-hour event began with lightning talks presented by each speaker in which they shared their high-level thoughts on today's procurement processes, challenges, and opportunities. These insights acted as a springboard for the breakout group discussions that followed.

To support thoughtful dialogue, we posed the following questions during the breakout group discussions:

- What is the baggage (i.e. obstacles to innovation) of our current systems?
- How can processes change to build trust in the system?
- What can we hope for in a future system?
- How can we deliver on the immense needs we expect procurement to solve?
- What perspectives/vantage points are missing from the room/discussion today?

Participants reconvened in plenary for a moderated discussion where speakers offered a summary of the breakout group conversations they attended and responded to questions from the moderator. Participant questions and commentary were also collected throughout the breakout group discussions and were sourced live from the Zoom chat function.

HIGH-LEVEL TAKEAWAYS

This report presents four key takeaways that paint the broad strokes of ideas brought forward by participants throughout the event. Please note: these takeaways are a summary of a number of ideas and perspectives, and do not represent a set of recommendations that were agreed upon by the diverse range of attendees or act as an official endorsement by Watershed Partners and Public Policy Forum. Our event followed the Chatham House Rule which means ideas captured in this report are not attributed to any one individual who attended.

With this in mind, the following pages contain four key takeaways from *Driving Change: Procurement Systems of the Future*.



01 Human Systems in Favour of ‘Perfect’ Systems

Under the guise of fairness, procurement systems are designed to judge proposals in an ‘apples-to-apples’ way, setting out certain goals, objectives, and tasks in pursuit of solving a pre-defined problem and measuring suppliers against these firm markers. Approaching fairness in this way discredits the reality that the world outside of these siloed procurement processes is neither fair nor equal.

Participants discussed how these ‘perfect’ systems create barriers for new firms entering the market, inhibit innovation, and favour those who have won previous bids and experience in navigating front-loaded processes. Pretending that procurement can be perfect or free from all bias kills innovation in favour of technicality and conformity. The focus on pristine proposals means that firms are coaxed into proposing projects that are risk-averse and low-cost so as to be seen as more desirable. Ironically, ‘objective’ procurement systems are weeding out the very businesses, products, and services they are seeking to attract and make space for.

Moving forward, we need to recognize these ‘perfect’ systems for what they are: bureaucratic, unproductive, and truly imperfect at mobilizing procurement to solve systems-level issues. In their place, participants suggested we should create more human systems.

Human systems actively create opportunities to engage and build trust across firms, bid issuers,

and on-the-ground partners who provide support services. Without real relationships and trust, the same players will continue to win the bulk of opportunities, aided by the perception that they are ‘too big to fail.’ Human systems use reason to see past the proposal price, however much possible, and place greater value on social impact and finding the best solution. Sometimes the best solutions will be costly, and in reality, the most cost-effective proposal may put forward surface-level solutions at a palatable price for the sake of presenting the most competitive offer. A participant brought forward the United Kingdom’s Social Value Act as an example of a government requiring incoming public service proposals to be evaluated, in part, on the basis of their environmental, social, and economic impacts.

Participants also shared that human systems are accessible and would provide RFPs written in clear language and remove excessive complexity that provides no value.

It is important, however, to acknowledge the rationale behind these perfect-not-so-perfect systems. Institutional bid issuers, like governments, are expected to be perfectly objective and able to administer sound, airtight processes for public benefit. With this in mind, participants also asked: How do we create systems that allow governments to take strategic risks that are in the public interest?



02 Transparency for Accountability and Stronger Social Outcomes

Despite the pretense of objectivity, the reality is that procurement processes follow policy and political preferences. While this is a justifiable part of decision-making and spending, these preferences become problematic when governments or businesses are not transparent about what procurement is intended to accomplish. This lack of transparency breeds cynicism and distrust in the system.

Once it is clear what each procurement opportunity is meant to accomplish, participants discussed that greater accountability mechanisms should be established to ensure intended goals are actually achieved. Procurement decisions are not usually made by those who set the policies or directives, and a lack of accountability in the system means that intentions are prone to get lost in the process—which is counterproductive at best and harmful at worst. As an example, a participant discussed efforts to increase Indigenous procurement in governments as having yielded little result, and asked what the consequences of failing to meet desired policy outcomes would, could, or should be for government procurement departments.

In addition, ground-level procurement officers are often unaware of important contextual considerations or have limited access to rapidly changing information. One participant shared an anecdotal story about a procurement officer that believed that Indigenous-specific procurement is blocked by free trade agreements; a perception that does

not align with the actual texts of agreements. To increase accountability, procurement officers should be properly informed of the objectives and rules governing each procurement opportunity.

Governments or companies issuing opportunities should be open and honest with bidders about how their firms, products, or services can meet the overarching objectives of the opportunity. For instance, procurement opportunities weighted towards Indigenous businesses should have clear criteria about which businesses qualify, and express whether the procurement opportunity is meant to meet targets under an Impact Benefit Agreement (IBA) or is governed by rules coming from a modern treaty. Additionally, governments and companies should embrace processes intended to produce opportunities for underrepresented and marginalized people. In particular, participants focused on processes for Indigenous peoples, noting a need for a distinct place in the system committed to developing the opportunity, capacity, and competitiveness of Indigenous businesses.

As shared by participants, procurement must first and foremost be focused on procuring a solution, and supporting processes need to be transparent and accountable to meet this fundamental purpose.

03 Data & Technology to Flatten the Playing Field

Currently, procurement systems do not use data well or to its fullest extent. Data that is incomplete, inconsistent, and onerous for smaller suppliers to gather creates barriers for small busi-



nesses and buyers alike. Without widely-available, integrated, and automated data sets, it is difficult for data to be uniformly applied and used in decision-making. And, where data is concerned, firms with the most human capital, built-in data capacity, and know-how will continue to be at an advantage over others with low-to-no business development resources.

These factors are especially limiting when considering how more robust data could be used by bid issuers to make decisions beyond the bottom line and in favour of pursuing the strongest outcomes. For example, typical bid requirements that focus on the years of a supplier's experiences as a form of validation immediately give priority to those who are established and dismiss those who are burgeoning but may prove to offer better value. With so many businesses and different certifications in the market, it can genuinely be challenging for bid issuers to find the right supplier for their needs. This leads risk-averse buyers to fall back to the same or similar suppliers, which in turn stagnates innovation and entrenches inequitable processes.

When approached well, data can increase opportunities for all stakeholders. If we invest in data and the technologies to increase its consistency and accessibility, procurement systems can improve and the playing field may begin to even out for a diversity of suppliers. For example, data and technology can be used to capture elements of businesses outside of formal and expensive certification processes, especially those related to equity factors. By opening up requirements to consider outcomes and impact alongside the totality of a business' experience, eligibility will

increase and buyers will be exposed to data that either complement or counter existing models for evaluating a supplier's fitness. According to a participant, 95% of small diverse businesses are not captured in equity and diversity reporting, meaning they miss out on opportunities or are passively screened out by bid issuers that do not take proactive steps to diversify their network.

Currently, data input and extraction are largely done manually, but machine learning can automate much of these processes. Participants discussed the role of data and technology in augmenting bid issuers' networks to find businesses, products, and services that meet their procurement needs alongside their policy or political objectives.

Avoiding risk is important to buyers, just as it should be for the citizens who fund public spending and experience its outcomes. The expectation that bid issuers should simply become more flexible about who they select is a non-starter. Instead, participants noted that buyers can actually increase their due diligence by taking fuller advantage of available data and equip themselves with a more diverse, performance-driven group of eligible suppliers—all while ensuring certain suppliers are not excluded right at the outset.



04 Moving Indigenous Procurement From Mandate To Action

Throughout Canada's history, Indigenous peoples have faced systemic barriers to pursuing the economic opportunities afforded to non-Indigenous people. Despite efforts by the public and private sectors, present-day procurement processes have not managed to adequately account for these legacies. As an example, one participant raised that the Federal Government has committed to increasing Indigenous procurement to 5% of its total procurement spend, but currently, less than 1% of total procurement goes to Indigenous firms.

Participants discussed that while institutional bidders have invited the participation of Indigenous businesses, the expectation that they should navigate procurement systems with the same fluency as other more established businesses fails to account for historical inequities. For example, during the COVID-19 pandemic when the Federal Government was seeking services from Indigenous businesses, they mandated that these businesses show proof of three past contracts of similar quality. These types of requirements not only work against new and upcoming businesses who do not have an existing track record, but also other firms who continue to navigate an unequal playing field, at-times in competition with large, established non-Indigenous firms.

Participants also discussed the persisting lack of understanding on the side of procurement officers who may not realize the value Indigenous businesses have to offer. Instead, officers perceive proposals from Indigenous businesses

through a lens of heightened risk and decreased confidence—and with procurement being so risk-averse, these misperceptions stifle contract wins and opportunities to build long-term relationships between Indigenous businesses and bid issuers.

Procurement processes need to respond appropriately to the systemic barriers and consider ways to foster the high-level of growth and opportunity that comes with engaging Indigenous businesses. Front-line decision-makers need to be equipped at the outset with clear expectations on how to work with Indigenous businesses. As government and businesses—especially in the resource sector—seek to increase Indigenous procurement, participants noted the need to incentivize procurement officers to follow through on IBAs and contracts. Companies and governments must also be accountable when agreed-upon goals are not met.

Participants discussed how Indigenous businesses are looking for tools and partnerships, from public-private partnerships to joint partnerships on contracts and training opportunities. Ultimately, Indigenous businesses are looking for an equal opportunity to make an impact and to work with bid issuers to strengthen processes and collaboratively solve challenges if and when they arise. With increased Indigenous procurement, the Indigenous economy will grow, as will the Canadian economy as a whole, and this is a critical step to economic reconciliation.



MOVING PROCUREMENT FORWARD

The response to the COVID-19 crisis has been a catalyst for rapid changes in procurement, and trends already underway such as Environmental, Social, and Governance (ESG) investing and the adoption of the United Nations Sustainable Development Goals (SDGs) are bringing new perspectives to the role of procurement in securing a better, more prosperous future.

Governments have adopted radical agility in their response to the COVID-19 crisis, and the heightened attention being paid to procurement, first around personal protective equipment and now vaccine manufacturing and rollout, has spotlighted a process that has always been influential but, for many, operated mainly in the shadow of the status quo. With heightened exposure, new pressures, converging trends, and boundaries already broken in response to continued crisis, now may be the perfect time to ensure what comes next is properly serving governments, businesses of all kinds, and the communities in which we live.

Participants suggested that moving forward, procurement processes should take the long-view and reduce distinctions between cost and purpose. If procurement can grow to consider the value of outcomes, innovation, and equal opportunity alongside traditional standards, procurement could become an avenue for a more prosperous, efficient, and equitable Canada. Participants noted the value that could come from shifting mindsets beyond procuring a solution to that of procuring a partner, with whom solutions could be collaboratively built, and real dialogue on risk and reward can be advanced.

IN CLOSING

Watershed Partners was pleased to host this Dialogues Event in partnership with Public Policy Forum on such an important topic. Events like this generate more questions than they do answers—which is why Watershed Partners is committed to continuing the dialogue and advancing ideas on the ways in which procurement systems of the future can contribute to a stronger, more sustainable, and socially-oriented economy.

We would like to thank everyone who joined this event for participating with energy and enthusiasm. We believe that active participation in conversations of this kind is an avenue to shared success and meaningful, systemic change.

Please reach out to events@watershed.co to confirm your interest in being a part of future Dialogues events and join our mailing list for insights on report launches.



MODERATOR AND SPEAKERS



EVENT MODERATOR

Julie Cafley

EXECUTIVE VICE-PRESIDENT, EXTERNAL RELATIONS, PUBLIC POLICY FORUM

Dr. Julie Cafley is an accomplished leader and academic with expertise in higher education leadership and governance. As Executive Vice-President at the Public Policy Forum, Julie builds bridges and enhances the profile and visibility of the PPF while directing its communications, external partnerships, membership and learning teams. In her previous role as Chief of Staff to two presidents at the University of Ottawa, Julie worked closely with the senior executive team to develop and advance strategic initiatives.

Julie holds a PhD in education leadership from the University of Ottawa. Her thesis focused on higher education leadership and governance through the lens of unfinished terms of Canadian university presidents. Julie is an active community leader and a tireless champion for diversity initiatives.



SPEAKER

Bliss Baker

CHAIRMAN AT CUMBERLAND STRATEGIES

Bliss is the founder of Cumberland Strategies. Over the past 27 years, he has been an innovator, practitioner and commentator in the Public Affairs arena both domestically and internationally. He has been an advisor to two Prime Ministers, Ministers, Members of Parliament and Cabinet.

Bliss' private sector experience includes Senior Executive roles in the banking and renewables industry and the pipeline industry. As a former Board Member of the Sierra Club, Bliss has had a lifelong passion for promoting public policies that protect the environment. Bliss was a senior advisor to several elected officials including Chief of Staff to the Minister of Northern Development and Mines. His clients include a variety of tech companies, energy related companies, financial services, agriculture, manufacturing, clean technology providers, healthcare stakeholders and infrastructure related firms.

Bliss completed his undergraduate degrees in Political Science and Economics in Canada and his post-graduate degree at the London School of Economics in 1992 and is the founder of Cumberland Strategies.

**SPEAKER**

Brad Duguid

FORMER ONTARIO MINISTER (ABORIGINAL AFFAIRS, ECONOMIC DEVELOPMENT), VICE PRESIDENT, CORPORATE AFFAIRS, CFFI VENTURES

Brad Duguid retired from public office following a highly successful 30-year political career in 2018. Brad served as a City Councillor on Scarborough and the City of Toronto Council for 9 years. He then went on to serve as MPP for Scarborough Centre at Queen's Park for close to 15 years holding numerous cabinet positions including Minister of Labour, Aboriginal Affairs, Infrastructure, Research and Innovation, Energy, Training Colleges and Universities, and Economic Development.

As Minister of Economic Development, Brad led the efforts to create a new economic development strategy to make Ontario a leader in the new economy. He also led the national negotiations that resulted in the new Canada Free Trade Agreement, the most ambitious external or internal free trade initiative in Canadian history. Brad has been recognized for life-time achievements in reducing regulatory burden and red tape for business. He led the effort to rehabilitate MaRs and developed Ontario's first official Long-term Energy Plan. His work in partnership with Indigenous leaders and communities significantly improved relations with Indigenous people in Ontario.

Brad is now working in the private sector as a consultant and continues to do consulting work for CFFI Ventures, a Canadian holding company, led by Canadian entrepreneurial icon, John Risley. He provides advice and assistance to numerous companies of all sizes in many different sectors.



SPEAKER

Michael Hale

CHIEF OPERATING OFFICER OF NORTHERN VISION DEVELOPMENT

Michael is currently the President and Chief Operating Officer of Northern Vision Development, a Yukon-based hotel operator and real estate development company. With six hotels, Yukon's largest commercial real estate portfolio, and multiple capital projects, NVD is one of Yukon's (and the North's) largest private sector entities.

Michael moved to the Yukon more than 20 years ago and has built a life in Canada's north. His career has spanned journalism, government, politics, and the private sector. Some of his past positions include Chief of Staff to Yukon's Premier, Vice President of Operations for a Crown corporation, Assistant Deputy Minister/Chief Negotiator for Aboriginal Relations, and Chief Administrative Officer for Yukon's only post-secondary institution.

In 2008, Michael attended the Governor General's Canadian Leadership Conference. In 2012, as a GGCLC alumnus, he co-chaired the planning and development of the Yukon tour. He is currently on the Commonwealth Leadership Conference organizing committee for Canada.

He has two sons, Maddox and Jonah, and a partner, Lacia, who remind him daily that work is only one part of life.



SPEAKER

Philip Ducharme

DIRECTOR, INNOVATION AND ENTREPRENEURSHIP, CANADIAN COUNCIL FOR ABORIGINAL BUSINESS

Philip Ducharme is a proud Metis with all eight of his Great-Grandparents attached to Metis Scrip applications. He graduated from the University of Regina through the Gabriel Dumont Institute in Business Administration. Philip has spent the last 20 years working with numerous national Aboriginal organizations helping to advance Aboriginal peoples in various sectors including business, employment, education and health.

Philip has rejoined CCAB as the Director, Innovation and Entrepreneurship and is excited to be part of CCAB's advancement Aboriginal business in Canada.

Philip's greatest passion is road trips and is proud to say that he has driven the entire Trans Canada Highway from the Atlantic Ocean to the Pacific Ocean.



SPEAKER

Stephany Lapierre

FOUNDER & CEO OF TEALBOOK

Stephany Lapierre is the Founder and CEO of Tealbook. She is one of SCMA's 100 Influential Women in Canadian Supply Chain and has received repeated recognition as a female tech entrepreneur. After studying the business impact of costly and inefficient gaps between enterprise buyers and suppliers, she launched Tealbook as the largest, most robust and trusted B2B network. Her vision is for Tealbook to upgrade the application of supplier information through machine learning, efficiently increasing innovation and value creation for all parties.

Prior to Tealbook, Stephany built a successful procurement consulting firm focused on helping Fortune 500 companies improve strategic sourcing efficiencies.



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For further information or questions,
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