



ACTION STRATEGIES TO INCREASE THE DIVERSITY OF SME SUPPLIERS TO THE GOVERNMENT OF CANADA

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This document provides a summary of key action strategies advanced in the report, *Benchmarking small and medium enterprises as suppliers to the government of Canada: inclusion, innovation and international trade*.

The report informs policies and practices to increase the diversity of SME suppliers on government contracts, including under-represented groups such as women business owners. The findings are also instructive with respect to metrics and benchmarks to measure the performance of public procurement, especially as related to socio-economic objectives. The 2018 federal budget, for example, specifies that the Government of Canada intends to introduce measures to increase the participation rate of women-owned businesses by 50 percent (to at least 15 percent), in order to reflect the current proportion of SMEs majority led by women entrepreneurs in the broader population. The empirical findings and action strategies inform this commitment.

Drawing on a representative sample of Canadian SMEs, the report provides new insights about the extent to which being a SME supplier to the federal government is associated with innovation, international trade, and firm performance. Obstacles associated with federal contracting are discussed. To the best of our knowledge, this is the first study to simultaneously examine gender of firm ownership, breadth and types of innovation and federal SME contracting, while accounting for various owner and firm characteristics.

The report and action strategies advanced will be of interest to public policymakers, small business support services, advocates, industry associations, and corporations that support supplier diversity.



For information about *Benchmarking small and medium enterprises as suppliers to the government of Canada: inclusion, innovation and international Trade* visit: telfer.uOttawa.ca/SMEprocurement2018-1

ACTION STRATEGIES



1. Adopt sector-specific action strategies and SME supplier targets

Majority women-owned SMEs, taken as a whole, were less likely to contract with the federal government compared to majority men-owned SMEs. Whereas 15.7 percent of Canadian SMEs were 'majority-owned' by women, majority women-owned firms accounted for only 10 percent of 'SME suppliers' to the federal government. The study also found that gender differences in the likelihood of SMEs being federal contractors varied significantly by industry sector. Majority women-owned firms in the Wholesale & Retail and Other Services sectors were approximately half as likely to be SME suppliers as counterpart majority men-owned SMEs. Among Goods Producers and businesses operating in Professional, Scientific & Technical Services sectors, there were no significant gender gaps with respect to the likelihood of being an SME supplier.

Accordingly, a sector-specific strategy will help to achieve the government's commitment to increase the overall participation of women business owners from 10 percent to 15 percent in federal contracting. Consideration should be given to quotas and set-asides for majority women-owned SME suppliers, or adjustments of assessment weights within category bids in the Wholesale & Retail and Other Services sectors. Size of enterprise and industry sector should also be taken into account in constructing all federal contract requirements.

51%

2. Define women-owned businesses

The Canadian federal government is encouraged to define 'women-owned' small businesses in a clear and consistent manner, and to foster widespread adoption of the agreed-upon definition. Definitional criteria are necessary to establish program eligibility, construct comparable reporting metrics, reduce the likelihood of 'store front' agreements, tokenism, fraud, and to avoid market confusion and the façade of inclusion and diversity. To do so, the federal government should consider adopting the criteria advanced by the United Nations (UN) Women: at least 51 percent unconditional ownership by one or more women; unconditional control by one or more women over both the long-term decision-making and the day-to-day management and administration of the business operations; and independence from non-women-owned businesses.

Confounding the need for definitional clarification and consistency is the recognition of alternative gender identities. The implications of employing gender-responsive procurement and inclusive definitional criteria within federal procurement warrant industry consultation.



3. Support third-party certification of women-owned businesses

The practice of self-certification is problematic, as documented by multiple evaluations of the United States *Women-Owned Small Business Program*. Third-party certification is therefore recommended. In order for remedial strategies to be effective, it will be necessary for the Government of Canada to ensure whether or not individual SME suppliers confirm to the agreed upon definition of a women-owned business.



4. Review SME procurement program eligibility

Young and innovative start-ups contribute disproportionately to job creation and economic prosperity. Federal procurement support programs and requests for proposals should ensure that qualifying criteria (such as year of experience or evidence of similar contracts) do not defeat opportunities for the government to support Canadian innovation. This strategy will also help to ensure that program eligibility criteria do not inadvertently weaken the commitment to increase the participation of diverse suppliers, such as women-owned businesses, in federal contracting.



5. Improve support for marketing, organizational and service innovation

Programs to support marketing and organizational innovation, and innovation in the services sectors, are needed to complement military-related and product/technology innovation programs (such as, *Innovation for Defence Excellence and Security Program* and *Build in Canada Innovation Program*).

The research documents that, compared to majority men-owned enterprises, majority women-owned SMEs are significantly less likely to report innovations within the Professional, Scientific & Technical Services sectors. Federal investment could usefully be directed at increasing the likelihood and types of innovation among majority women-owned suppliers in these sectors. This action strategy will help to balance the sector and client profiles of federally funded innovation programs that tend to prioritize male-dominated industry sectors.



6. Establish targeted procurement mentoring programs

The research documents that ‘finding contracting opportunities’ is often cited as an obstacle among SME suppliers. Immigrant-owned SMEs, smaller firms, majority women-owned Goods Producers and firms within the Professional, Scientific & Technical Services sectors were relatively likely to cite ‘finding contract opportunities’ as an impediment. Hence, procurement mentoring programs should focus on front-end or gateway barriers, such as identifying contracting opportunities, easing access to contract information and identifying contracting opportunities through online tendering platforms, bid writing and submission processes, and pre-qualification processes. The *Office of Small and Medium Enterprises* (OSME) is also encouraged to prioritize outreach and information sharing about contracting opportunities and processes, in multiple languages, via women business owner associations and centres, newcomer programs, immigrant investment forums, and ethnic associations.



7. Ensure gender-sensitive procurement training

The study findings suggest a need for the Canadian federal government to introduce procurement training that focuses on underrepresented groups of business owners. This includes the creation of gender-sensitive procurement training targeted to trainers and advisors within federally funded business and innovation support services. Development and delivery of gender-sensitive procurement training and advisory services should be undertaken in collaboration with industry organizations, such as Canadian Aboriginal and Minority Supplier Council (CAMSC), WBE Canada, WEConnect International Canada, Women’s Enterprise Organizations of Canada (WEOC), among others. Federal funding of innovation and business support agencies might usefully be tied to performance of such organizations in terms of engaging and advising diverse groups of business owners with respect to securing federal contracts.



8. Improve SME procurement data and analytics

Without analytics and reporting, strategic procurement policies may remain aspirational. Lack of targeted and granular analyses gives license to entrenched perspectives that often reflect anecdotal experiences. A consequence can be misinformed policy.

Robust analytics are needed to help determine the costs, benefits and conditions of alternative policy interventions, such as sole sourcing, weighted assessment criteria, set-asides, unbundling of contract requirements, complex versus more routine contracting, and size and sector-specific policy. This includes examining the value of gathering owner and firm profile information to accurately monitor and report on the economic and social impacts of procurement policy. Key lessons learned can then be disseminated across PSPC client agencies.

The Canadian federal government is also encouraged to develop a holistic database on the attributes of SME suppliers and subcontractors. Such information is necessary to assess impacts of federal contracts in supply chains.



9. Increase collaboration among federal agencies

The report findings demonstrate the need for collaboration between PSPC and other agencies tasked with supporting the status of women, immigration, economic development, innovation, entrepreneurship, and international trade. This action strategy aligns with a growing perspective among governments that “piecemeal approaches and reforms designed in silos are no longer sufficient” to impact gender equality (OECD, 2017, p. 32). This also infers the value of universal federal gender-based analysis (GBA+) budgeting, procedures, regulatory and program impact analyses, and procurement management. Co-ordination of GBA+ policy and program formulation will also help to ensure that limited resources support policy goals.



10. Work with sub-national agencies to understand diversity of SME suppliers

The Canadian federal government is encouraged to undertake collaborative research with public and private organizations to inform policies, programs and practices that support diversity of SME suppliers. For example, the survey instrument employed in this study provides a useful inventory of questions about obstacles to SME procurement that can be adopted by sub-national government agencies and private corporations that seek to support supplier diversity. Adoption of these questions would facilitate inter-governmental, cross-country and private/public sector comparisons, information that can be used to enhance SME tender and contract opportunities.

Another important direction for future research relates to examining the topics presented in the full report, but with respect to the population of *subcontractors*—a topic about which little is known due to a lack of data. It is therefore recommended that questions pertaining to subcontracting relationships within federal supply chains be included in future iterations of the *Survey of Financing and Growth of Small and Medium-sized Enterprises* (Statistics Canada, Innovation Science and Economic Development Canada).

RELATED TELFER PUBLICATIONS AND INITIATIVES

The Efficacy of Gender-Based Federal Procurement Policies in the United States

Orser, B., Riding, A., & Weeks, J., 2018
Small Business Economics, Online
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Canadian Federal Procurement as a Policy Lever to Support Innovation and SME Growth

Liao, D., Orser, B. & Riding, A., 2017
http://www.telfer.uottawa.ca/assets/documents/2017/Federal-Procurement-and-SMEs-report-Telfer_web.pdf

Strengthening Ontario through Women's Enterprise

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Women Entrepreneurs Ontario (WEO) Collective
<http://ontariowomensenterprise.weebly.com/>

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<http://sites.telfer.uottawa.ca/womensenterprise/>

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https://www.researchgate.net/publication/266405596_Canadian_Women_Entrepreneurs_Research_and_Public_Policy_A_Review_of_Literature

ACTION STRATEGIES



Sector-specific strategies

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Defining women-owned



3rd party certification



Program eligibility



Support innovation



Mentorship



Gender-sensitive training



Data & analytics



Collaboration



Link to sub-national agencies

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