

PROCUREMENT TRANSFORMATION IN CANADA AND THE UNITED KINGDOM

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ABSTRACT. Public Works and Government Services Canada and the Office of Government Commerce ran a six-month secondment to allow for in-depth knowledge transfer between the two governments in issues of procurement transformation. This paper provides an overview of lessons learned on transferability of initiatives between the two countries. In particular, issues of: measuring, reporting and validating savings; stakeholder engagement and supplier relationships; and socio-economic benefits in procurement are explored. Analysis of similarities and differences between structures of the two governments and the state of procurement transformation in each environment are presented as a basis for potential transferability of initiatives, along with highlights of initiatives that offer the greatest potential for transferability.

BACKGROUND

Further to the International Research Study on Procurement – Phases I and II, an increasing level of bilateral discussion began to emerge between the Canadian department of Public Works and Government Services Canada (PWGSC) and the U.K. Office of Government Commerce (OGC).

As these discussions were developing, both countries were also undertaking extensive savings programmes, both of which involve a significant role for procurement and ways to produce better results for the government as a whole through better procurement.

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In light of the apparent similarities, and the opportunity to learn from each other, PWGSC and OGC arranged for a six-month secondment of a member of PWGSC (the secondee) to OGC to focus on key issues of mutual interest. The secondment ran from October 2005 through March 2006 inclusive, and focussed on comparisons between national governments. Other levels of government were only included to the extent that they were reflected in or incidental to the main focus.

SCOPE, METHODOLOGY AND LIMITATIONS

In addition to broad contextual issues, the work plan for the secondment included work on: measurement of savings; relations with suppliers, especially small, medium and regional enterprises; and socio-economic benefits in procurement; the OGC Gateway™ Review Process; and communications. This secondment also monitored an audit by the UK National Audit Office on the Efficiency Programme, for which researchers visited Canada.

Methodology included extensive literature review of OGC and other UK government documents and hands-on work in the key areas supplemented by workshops, meetings and additional discussions.

The work plan was executed largely based on work in the Smarter Procurement Directorate of OGC, including work related to the Sustainable Procurement Task Force. This was supplemented by work with the Procurement Workstream of the Efficiency Programme and with the Better Projects Directorate.

The main limitation was that there were not the same opportunities for spontaneous or in-depth discussion on specific issues, other than sustainability, with other public sector procurement organisations as with OGC.¹

CONTEXT

Geography and Population

Canada has a population of 32.8 million and a total area of 9,984,670 square kilometres. (CIA, *Canada*, n.d.) The U.K. has a population of 60.4 million and a total area of 244,820 square kilometres. (CIA, *U.K.*, n.d.)

Although this means that questions of distance and regional concerns are magnified in Canada, many of the same concerns related to regional economic disparity and the participation of local and regional companies in public procurement exist in both countries.

Governance

Both the U.K. and Canada function on a Westminster system of government, with its associated relationships between the Government and civil servants and between the Government and the Opposition.

Within this overall structure, the roles and responsibilities of the various departments mean that there are some fundamental similarities and differences in procedure and governance. There are also structural differences arising from the constitutional relationships between levels of government.

Departmental Organisation

While most departments in both countries have mandates that relate to delivery of specific services to citizens, in both cases a small number of organisations are responsible for the business of, and services to, government. These are the organisations of most interest in the context of procurement.

In the U.K., HM Treasury and the Cabinet Office are the central agencies of government (see Box 1). In Canada, the central agencies are the Department of Finance, the Privy Council Office and the Treasury Board and associated Treasury Board Secretariat. The mandates of HM Treasury (HMT, *About*, n.d.) and the Department of Finance (Finance, n.d.) are very similar, as are the mandates of the Cabinet Office (CO, 2006) and Privy Council Office (PCO n.d.). There is no direct U.K. equivalent to Canada's Treasury Board or its Secretariat, which are responsible for accountability and ethics, financial, personnel and administrative management, comptrollership, approving regulations and most Orders-in-Council. (TBS, *About*, n.d.)

In Canada, PWGSC is the common service organisation (see Table 1), providing many corporate and administrative services to other federal government departments and agencies. These services include: purchasing goods and services on behalf of the government; providing office accommodations for federal public servants across Canada; managing important national heritage properties; and offering

information technology, telecommunications, translation, banking, auditing and many other important services to the government. (PWGSC, *About*, n.d.).

TABLE 1
Canadian Terminology around “shared” services and organisations
(Examples are Canadian)

Central	Mandatory for all (Cheque issue; Employment contracts)
Common	Mandatory, with or without delegation (Procurement) or Optional with mandatory policy requirements (Finance)
Optional	with formal mandate or lead (Translation Bureau)
Shared	Completely optional, no formal lead

In the U.K., OGC and its operating agency, OGC Buying Solutions, provide procurement, project and programme guidance and advice to government organisations across the wider public sector to help them achieve efficiency, value for money and successful delivery of government projects. (OGC, *OGC*, n.d.) In the British context “wider public sector” refers to all levels of government in England, as distinct from “central government” - being the traditional “Whitehall” departments, located in the immediate vicinity of the Houses of Parliament.

The mandate of PWGSC has a stronger legislative basis, whereas the strength of the OGC mandate lies in its governance structure.

Structural Relationships

The following outline of the different relationships between levels of government is intended to provide a quick point of reference rather than an exhaustive or authoritative explanation of the constitutional relationships. In each case, there are details omitted for the sake of brevity and clarity.

Canada, as a confederation, has clear distinctions between federal and provincial mandates, with local governments falling under provincial jurisdiction. The U.K. is a more unitary state with devolved governments in Scotland, Wales and Northern Ireland, but not in England. The nature of the devolved administrations is similar to the Canadian provinces, especially in their relations with local authorities. However the relationship between the devolved administrations and the

Whitehall government differs from that between the provinces and the federal government. One of the main differences between the devolved administrations in the U.K. and Canadian provinces is the point of origin – as evident in the name, the Scottish and Welsh governments are based on power being transferred from the Whitehall government to the respective assemblies, whereas in Canada, a province joins the confederation by giving jurisdiction for specific areas to the national government, while retaining others in its own right.

Procurement Environment

Canadian federal government procurement expenditure is approximately \$13B annually (TBS, *Purchasing*, 2005), including defence procurement; this is the figure commonly used and discussed. The Procurement Activity Report for 2004 shows approximately \$19B in procurement. This is due to a single-year spike related to the signing of a \$5B contract for helicopters. Because it is a multi-year contract, this spike will not be as evident when reported in expenditures.

U.K. central government procurement is commonly referred to as approximately £13B annually for central **civil** government (emphasis added), which excludes defence procurement of approximately £6B (MOD, 2005). In the U.K., it is now also common to hear reference to the figure of £125B annually, which refers to the entire annual public sector procurement expenditure.

Canadian federal procurement is governed by: international obligations under the World Trade Organisation Agreement on Government Procurement (WTO-AGP) and the North American Free Trade Agreement (NAFTA); domestic obligations under the Agreement on Internal Trade (AIT); and legislation and policy requirements. U.K. central government procurement is governed by: the World Trade Organisation Agreement on Government Procurement; European obligations under European Union (EU) Guidelines on Procurement and the Treaty of Rome; and domestic legislation and policy requirements. Although by no means identical, the U.K. obligations as part of the European Union and Canada's obligations under NAFTA and the AIT are roughly similar.

Because PWGSC has a mandate to provide procurement services to all of central government that no U.K organisation has, there is less coordination across central government in the U.K. than in Canada. At

the same time, there is more coordination between levels of government in England than there is in Canada. While this has been a function of funding structures, there now also are a number of initiatives aimed at greater coordination in all directions in the wider public service in England. As a result, there a number of procurement authorities and centres of excellence leading coordination along various geographic or functional lines.

It will be interesting to see over time whether the approach of having strong centres of coordination building collaboration, or having a more open procurement marketplace in which authorities compete for collaborative partners will prove to provide more robust, effective and efficiency level coordination of procurement. Because of the contextual differences, the approach in one country is not easily transferable to the other, and yet may point to some interesting possibilities.

SAVINGS PROGRAMMES

In December 2003, Canada established an Expenditure Review Committee (ERC) to review all government program expenditures in order to: ensure value for money for taxpayer investments; identify opportunities to reallocate federal spending from lower to higher priority programs; and recommend ways to strengthen management, oversight and effective delivery of programs and services. The work of the Expenditure Review Committee was organised in nine pillars, one of which focussed on procurement. (TBS, *Expenditure*, 2004) The work on procurement was conducted by the Parliamentary Secretary's Task Force – Government-wide Review of procurement. The results of this work were incorporated into PWGSC's The Way Forward initiative, launched in February 2005. The Way Forward savings target of \$3.4B over five years encompasses procurement, real property and IT, of which \$2.5B is to come from procurement. (PWGSC, *Way Forward*, n.d.) In addition, PWGSC will cut by 50% the time it takes to conduct procurement, and will reduce its internal procurement costs by 10%. (PWGSC, *Buying*, n.d.)

In July 2004, Sir Peter Gershon submitted his report *Releasing resources to the front line – Independent Review of Public Sector Efficiency* to the Prime Minister and Chancellor of the Exchequer (Gershon, 2004). To reflect the areas of work recommended in this

report, and a report by Sir Michael Lyons on relocating government offices, OGC established the Efficiency Programme Team based on six workstreams, including procurement. (OGC, *Efficiency*, n.d.) The target savings of the Efficiency Programme, across the wider public sector, are £21.5B of on-going savings over three years (OGC, *OGC*, n.d.), of which approximately £6.7B were to come from procurement, although as organisations can shift the balance of their savings between workstreams, this is a shifting target. As of the NAO report in February 2006, 37%, or approximately £7.9B was to come from procurement. (NAO, 2006). The Efficiency Programme incorporates most but not all of a central government-only savings programme known as Value for Money. The only major element of Value for Money not included in the Efficiency Programme is the cost avoidance/reduction benefits associated with the Gateway Review Process. Because the Value for Money targets are largely subsumed in the Efficiency Programme targets, the remainder of this document refers only to the Efficiency Programme.

In both countries there tends to be confusion between focus on short-term savings targets and fundamental improvement, of which savings targets are one measurement. This issue was addressed in the National Audit Office report on the Efficiency Programme (see below). The key difference in these programmes is that in Canada the focus is solely at the federal level, while the Efficiency Programme targets all levels of government in England.

Data

In both Canada and the U.K., there are questions regarding the available detail on procurement data. In both cases, the data used for establishing and calculating targets and progress is expenditure data from financial systems that are also used for financial reports to Parliament and for calculating the GDP. This latter is especially helpful when trying to make international comparisons. Although countries have different reporting requirements and structures internally, international protocols around GDP reporting smooth out some of these differences. However, in the U.K. and Canada, an additional level of comparison is possible due to a common heritage and similar processes around Estimates and Reporting to Parliament. Although not identical, these are very similar and do serve as a guide to readers from one country as to where to look for similar information.

In both countries, task force, audit and other reports have highlighted difficulties in identifying, obtaining, validating and replicating procurement data, and efforts are underway in both countries to address this issue.

HM Treasury has issued a document entitled *The Green Book – Appraisal and Evaluation in Central Government* (HMT, *Green*, 2003) which describes how economic, financial, social and environmental assessments should be combined. It provides useful guidance on many issues that are often confusing to those outside the financial field, including whole life costing, non-market valuation and discounting, to help determine value for money.

In Canada, information on procurement activity above \$25K is aggregated by department and published on the Treasury Board Secretariat Web site. Procurement activity below this threshold is presented as a single figure by both value and volume. In addition, the government requirement for proactive reporting of all contracts above \$10K means that certain information on a per-contract basis is available on individual departmental Web sites. Business Access Canada also maintains a contracts history database of all contracts awarded by PWGSC on its own behalf and as a common service organisation.

PROCUREMENT AND SAVINGS REPORTING, MEASURING AND VALIDATION

Measurement

There are three key items of interest related to savings measurement under the Efficiency Programme. One is a distinction between cashable and non-cashable savings. Cashable savings are defined as achieving the same quality and quantity for less input, while non-cashable savings are defined as achieving a better output for the same input. Two thirds of the savings targeted under the Efficiency Programme are intended to be cashable savings. (NAO, 2006) Secondly, efficiency savings must be sustainable to at least the end of the review period. This means that a four-year contract saving £10K per year is counted as a £10K efficiency savings, rather than a £40K savings. Finally, when percentages are referred to, such as the original 2.5% associated with the £21.5B, they are qualified as being in real or cash terms. The 2.5% was in real terms resulting in a higher percentage in cash terms.

Translating this to the context of The Way Forward, the harvesting targets would all be cashable savings, but the savings from a contract similar to the above example would be counted as \$40K rather than only \$10K, and percentages appear higher as they refer to cash, rather than real, terms.

To help organisations calculate their savings reporting, and to address the similarities and differences between methodology for the Efficiency Programme and the Value for Money programme, OGC has published a document containing guidance on measurement for the two programmes. (OGC, *Measurement*, n.d.) In Canada, savings calculations are much more dependent on individual departmental circumstances, so are conducted in direct partnership with PWGSC.

Benchmarking

OGC Buying Solutions (OGCb.s) has developed a benchmarking methodology to measure and report savings on product and service pricing. Because OGCb.s is on full cost recovery, the original reason for developing the benchmarking methodology was for OGCb.s to demonstrate value to its clients, however the Efficiency Programme has also drawn on this methodology to demonstrate Efficiency gains. As a result, the methodology is subjected to rigorous examination for validity; and to allow for an arms-length assessment, external service providers conduct the benchmarking under contract with OGCb.s.

The Government Accounting manual (similar to Treasury Board Policy) defines value for money in procurement as “the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user’s requirements” (HMT, *Government*, 2000). The OGCb.s methodology addresses the price element of whole life costing; the remaining factors remain the responsibility of the purchasing department.

SUPPLIER MANAGEMENT

Supplier Relations Division

Similar to private sector best practice, OGC identifies its key suppliers and takes special measures to manage relationships with them. This is conducted by OGC’s Supplier Relations Division (SRD) which: tracks the performance of key suppliers and takes steps to resolve areas of weakness; identifies and addresses concerns about market capacity or

competitiveness; monitors new and emerging markets identifies general procurement issues, best practice and recommends change; and gathers and shares market intelligence within the public sector. (OGC-SRD, 2006)

One of the aspects of SRD that attracts international interest is how they conduct these activities in the public procurement environment of openness, access and transparency. There are a number of facets to the answer. Part of the answer is that SRD identifies the key suppliers based on the level of business won in the open environment, so can substantiate how suppliers are targeted. Another facet is that no supplier is turned away from entering into discussions with SRD. Thirdly, and critically, discussions are strategic rather than tactical, as SRD is neither in a contractual relationship with any of the key suppliers, nor in the chain of approval for such contracts. This arm's-length independence is essential to the real and perceived integrity of SRD and allows it to be effective.

In Canada, Business Access Canada serves as a focal point for most outreach communications with suppliers, while other types of more operational communications are handled by the procurement staff who specialise in identified commodity areas.

Kelly

The December 2003 *OGC Report to the Chancellor of the Exchequer: Increasing Competition and Improving Long-Term Capacity Planning in the Government Market Place* (the Kelly Report) and associated Action Plan included three main findings related to the government's ability to approach the market as a unified, knowledgeable client, willing to influence the structures necessary for competition and security of supply. (Kelly, 2003)

OGC mandated its Government Marketplace Division to focus on implementing Kelly recommendations based on three main elements: research on projected demand and supply to produce proposals for more strategic management of public sector procurement in specific markets; improvements to two-way communication; and guidance on market creation to stimulate competition. (OGC, *Kelly Overview*, n.d.)

The Kelly Programme identified three different sectors at different levels of maturity to develop and test implementation of the recommendations. The construction industry was selected as a mature industry; local authority (municipal government) waste management was

selected as a market in transition; and Independent Sector [Health] Treatment Centres (ISTCs) were selected as a new/emerging market. (OGC, *Competition*, 2005) OGC started its market-specific research with the construction industry. OGC solicited demand-side information from departments and agencies over the coming three to five years, and conducted consultations with industry to develop key proposals. The proposals addressed: ways of embedding early supplier engagement; addressing specific regional considerations; and ways of sharing demand and supply information. (OGC, *First*, n.d.) Having made the proposals, the Government Marketplace Division turned over further work on systematic and strategic market management to the Smarter Construction Division. OGC is working on similar issues with the Department of Environment, Farming and Rural Affairs on the waste market , and the Department of Health on ISTCs.

OGC has published two pieces of guidance related to communication with the private sector on competition and capacity planning. Principles of *Early Market Engagement* (OGC, *Early*, 2005) and guidance on appropriate budget disclosure (OGC, *Disclosure*, n.d.) at different phases of procurement planning and procurement.

Based on case study discussions with key departments, in November 2004, OGC published best practice guidance on *Market Creation for the Public Sector* (OGC, *Market*, 2005) that addresses: how to identify the need for market creation; who needs to be involved; how to approach the market and key prerequisites for doing so; identification of key factors for suppliers in deciding to become involved; and general principles for market creation.

The Canadian federal government would be able to adopt many of the principles of the Kelly programme. However, in England, the Kelly programme addresses the wider public sector, which allows for, and implies, much more significant impact than one level alone could achieve. Consideration would have to be given to the extent to which such coordination would be possible across levels of government within Canada - how it could be undertaken and the associated risks and benefits.

Small and Medium Enterprises

In the U.K., SMEs account for 99.8% of businesses and 55.6% of employment (ODPM, 2005); in Canada they account for over 97%

(CFIB, 2005) of businesses and 65% of employment (Fortier, 2006). As a result, there are efforts in both countries to ensure that smaller firms are not shut out of the government market where they can offer better value for money. Many of the initiatives are applicable to businesses of any size, but by reducing bureaucratic burden, are of greater relative advantage to SMEs

In 2005, PWGSC established the Office of Small and Medium Enterprises to evaluate the socio-economic impact of procurement and procurement transformation; identify savings that SMEs can deliver, reduce barriers to competition; train and assist SMEs; and report on SME participation in procurement. (PWGSC - OSME, 2006)

Within OGC, a finite project was established to address four broad initiatives arising from the 2003 report *Government: Supporter or Customer?* (BRTF, 2003) : opening up supply chains; a standard pre-qualification questionnaire; national opportunities portal; and training for procurers and SMEs. Most of the work has been completed and residual and legacy elements of these projects have been incorporated into normal operations in policy and SRD.

One of the key results of work under this initiative is *Supply Chain Management in Public Sector Procurement: a Guide* (OGC, Supply, 2005). The guide was the result of extensive consultation with public and private sector organisations and provides both an overview of supply chain management and addresses specific considerations of supply chain management in the procurement environment of the public sector and the significant cultural shift from the position that this is entirely the responsibility of a prime contractor.

In consultation with stakeholders, OGC developed a pre-qualification questionnaire intended for wide use, to ease the paperwork burden on suppliers by providing a consistent qualification tool. (OGC, *Pre-Qualification*, n.d.) The model pre-qualification questionnaire (PQQ) is specifically intended for use in procurement with a financial value beneath the EU thresholds (£100K for goods and services) and is accompanied by guidance for both suppliers and purchasers. It comprises a core questionnaire and three supplementary modules (finance, health and safety, and equal opportunities) that can be included at the purchaser's discretion. A more detailed PQQ is available for use in procurements above the thresholds.

The Supplying Government Web (OGC, *Supplying*, n.d.) site contains a range of information of interest to potential suppliers, including a link to the National Opportunities Portal being developed to provide a main gateway to access opportunities for procurement goods and services below the EU threshold. It is intended to complement the Official Journal of the European Union (OJEU) that covers opportunities above the threshold, and is targeted at both potential suppliers and government buyers in central and local government.

The Supplying Government Web site is very similar to the Business Access Canada (Business, n.d.) site that has been in place as Contracts Canada for a number of years. One of the additional features of the Supplying Government Web site is links to similar sites of the devolved administrations in Scotland, Wales and Northern Ireland.

In many ways, the National Opportunities Portal is similar to MERX – the Canadian web-based source of procurement opportunities. It is likely to include all levels of government, but may not include the same percentage of opportunities, as there are not the same requirements and incentives for use as MERX. It is unclear how much potential may exist to provide a single MERX-like site that could cover opportunities both above and below the OJEU threshold, or the extent to which organisations with their own pre-existing opportunities Web sites will either move to this site or incorporate reciprocal links.

OGC also provided a half-day workshop for public sector procurers at all levels of government to help explain the benefits of improving the opportunities for small enterprises and the voluntary and community sector. This was distinct from, but complementary to, training offered by the Small Business Service and regional development agencies to private sector businesses on how to do business with government.

The training for public procurers is similar to a PWGSC course on green procurement course that is mandatory for PWGSC procurement staff. The training offered to SMEs interested in doing business with the government in the U.K. is similar to the sessions traditionally offered by Contracts Canada, now Business Access Canada.

SOCIO-ECONOMIC BENEFITS IN PROCUREMENT/ POLICY THROUGH PROCUREMENT

The increased attention to procurement has drawn attention to both the potential savings from better procurement and the potential use of procurement as a policy tool. This can create strain between those who see the two as competing objectives, external to overall strategic considerations. This is reflected in a dynamic tension between savings targets and broader policy objectives and between procurement and policy organisations as to who should lead on questions of how procurement supports broad policy objectives. In Canada, these tend to be referred to as socio-economic benefits, while in OGC they are referred to as policy through procurement initiatives, and in the U.K. more broadly as issues of sustainability. Use of the policy through procurement terminology underscores the point that these are issues of government policy.

Savings and Broader Policy Objectives

One of the points raised by private sector companies involved in the Sustainable Procurement Task Force was that they would never allow their procurement to run counter to, or undermine, their strategic priorities – once corporate strategic priorities are set, it is up to procurement and other organisations within the company to support those policies, even if they might otherwise seem extraneous.

A similar point is also included in the NAO report discussed later in this report.

For example, there has been concern that efficiency targets in areas such as procurement will prevent departments from implementing policies which are environmentally sustainable. However, the environmental sustainability of a public body's procurement activity is an important aspect of the quality of that activity. Since an efficiency gain can only be reported if quality has at least been maintained, a public body should only be able to count gains from initiatives which have had no negative impact on sustainability. Indeed, any improvements in sustainability could potentially be reported as efficiency gains. (NAO, 2006)

One clear demonstration of how the apparently conflicting objectives actually complement each other is the work done in the Coordinated

Procurement Division of the Efficiency Programme. In each of five key industries, efforts to produce savings also produced benefits in other policy areas – both in environmental performance as well as other aspects of sustainability linked to the specific commodity in question.

Leadership

A PWGSC model of perspectives on socio-economic benefits/policy through procurement was able to contribute to clarity on some elements of this discussion at OGC, and in turn, the discussions were able to help refine the model.

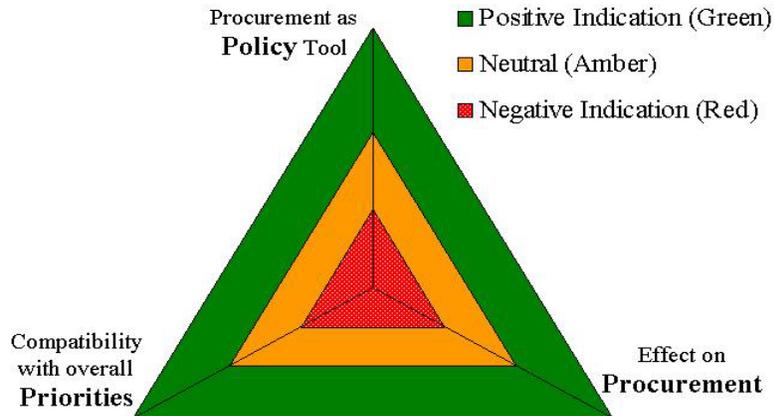
In brief, the model recognises three main perspectives, or dimensions, on policy through procurement issues: the appropriateness of procurement as a policy tool for the proposed policy; the effect on the procurement process of the proposed initiative; and how both relate to overall objectives. Focussing on these dimensions clearly demonstrates the necessary role to be played by various players in government, and the need for joint management of such initiatives. By assessing a potential policy through procurement initiative against each of these dimensions it is possible to identify strengths and weaknesses that may need to be addressed for successful application. Figure 1 depicts the three axes and measurements of how well a proposal address the three main elements. A proposal that leaves red showing in the centre of the underlying diagram would need to be evaluated for ways to mitigate the risks associated with the red status, while a proposal that leaves only green showing around the edge would be a good candidate for successful implementation.

GATEWAY™ REVIEWS

OGC developed and trademarked the Gateway Review Process in response to concerns over the rate of project failure, particularly on high-profile, large-scale projects, and the need for a project review mechanism that meets the needs of a public sector environment.

OGC Gateway Reviews are short, high-level reviews carried out at key decision points in a project or programme by a team of experienced people, independent of the project or programme team. The OGC Gateway Process examines a programme or project at critical stages in

FIGURE 1
Policy through Procurement



Note: Figure 1 shows measurement along three axes that can be used to measure planned or proposed policy through procurement initiatives.

its lifecycle to provide assurance that it can progress successfully to the next stage. (OGC, *OGC Gateway*, n.d.) Those stages are: strategic assessment; business justification; procurement strategy; investment decision; readiness for services; and benefits evaluation. Gateway Reviews are distinct from, and complementary to, regular project management reporting and any internal or external audits. In addition to the benefits to the project being reviewed, Gateway Reviews also have the advantage of refining the programme and project management skills of reviewers, by focussing on difference aspects of these skills.

The Gateway Review Process is subject to periodic review to ensure that the process continues to provide the best possible support to the government and to project teams. This provides stability and continuity in the process while also capturing continuous improvement. Review and project teams have both pointed to this as a benefit of the programme.

Part of the requirements related to maintaining the trademark involve strict controls to ensure that reviews conform to the basic principles of the process. Although OGC makes certain elements of the Gateway

process freely available for adaptation and use by any interested party, use of the full process and of the OGC Gateway name is strictly controlled. This allows OGC to preserve the utility of the Gateway review process and ensure that it contributes as much as possible to successful project delivery.

The OGC Gateway Review Process, although developed for use in the U.K. central civil government, has been increasingly applied by other UK and international governments. OGC has expressed its support for foreign governments to be authorised users of the trademarked process, and due to its own resource limitations, has requested that a single national point of contact be established when pursuing authorisation, so that other governments within that country would seek authorisation from the national hub rather than from OGC directly.

The authorisation process consists of formal indication of interest to pursue authorisation, access to the full suite of value added material, identification of authorised training providers and review and approval by OGC of the development of a new Gateway “hub”. Once authorised, an organisation becomes part of the editorial board identifying and considering possible improvements to the process.

While there is currently no direct equivalent in Canada to the Gateway Review Process, the Treasury Board *Project Approval Policy* requires Treasury Board approval of projects at two key stages: to proceed with all or part of the project’s definition phase; and when defined to implement the projects. (TBS, *Project*, n.d.) This provides a level of external oversight and approval at initial stages that does not have a direct U.K. parallel.

COMMUNICATIONS

Key challenges in communications related to changes in procurement are shared in both countries: the focus on long-term, fundamental improvement versus short-term price reduction; achievability of savings in procurement; generating collaboration with all stakeholders; and the changing role of procurement professionals.

Value versus price

With respect to the question of underlying improvement versus price reduction, definitions of best value or value for money and associated

guidance can help shift the focus from price to cost and value. In addition to the need to be able to benchmark prices, it is also necessary to be able to frame messages on targets and achievements in terms of overall cost. Since procurement professionals are already familiar with the concept of awarding contracts on value rather than just price, carrying that concept through the entire procurement environment is a natural extension of known practice. In addition, work like that of the OGC Coordinated Procurement Division, demonstrating financial, environmental and socio-economic improvements in new contractual arrangements helps to reinforce a strategic, integrated view of benefits.

Achievability

There is pressure to show that savings targets are neither so high that they are unachievable or will create market chaos, nor so low that they do not generate the necessary momentum for change or are not credible in the face of private sector best practice. The NAO points out that it is not unusual for commercial enterprises to seek ongoing improvements in efficiency of around 10% per annum (NAO, 2006), but that in the environment of the wider public sector, the overall target of £21.5B remains ambitious. The most straightforward means of addressing the concerns is to identify and report the gains made benchmarked against both market impact and private sector best practice.

Collaboration

A workshop on collaboration in procurement provided a clear description of two critical success criteria: organisational capacity; and willingness to collaborate. Organisational capacity was described as the structures and systems that provide the data necessary for informed discussion, such as spend and procurement data, and the balance of approval processes required for procurement and other activities including communication. Willingness to collaborate was seen as being an even more complex blend of the personalities involved and visibility of benefits from collaboration.

Given that general willingness to collaborate varies significantly from person to person, turnover of key personnel can have a significant effect on an organisation's approach to collaboration. The visibility of the benefits of collaboration will also be viewed differently by different organisations. While one of the clearest indicators is demonstrated savings, it is also necessary to demonstrate benefits based more on a

broader definition of value, depending on the mandate and objectives of an organisation. (Cram, 2006)

Professionalism

In both Canada and the U.K. the scope of work for procurement professionals is expanding, and providing new challenges to procurement officers who have traditionally focussed primarily on executing individual contracts. In some cases, this means that procurement officers involved in some of the new areas do not feel that they are “doing” procurement. Clearly communicating both the changes in procurement and in the role of procurement professionals will be key to successfully embedding a new approach to procurement.

In some ways, the type of guidance contained in The Green Book is indicative of the growth of professionalism in procurement. While many of the concepts it addresses may have been totally alien to **purchasing** practitioners of the past, they are an increasing part of the knowledge base of the evolving **procurement** profession.

NATIONAL AUDIT OFFICE REPORT

Progress in improving government efficiency

The National Audit Office report on the Efficiency Programme – *Progress in improving government efficiency* was released on 17 February 2006. The National Audit Office intentionally chose to audit the programme prior to completion so that there would be an opportunity to incorporate changes necessary for successful delivery.

The recommendations are consistent with statements within both the Efficiency Programme and The Way Forward, as well as most change or improvement projects and literature. The recommendations focus on the need for: strong central leadership; senior management involvement; relationships between departments; staff motivation and skills; measurement needs for data, methodology and audit trails; benchmarking as a standard practice; and embedding efficiency throughout planning, measurement and operations. (NAO, 2006)

Points related to: skills and professionalism; data; measurement; and cross-organisational dynamics are echoed throughout the report. Overlaid on all four areas are considerations of how to increase capacity

by addressing factors of availability, integrity and proper use without becoming over-burdensome or inflexible.

As cited earlier, the NAO also points out that efficiency is not about short-term, isolated price reduction, but about overall improvement, and that although the targets are ground-breaking in their breadth of scope, they are within commercial practice.

CONCLUSIONS

Both jurisdictions are well into procurement transformation and there are success factors common to both initiatives as well as some that are unique to one country that may provide possible lessons for the other.

In both cases, one of the critical success criteria is, and will continue to be, the ability to focus on and measure fundamental improvement rather than just short-term price savings. As departments and agencies develop a better understanding of their procurement profile and the potential benefits from better management of their expenditure, the strategic view becomes clearer. In the U.K., partially because there is greater flexibility to shift savings targets between workstreams, partially because savings remain with the originating organisation, and partially due to the ability to recognise non-cashable gains, there seems to be less resentment of the procurement savings targets. At the same time, the ability in Canada to distinguish between procurement expenditure and activity data helps focus the discussion once the targets are understood. It would be easier for Canada to adapt some of the benefits of how savings are measured, and focus on the benefits possible above the harvesting targets than it would be for the U.K. to adapt the systems and mechanisms around procurement activity reporting.

Both countries recognise the need for more strategic relationships with suppliers, not only because procurement transformation is much more difficult if resisted by suppliers, but also because better insight into the issues of concern to suppliers helps drive out unnecessary irritants and costs. In the U.K., this has tended to focus on the top 20 suppliers in key expenditure areas; in Canada the effort has focussed more on the role of SMEs in the supplier community. This is one of the elements in which each approach is demonstrating benefits, and the context would allow each country to adopt elements of the other approach to increase its overall effectiveness.

Part of achieving the benefits possible from procurement transformation is the ability to manage programmes and projects to optimise benefits. This applies to the procurement transformation programmes globally, to the component projects, and to individual procurement projects. There are benefits to both the Canadian approval approach, with its focus on the need for up-front preparation work, and to the U.K. Gateway Process with its ability to provide for in-project correction without necessarily jeopardising the overall existence of the programme or project.

Each of the preceding three elements point to areas of capacity that are critical to the emerging role of procurement professionals. Communication and training activities in both countries are targeted at building on the existing abilities of experienced procurement professionals to help them adjust to the new demands and to provide them with guidance. In both cases, this includes monitoring the progress not only of each other's developments, but also those of other initiatives in countries facing similar challenges in similar contexts.

This secondment provided valuable information and insight to both organisations, and helps solidify the base for further cooperation between the two organisations.

NOTES

1. a. In Canada, "Government" is capitalized when it refers to the political apparatus of a party in power, and lower-cased "government" when it refers in a general way to the offices and agencies that carry out the functions of governing. (PWGSC-TB, 1997) Although this is not established usage in the U.K., for the ease of distinction, it has been retained in this report.
- b. Although in most cases, Canadian spelling is consistent with U.K. spelling, the word programme/program and words ending in –ise/ize do differ. For the purposes of this report, usage is consistent with the context – for example "Efficiency Programme" but "ERC review of program expenditure"
- c. In abbreviating "billions", "millions", and "thousands" this paper uses the Canadian abbreviations of "B", "M" and "K" respectively.

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