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**PROCUREMENT STRATEGIES TO
SUPPORT WOMEN-OWNED ENTERPRISES**

Conducted on behalf of WEConnect Canada

Dr. Barbara Orser

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March 2009

PROCUREMENT STRATEGIES TO SUPPORT WOMEN-OWNED ENTERPRISES

Executive Summary

This report presents a summary of research about small- and medium-sized enterprise (SME) engagement in public procurement. Strategies to increase women-owned enterprises' understanding about, and access to, government contract opportunities are also considered. This research digest is expected to inform discussion among WEConnect Canada, community partners and governments about the constraints and opportunities of public procurement for SMEs, and in particular women-owned enterprises.

WEConnect Canada seeks to grow women-owned enterprises by fostering opportunities within Canadian and international supplier value chains. This non-profit organization is part of an emerging network of affiliated agencies operating in the US, UK, China and India. WEConnect Canada offers women-owned enterprises the opportunity to be qualified or certified as majority women-owned. Qualification criteria specify that a business must be at least 51 percent owned, managed and controlled by one or more women. Qualification is a prerequisite to accessing supply chain diversity programs of Fortune 500 firms.

To inform stakeholders, this digest entails a review of secondary research drawn from government, NGO, and academic databases. Requests for related studies were also forwarded to scholars, research institutes, SME training and consulting organizations, and trade associations. Ten exploratory and anonymous interviews with policy experts and suppliers were conducted.

The report suggests that strategic SME procurement policy is an under-utilized mechanism to enhance supplier diversity and hence, Canadian competitiveness. Furthermore, Canada will not remain a world leader without results-oriented and gender-sensitive economic policy. This is because the drivers of competitiveness are reflected in the ability of nations to leverage human and managerial capital, embrace innovation, ensure that all businesses are tapped into public and international market opportunities, and to establish sound financial and economic policy frameworks. It is also recognized that the growth of small and medium-sized enterprises (SMEs) is linked to Canadian prosperity and new job creation.

Women-owned enterprises are well positioned to respond to these economic imperatives. Canadian women business owners are typified as educated and young, and are operating firms across all industry sectors. Many are growth-oriented and increasingly engaged in global trade. For many women-owned enterprises, supplying to government is a key market development opportunity.

To inform discussion about government procurement strategy, this report begins with an examination of gender specific SME programs. Section one also presents a profile of Canadian women-owned businesses. Most gender specific programs are predicated on ‘the business case,’ a rationale that posits that women-owned enterprises comprise an under-utilized or under-performing resource. An additional rationale for gender-specific program is the need for economic self-sufficiency and policy is seen as a vehicle to create wealth and address poverty. Skills development, skills transfer, and career enhancement are additional outcomes, particularly within programs that encourage women to enter non-traditional fields and industry sectors. A typology of gender-specific SME programs and limitations of related policies are considered.

Some suggest that the opportunities for Canadian SMEs to access government contracts have never been better. Conversely, small business owners and trade associations cite numerous factors that constrain SMEs from supplying to government. To respond to such constraints, Canadian trade organizations have called on the government to adopt a more ambitious approach to SME policy reform, including: more transparent procurement opportunities, greater accountability, simplicity, and efficiency in procurement; clear procurement objectives; better data collection; and more effective dispute resolution processes. Section two of the report focuses on the barriers to and challenges of supplying to government. Recommendations advanced by US and UK SME procurement reviews are reported.

For the purpose of this report, “supplier diversity” is defined as diversity of types of enterprise acting as suppliers of goods and services to public organizations.¹ “Supplier diversity is a potentially powerful economic development tool, because of the potential market opportunities it offers to the target group of enterprises”.² The process of qualification serves to identify and recognize quality women-owned enterprises, and therefore enhance the credibility of these growth-oriented firms. Introducing qualified women-owned vendors into the supply chain adds value by increasing the inventory of reliable enterprises. Indirect outcomes to government include: leveraging additional sources of competitive advantage; superior cost economies from increased competition in the supply chain; improved access to rapidly growing women’s markets; supplier efficiencies, and enhanced knowledge transfer and exchange.

Following the rationale for procurement arrangements, section three of the document highlights policy mechanisms that may stimulate supplier diversity. Arguments for and against targeted supplier diversity initiatives are considered. Procurement arrangements include:

- *Contract compliance.* Using performance goals, contract compliance seeks to advance a wider conception of equal opportunity to compete and stimulate increased entrepreneurial activity among historically underutilized groups.
- *Set-asides.* Rather than relying on procurement goals targeting disadvantaged groups, set-asides reserve certain purchases for competition only among a certain group of disadvantaged owners of SMEs.

¹ Smallbone, Athayde and Meng (2007, p. 8).

² Ibid.

- *Offer backs.* In the case a registered supplier whose tender is unacceptable on price alone, ‘offer backs’ provide the firm with an opportunity to submit a revised tender for part or all of a contract. If on such ‘offer back’ the registered supplier is able to match the best offer, its revised tender is accepted.
- *Contractors programs.* Initiated globally by the Canadian federal government in 1986, contractor programs require large organizations (for example, firms that employ 100 persons or more) that wish to bid on federal contracts or to supply goods and services to the federal government to commit to demonstrating employment equity.
- *Private sector supplier diversity.* A strategy to broaden an organization’s commercial supply base. Initiatives seek to offer under-represented businesses opportunities to compete with other qualified sellers. Programs are linked to corporate performance goals, corporate social responsibility, legislative requirements, shareholder and other stakeholder pressures, and for ethical reasons.

Tender rotation and parallel envelope systems are also described.

Relative to the US and UK, Canada has lost ground with respect to SME procurement policies as instruments to support the growth of women-owned enterprises. It is reported that while Canada has no legislated SME procurement framework, SME contract compliance is not without precedent. The federal government has established mandatory set-aside requirements for Aboriginal goods and services valued in excess of \$5,000 destined for Aboriginal populations. In addition, the federal government has articulated voluntary set-asides for goods and services that are not destined to Aboriginal communities.

The third section examines procurement policy and related strategies to support the growth of women-owned enterprises. Research that reports on the impact of US procurement goals and the experiences of US women business owners is presented.

Summary findings and a series of questions about strategies to support women-owned enterprises follow. A schematic illustrates alternative SME policy mechanism, the interrelationship of factors that influence the ability of firms to supply to the public sector and resultant policy outcomes. Owner level outcomes include personal remuneration, economic self-sufficiency, and transfer of skills. Firm level outcomes include increased managerial and financial capacity with resultant increases in firm profitability, productivity, and growth. National level outcomes link to the drivers of economic prosperity described earlier. The role of WEConnect Canada in qualifying (certifying) women-owned firms, building support networks, providing training and advisory services, facilitating knowledge sharing, and conducting research is indicated.

Strategies to support the growth of women-owned enterprises by ensuring their full participation in global value chains follow:

Observations about public policy

- *Creation of a Canadian policy framework:* The US Small Business Administration's procurement efforts are predicated on promoting 'equality of outcomes.' The UK policy framework has focused on 'equal treatment.' Both perspectives merit discussion about a 'Made in Canada' policy framework to support women-owned enterprises.
- *Goals must link to consequences.* The US five percent goal of federal procurement with women-owned enterprises has never been met. When US government procurement officials were asked for suggestions on how to ensure greater success with achieving the goal, a common refrain was that 'goals without consequences do not work.' This observation suggests that Canadian SME procurement policies should link to performance benchmarks.
- *Achieving government buy in.* Bureaucratic resistance to SME supplier diversity initiatives can be anticipated. Clear, public and unambiguous executive support is required to ensure that government employees are aware of the importance of supplier diversity initiatives.
- *Aligning diversity programs with existing processes and procedures.* Within Canada, there are no mechanisms with which to identify women-owned suppliers. Current tender processes do not require owners to declare gender. Discussions are required to understand further the logistical barriers in systematically identifying women-owned enterprises.
- *Legal implications require clarification.* The review of found no obvious legal impediments for enacting public procurement goals to support women-owned enterprises. With the enactment of the Canadian Aboriginal set-aside and voluntary procurement goals, precedent for targeted SME procurement programs was established. The Canadian Charter of Rights and Freedoms authorizes special programs designed to improve the conditions of disadvantaged groups. Further examination of Canadian and international law, including the "women's clauses" in EU procurement policies is required given the March 2009 announcement that Canada will move forward with efforts to construct an EU trade agreement.³
- *The importance of champions.* Having champions within government is essential. American progress has been, in large part, the outcome of internal champions. For example, in every US federal agency, there is an Office of Small and Disadvantaged Business Utilization (OSDBU). Despite requests from Canadian trade and women business owner associations, federal and provincial ministries have few internal, visible women-business owner advocates.
- *It takes two sides.* It is unlikely that progress will be made without active engagement and concerted advocacy of the women's business community.

³ See Tobler (2000).

Observations about communication

- *Limited knowledge about SME procurement policy.* Key informant interviews suggested that there is limited knowledge within the Canadian bureaucracy about SME procurement initiatives. Respondents also indicated that policymakers tend to assume procurement policy is predicated on social rather than economic outcomes. Knowledge sharing about policy options and the economic rationale for SME procurement initiatives is required across all levels of government.
- *Education is key.* Many SMEs, including women business owners, are not familiar with government procurement and how best to enter this complex public marketplace. In the US, education has largely taken place in the private sector by women's business associations, matchmaking, and 'procurement fairs' put on by federal agencies.
- *Persuading suppliers to seek government contracts.* WEConnect Canada is also encouraged to inform all women business owners about the challenges and opportunities in supply government. This information can then be used to manage client (government) expectations, anticipate hurdles and structure contracts.

Observations about research

- *Evidence linking SME programs and firm performance is limited.* While there are increasing calls for results-oriented and research-based policy, few studies examined if and how SME development programs contribute to the viability and survival of ventures.
- *SME engagement in public procurement is under investigated.* Procurement research that incorporates gender disaggregated data is required for benchmarking purposes and to inform policy discussions about the importance and contributions of women-owned enterprises in supplier value chains. Without gender disaggregated data at the outset of public procurement discussions, opinion-based policy, inspired by assumption and ideology, is a likely outcome.

PROCUREMENT STRATEGIES TO SUPPORT WOMEN-OWNED ENTERPRISES

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PROCUREMENT STRATEGIES TO SUPPORT WOMEN-OWNED ENTERPRISES

“By involving women in national economic policy, Canada is forging a model for empowering women and building the strength of domestic and global marketplaces.”⁴

*Clare Beckton
Deputy Head, Status of Women Canada
March 5, 2009*

Introduction

This report presents a summary of research about small- and medium-sized enterprise (SME) engagement in public procurement. Strategies to increase women-owned enterprises’ understanding about, and access to, government contract opportunities are considered. This research digest seeks to inform discussion among WEConnect Canada, community partners and governments about the constraints and opportunities of public procurement for SMEs, and in particular women-owned enterprises.⁵

To inform stakeholders, the digest entails a review of secondary research drawn from government, NGO, and academic databases. Requests for related studies were also forwarded to scholars, research institutes, SME training and consulting organizations, and trade associations. Ten exploratory and anonymous interviews with policy experts and suppliers were conducted.

To provide context, the report opens with an overview of the incidence and economic contributions of Canadian women-owned firms. Gender differences with respect to firm performance are noted. The second section of the report focuses on SME owners’ perceptions of the challenges of contracting to government. Governments at all levels are examining ways to better engage SMEs in public procurement. Recommendations to improve SME access to government selling opportunities are discussed. Alternative procurement policies and sample programs such as Canada’s Aboriginal procurement commitment are also described. The third section of the document focuses on gender-specific SME procurement strategies. The discussion draws from the experience in the US with policies and programs to increase procurement opportunities for women-owned enterprises.

The final section of the report presents suggested next steps with respect to research, communications, and public policy. A series of questions for women business owners, trade associations, and policymakers are included. It is anticipated that the questions will help to stimulate further discussion about innovative ways that policy and public procurement can leverage the economic contributions of women business owners.

⁴ Beckton (2009).

⁵ A description of WEConnect Canada is presented in Appendix A. WEConnect Canada community partners are listed in Appendix B.

Women-owned enterprises: A strategic Canadian asset

Drivers of competitiveness and prosperity in the current economic climate are reflected in the ability of nations to:

- Leverage human and managerial capital.
- Embrace private and public sector innovation.
- Ensure all businesses are tapped into public and international market opportunities.
- Establish sound financial and economic policy frameworks.

Women-owned enterprises are well positioned to enhance national prosperity and to contribute to economic growth. While gender stereotypes remain, today Canadian women business owners are typified as educated, young, and as operating firms across all industry sectors. Many are growth-oriented and increasingly engaged in global trade. Approximately one in 12 sell goods abroad. Furthermore, seven in ten women business owners who currently sell abroad intend to grow their firm.⁶ This is important because export-intensive firms (those that report at least 25 percent of revenue from export sales) are approximately twice as large as domestic (non-exporter) firms.

It is also recognized that the growth of small- and medium-sized enterprises fuels Canadian job creation. Industry Canada reports that ‘small’ firms accounted for almost 80 percent of net job creation between 1993 and 2003 and that one in four majority-female-owned firms were ‘high-growth enterprises’ (defined as firms that exhibit cumulative sales increases of more than 50 percent over three years).^{7,8} Accordingly, procurement strategies that support the growth of women-owned enterprises make sense. This is because:

- Among 1.3 million Canadian SMEs, 47 percent included female ownership.⁹ Sixteen percent of Canadian SMEs are ‘majority’ women-owned.
- Women-owned enterprises employ over 1.5 million full-time and contract employees.
- Women comprise over one-third of Canadian self-employed workers. Many of these workers represent the next generation of business owners.

As such, women-owned enterprises are an important component of the Canadian economy and a strategic economic asset. Encouraging more qualified women-owned enterprises to tap into public market opportunities is sound economic development policy. The next section outlines briefly the profile of Canadian women-owned enterprise.

⁶ Orser (2008).

⁷ Huot and Carrington (2006).

⁸ Halabinsky (2006).

⁹ Statistics Canada (2009). *Survey on Financing of Small and Medium Enterprises, 2007*. Accessed at http://www.sme-fdi.gc.ca/eic/site/sme_fdi-prf_pme.nsf/eng/02152.html

Overview of Canadian women-owned business enterprises

Research suggests that many Canadian women business owners retain perceptions about gender inequities, perceptions that may influence firm performance. These perceptions mirror those of women-business owners in the US and other countries. A summary of related Canadian research findings is presented in Box 1.

At the same time, women-owned enterprises are especially engaged in Canada's growing service sector economy. As Chart 1 illustrates, Statistics Canada 2007/2008 survey data confirms historical trends such that women business owners are relatively more concentrated in accommodation and food services as well as in the wholesale and retail sectors. They are relatively less concentrated in goods producing and knowledge-intensive sectors.

The data also indicated that while Canadian female-owned and male-owned firms reflect many more similarities than differences, female-owned firms are smaller in terms of employees, revenues, and total assets. Chart 2 illustrates the nature of this disparity. There is a significantly higher proportion of female-owned than male-owned enterprises in the 'non-employer' category. Conversely, there are proportionally fewer female-owned enterprises in the medium-sized categories. Gender differences in owner and firm profiles impact firms in various ways. Size is linked to survival, ability to juggle the challenges of start-up and growth and capacity to deliver on contracts. Financial performance is a proxy for the ability to marshal resources requisite to growth such as attracting investment and retaining preferred clients and employees. Financial status also underscores cash flows used to fund activities associated with growth.

Chart 3 summarizes the intentions of Canadian women business owners with respect to the futures of their firms. These 2007/2008 data show that almost one-half of women business owners sought to expand the scale or scope of their businesses or to sell to a third party. The incidence rate and growth intentions of women-owned enterprises place Canada as a global leader in women's entrepreneurship. The Canadian participation rate of women in entrepreneurship is comparable to that of the United States and it is higher than those of most other developed countries.¹⁰ Furthermore, in 2008, the World Economic Forum ranked Canada 15th among 130 nations with respect to 'women's economic participation and opportunity.'

¹⁰ GEM (2006).

Box 1: Summary of Canadian studies about perceived gender barriers¹¹

A review of Canadian and international studies on women business owners' perceptions about barriers to firm growth found wide-spread agreement that many obstacles are gender-related. The following table presents a summary of findings about perceived gender barriers of Canadian women business owners:

“Across the studies, 40 to 75 percent of respondents cited gender-specific barriers or issues” (Papps, 1982; Aubry, 1987; Orser et al., 1997; ACOA, 2003).

Belcourt, Burke and Lee-Gosselin (1991) identify eight potential gender-specific obstacles to business growth: perceived discrimination, clustering in businesses with low financial payoffs, limited work and management experience, shortage of peer support networks, work/family conflicts, lack of support from husbands and insufficient financial returns. International studies reported similar observations.

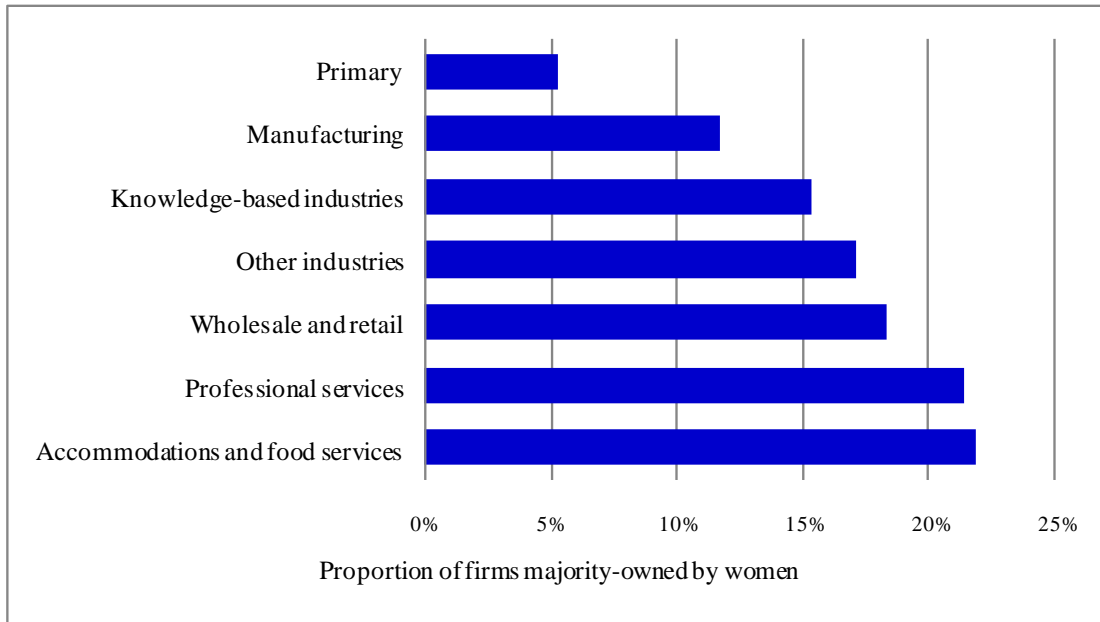
The Canadian Foundation of Women Entrepreneurs (2004) presents a summary of factors that help to “define women’s enterprises as an economic cluster”. Perceived gender-related barriers to firm growth include gender discrimination in the business community that goes beyond the traditional challenges facing all SMEs in terms of gaining access to credit, information, training, markets, and technology; dual roles as business owners and primary family caregiver mean that women generally have less time to devote to the training and related activities needed to maintain the competitiveness of their businesses; and, women whose businesses are at the relatively early stages of development generally respond best to receiving advice and mentoring from other women entrepreneurs.”

Women business owner respondents to an Atlantic Canada Opportunities Agency (ACOA, 2003) survey reported similar types of gender-specific challenges including: access to money and financial support; prejudice against women in business; not being taken seriously; running both a business and family; and that men have the advantage in many markets. In addition, some women felt they were not respected and were perceived as inferior to men. For example, “Many women said they were not taken seriously and their authority and skills were often questioned.” Caregivers and crafters were seen as doing ‘woman’s work,’ which was not considered important.

While the number of women exporters continues to grow, a 2000 Canadian study conducted by Orser et al., found that more than half (57 percent) indicated that they had encountered gender-specific export challenges. Two commonly cited examples are cultural differences and not being taken seriously as business owners.”

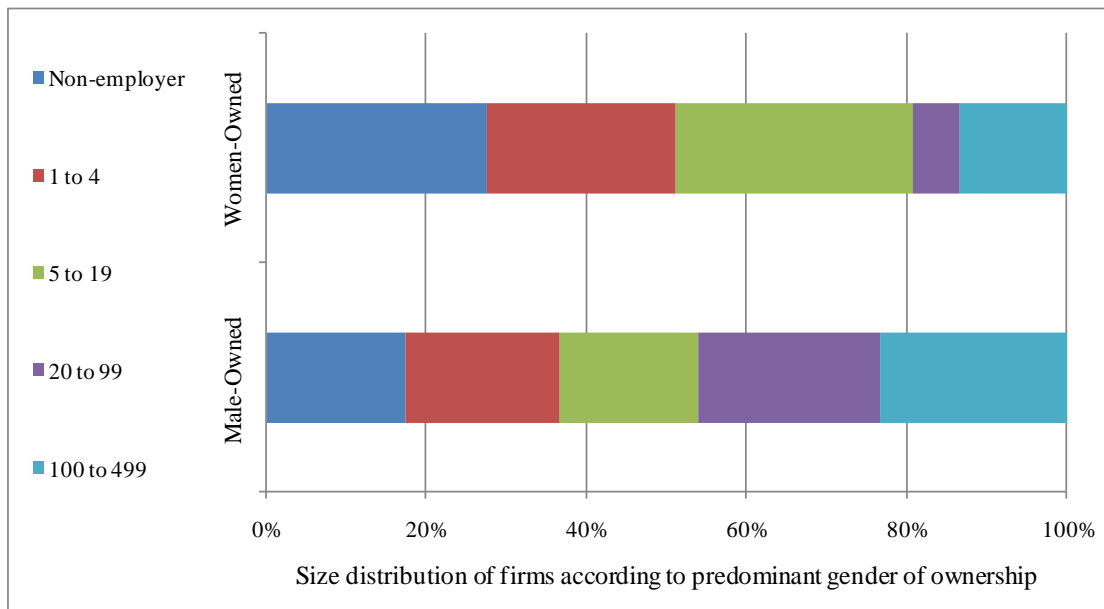
¹¹ Orser (2007).

Chart 1: Sector distribution of Canadian women-owned businesses



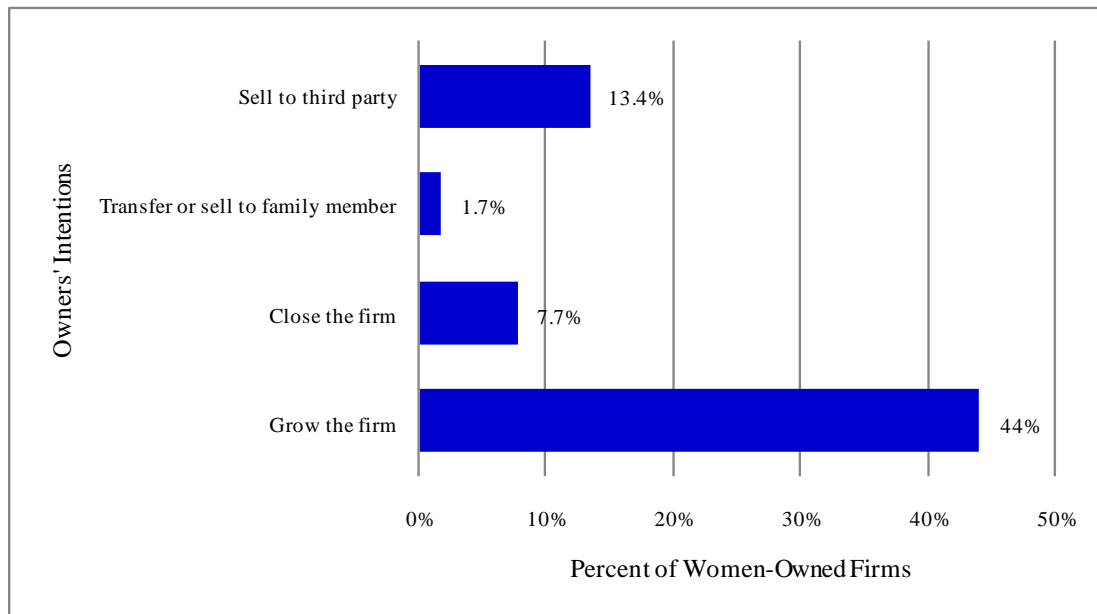
Source: Statistics Canada (2009).

Chart 2: Size Distribution of Canadian businesses, by gender of ownership



Source: Statistics Canada (2009).

Chart 3: Intentions of Canadian women business owners



Source: Statistics Canada (2009).

Women's contributions to economic prosperity further extend to the operational performance of large organizations. Organizations such as the Conference Board of Canada, Catalyst, Ernst & Young LLP, Deloitte, and McKinsey & Company report that gender diversity is associated with enhanced organizational performance.^{12,13,14,15} Enhanced performance is linked to advantages associated with diverse experiences, knowledge and perspective. For example, a large scale survey of Canadian executives reports that:¹⁶

- Women managers were perceived to be consensus builders, more inclusive in their decision making, and provide different perspectives that balance the views of their male colleagues.
- Women managers demonstrate a particular ability to take into account the needs of various stakeholders in their decision-making process.

These differences help to alert managers to the subtleties of a problem and allow management to frame a more effective response. Companies and countries, therefore, benefit when gender diversity is embraced in the context of human resources and as a means to achieve strategic advantage. However, while these data are encouraging, business, and governments cannot assume that the 'status quo' is acceptable.

¹² Ernst & Young LLP (2009).

¹³ McKinsey & Company (2008).

¹⁴ Ibid.

¹⁵ Averill (2008).

¹⁶ Orser (2000).

GEM (2006, p.14) states that failing to embrace women's entrepreneurial talents:

“...is simply a lost resource as it reduces the number of new businesses that are being started...and shrinks the pool from which significant businesses can emerge in the future.”

As these insights suggest, the full potential of women as an economic force has yet to be realized. Canada is unlikely to remain a world leader without development policies targeted at all SMEs. Furthermore:

- Innovative solutions to further embrace women's leadership are required given that many past efforts have failed due to more talk than walk.
- The urgency to better leverage women's potential economic contributions reflects the need to increase productivity.

Supplier diversity and public procurement practices are two innovative yet currently unused (in Canada) strategies to further enhance national competitiveness. To this point, the next section examines existing Canadian and other nation initiatives that support women business owners.

Public initiatives to support women-owned enterprises

Economic arguments that support market intervention are premised on the assumption that SME growth and survival are hindered by unfavourable economies of scale and hence, are less efficient than large firms. In response, governments have introduced policy and programs to support SMEs. Underlying such initiatives is the premise that the economic returns from small firm growth make up for expenditures of public funds used to offset 'efficiency losses' from contracting with SMEs (when the SME is not an optimal supplier). Gender-specific initiatives fit within this larger SME policy framework. Sample Canadian policies and programs include:¹⁷

- Macro policies (for example, federal and provincial small business tax rates).
- Sector and technology assistance (for example, Industrial Research Assistance Program, Scientific Research and Experimental Development Tax Credit).
- Support for communities (for example, ethnic-minority, youth and Aboriginal businesses).
- Regulatory reform (for example, Paper Burden Reduction Initiative).
- Financing (Canada Small Business Financing Program, Business Development Bank of Canada).
- Support for exporting (Export Development Canada; Trade Commissioner Service).

¹⁷ Storey (1994).

- Physical infrastructure (for example, Canadian Association of Business Incubation).
- Small business advisory and information services (for example, Canada Business Centres).

Similarly, social and economic arguments that support gender-specific policies are premised on similar rationales to those used to justify SME policies that seek to ensure a competitive marketplace. Rationales include:¹⁸

- The business case, a perspective that posits that women-owned enterprises comprise an under utilized and/or under-performing resource, one to be supported for employment creation and economic growth. Programs and policies for women business owners are, therefore, a means to nurture economic development. The need for economic self-sufficiency emphasizes social and economic benefits of economic independence for women. Policy is seen as a vehicle to create wealth and to address poverty. Sample programs include Canada's Self-employment Development Initiative.
- Skills development, skills transfer, and career enhancement programmes encourage women to enter non-traditional fields and industry sectors. Initiatives include sector and professional organizations such as the Canadian Women in Communications, Women Entrepreneurs of Canada, and Women Executive Network.

Underlying the above perspectives for gender-specific policy is the call for formalized and systemic intervention to support women-owned enterprise due to observations about:¹⁹

- Tendencies of governments to fund programs outside those industries where women operate (for example, technology, manufacturing, research intensive firms).
- Lack of visibility and recognition of women's roles and contributions to the Canadian economy.
- Attitudinal barriers about women business owners (for example, being taken seriously).
- Inappropriate program and service delivery models, content, location, timing and client relationships.

Target markets for gender-specific programs include:

- Nascent business owners: initiatives to increase women's participation rates and to build awareness of, and introduce, entrepreneurship.

¹⁸ Mayoux (2001).

¹⁹ Stanger (2004).

- Start-up firms: initiatives to help women develop experience, expertise, and track records while providing access to capital and advisory support.
- Growth-oriented women business owners: programs to help address perceived gender-related barriers to firm growth such as access to business contracts, growth-capital, networking, and provide training related to advanced business development (for example, trade missions, women's venture capital funds, understanding of how value chains work and introductions to buyers).
- Students and professionals seeking career support: programs to promote women's participation in non-traditional sectors such as the Canadian Advanced Technology Association Women in Tech Forum (CATAWIT), Canadian Women in Communications (CWC), and Women in Science and Engineering.

A typology of Canadian SME gender-specific programs that reflect these objectives is presented in Table 1. Gender-specific (and other minority) policies and programs are not without criticism. Examples of the concerns identified in the literature include:²⁰

- 'Crowding' of the SME policy and program agenda.
- Arguments that gender-based programs reinforce rather than eliminate gender stereotypes or fail to address macro-level issues (for example, absence of women in knowledge-intensive sectors).
- Preference for 'mainstream' interventions (for example, 'fixing' existing structures, embedding women's issues into SME programs in order to benefit all business owners).
- Assumption that 'but for' gender, the business would be equivalent to that owned by males (for example, sector choice, firm age, similarities in challenges or problems among SME owners, regardless of gender).
- Programs reflect an over-adherence of 'stylized facts' about women business owners. Gender-specific program rationales fail to fully acknowledge non-gender explanations for performance differences.
- Programs do not prepare women to compete in the marketplace; are redundant, inferior in quality and unnecessary when mainstream personnel are properly trained. Gender-based programs are, therefore, a poor investment on potentially low yield businesses. Loan programs subsidize inefficient businesses and are costly.

To examine these contentions, this work sought information about the participation rates, and impacts of, Canadian SME programs and policies. The search found an absence of gender disaggregated data. Hence, there is virtually no empirical evidence to determine *if* current policies and programs *do* or *do not* meet the needs of women business owners. For example, only three studies were identified that report on participation rates in government programs broken

²⁰ See Marlow, Carter and Shaw (2008); Ram and Smallbone (2003); Storey (1994); and Ram and Jones (2008).

down by gender. In all three studies, women were under-represented.²¹ Furthermore, most international minority studies do not specify owner gender.

Given the lack of published data, the availability and impact of mainstream market interventions for Canadian women-owned enterprises remains unknown. This is notable given the substantial public investment in SME programs and financial instruments. In terms of the impact of Canadian gender-based programs, two studies that employed rigorous comparative analytical (versus descriptive) techniques were identified. Both were conducted on behalf of Women's Enterprise Initiative (WEI).²² Both conclude that the economic return on investment made by the funding agency, Western Diversification, is consistent with comparable job creation schemes. A summary of the 2008 WEI program evaluation is presented in Table 2 along with a description of WEI programs and services.

To further inform Canadian policy about women's entrepreneurship, two large-scale, multi-stakeholder consultations have been undertaken in the last decade. Both consultations recommended creation of an economic development strategy to support women-owned enterprises; however, unlike the US and the UK, Canada does not yet have a formal policy framework. A summary of recommendations is presented in Table 3.

²¹ Orser (2007).

²² Orser and Riding (2006) and Ference Weicker & Company Ltd. (2008).

Table 1: Canadian SME programs and services targeted to Canadian women entrepreneurs²³

Category or Type	Sample Initiatives
Provincial / Regional Women's Enterprise Centres	Atlantic Women in Business Initiative (ACOA); Women's Enterprise Initiative (Western Diversification); Alberta Women's Enterprise Initiative Association; Women's Enterprise Society of British Columbia; Women's Enterprise Centre Manitoba; Women Entrepreneurs of Saskatchewan.
Mentoring	Women Executive Network; Canadian Women in Communication
Promotional programs, recognition awards	Canadian Women Entrepreneurs Award (RBC); Canadian Advanced Technology Association — Women In Tech (CATA WIT) Award; Organization for Women in Trade (OWIT); YWCA Women of Distinction Awards; Women's Business Network Women on the Year.
Networks / associations / websites / newsletters / bulletins	Canadian Association of Women Executives & Entrepreneurs, Canadian Business Women's Network; Canadian Coalition of Women in Engineering, Science and Technology; Canadian Women in Communications; Canadian Women's Foundation; Centre d'entrepreneuriat féminin du Québec; Foundation of Canadian Entrepreneurs; DFAIT Business Women in Trade Network for Women Entrepreneurs (Ontario); Newfoundland & Labrador Organization for Women Entrepreneurs; Prince Edward Island Business Women's Association; Groupe Femmes; Gestion et Entreprises; Quebec Business Women's Network Inc. Réseau des femmes d'affaires du Québec; Women and Rural Economic Development; Women Entrepreneurs of Canada (WEC); Women in Film & Television; Women in International Trade Web-sites: Be Your Own Boss.org; Women's Network PEI; provincial-, regional-, and sector-focused groups.
Research and status reports	Journal of Small Business and Entrepreneurship (2006); Entrepreneurship in Atlantic Canadian University Environments: Understanding Entrepreneurs. An Examination of the Environments (Atlantic Canada Opportunities Agency & The Atlantic Canadian Universities Entrepreneurship Consortium, 2004); Prime Minister's Task Force on Women Entrepreneurs (2003); A Portrait of Women Business Owners in Atlantic Canada. in 2003 (ACOA, 2003); Women Entrepreneurs in Canada in the 90's (Brown, Doyle, Lewis, Mallette, Purcell and Young, 2001).
Micro loan programs	Provincial Women's Enterprise Initiative centers; Vancouver City Savings Credit Union.
Federal working committees	Industry Canada Interdepartmental Committee on Women Entrepreneurs (2003-2004); Women in International Business Development Committee (2003-2004).
Women-only trade missions	Atlantic Canada Opportunities Agency (Boston, 2007); DFAIT (Washington, 1997).
Private sector (crown corporation) consortia	Global Banking Alliance; Réseau des femmes d'affaires du Québec (RFAQ).

²³ Orser (2007, p. 56).

Table 2: Summary of 2008 Women Enterprise Initiative impact assessment²⁴

Description of Services	Sample Findings
<p>The mandate of WEI is to encourage the establishment and growth of women-owned and controlled businesses, encourage self-employment and business development, and to promote economic equality between men and women. This mandate is supported through:</p> <ul style="list-style-type: none"> • Introducing and promoting entrepreneurship to women. • Increasing the availability of capital to women-owned enterprises. • Providing services to help women develop the experience, expertise, assets and credit track records enabling them to increase both the number and the strength of women-owned businesses in Western Canada. <p>WEI is implemented through the four not-for-profit organizations including:</p> <ul style="list-style-type: none"> • The Women’s Enterprise Centre (WEC-BC). • Alberta Women Entrepreneurs (AWE). • Women’s Entrepreneurs of Saskatchewan Inc. (WESK). • The Manitoba Women’s Enterprise Centre (MWEC). <p>Each WEI organization is an independent entity that has its own Boards of Directors. Each is responsible for its own approach to the delivery of services in order to best meet the needs of its economic and demographic client base. Over the past five years, WEI organizations have delivered over 1,700 sessions targeted at over 21,000 clients. The key services include: training and skills development; business advisory services; one-on-one counselling; seminars and workshops that cover topics such as marketing, start up/planning and financial management, and capital loans to existing and new businesses for up to \$100,000.</p> <p>Over the past five years, the four organizations have issued 572 loans totalling approximately \$23 million. Over the past five years, almost 28,000 business advisory services have been delivered.</p>	<p>The majority of clients (60 percent) received more than one type of service: 58 percent participated in a training session or seminar, 48 percent received one-on-one business counselling, and 42 percent indicated that they have received a loan under the program. When asked to rate satisfaction with the assistance, clients provided an average rating of 4.1 (where 1 is not at all satisfied and 5 is very satisfied). The majority of respondents (75 percent) indicated that they are satisfied or very satisfied with services, 5 percent were not at all satisfied.</p> <ul style="list-style-type: none"> • The loans, particularly when combined with business advising, are considered the most significant service received by clients. • Most of the clients are women between the ages of 35 and 54, well educated, and (at the time of the interview) currently operating a business. Of clients surveyed, 70 percent were operating a business. Most were in the service or retail sectors, had operated for four years or less, employed four or fewer people, and generated revenues of \$250,000 or less annually. Most had fewer than five years of management experience that, in most situations, was directly linked to the operation of their current business. • On average, businesses which received WEI loans generate \$475,000 in revenues and employ 5.8 people. Businesses which did not receive loan funding currently have revenues averaging \$272,000 and employ 2.8 people. • The WEI organizations commonly serve as a “front door” through which clients are able to identify and access other programs and services. • After adjusting for survival rates, the average WEI business (including those which are still operating and those which have ceased to operate) generate revenues of approximately \$1.5 million over the five-year period. • The majority of WEI impacts are incremental in that they would not have occurred in the absence of the support provided by the program. When asked to rate the importance of the WEI services to the establishment and/or development of their business on a scale of 1 to 5, where 1 is not at all important and 5 is very important, loan clients gave an average response of 4.5. On average, these clients estimated that there is only a 34 percent chance they would have.

²⁴ Ference Weicker & Company Ltd. (2008).

Table 3: Recommendations from Canadian consultations on policies and programs to support women-owned enterprise^{25,26}

Issues	Sample Statements
Government procurement	<ol style="list-style-type: none"> 1. Expand awareness of procurement opportunities through women business owner associations. 2. Initiate supplier diversity programs and include women-owned businesses in lists of suppliers and subcontractors. 3. Train procurement personnel about the importance of women-owned enterprise and diversity. 4. Proactively engage women in seminars about selling to government and effective proposal writing. 5. Establish procurement targets for SMEs and in particular, women-owned enterprises. Review the impact of larger, consolidated tenders on SMEs. 6. Encourage corporations to extend supplier diversity among second-tier contractors. 7. Women-owned businesses should be encouraged to form joint ventures or alliances to bid on large contracts.
Coordinate support	<ol style="list-style-type: none"> 1. Establish federal and provincial interdepartmental oversight committees tasked with developing a comprehensive economic development framework for women entrepreneurs. 2. Create an Office of Women's Business Ownership to oversee the women's entrepreneurship file. 3. Grant sufficient power to reach into different federal agencies to ensure that initiatives are implemented. 4. Create an Advisory Council on Women's Entrepreneurship to advise government on issues related to women-owned enterprises and to advocate on their behalf. Council should report directly to the Prime Minister. 5. Make all SME programs and delivery agencies accountable for women's participation.
Research	<ol style="list-style-type: none"> 1. Establish gender-based program evaluation criteria at the inception of SME policies and programs. 2. Collect data on SME program use on the basis of gender using a consistent definition of a 'woman-owned' firm. 3. Establish a research centre devoted to female entrepreneurship. 4. Establish university research chairs and build SSHRC networks of researchers. 5. Create a national research data collection agenda. Include "gender analysis as a part of the design process for all programs to support women entrepreneurs and to look at culturally-based attitudes, behaviours and institutional practices that also act as barriers to the growth of women's enterprises.
Communication and partnerships	<ol style="list-style-type: none"> 1. Ensure that women business owners are aware of existing assistance. 2. Create a portal exclusively on women entrepreneurs that could be housed on Strategis (http://strategis.gc.ca), an Industry Canada website containing business and consumer information. 3. Share information about alternative sources of financing and support on the websites of banks, credit unions, and business associations. Also disseminate research about women's entrepreneurship. 4. Showcase the diverse nature of women's entrepreneurship through publications and marketing tools. Show positive female role models working in non-traditional areas. 5. Identify mechanisms to facilitate and promote communication across business women's associations with a view to create more provincial and national organizations.

²⁵ Bulte, Callbeck, Duplain, Fitzpatrick, Redman and Lever (2003).

²⁶ Orser and Connell (2004).

SMEs and public procurement practices

Some argue that the opportunities for SMEs to participate in supplying goods and services to governments have never been better. However, research also documents increasing tensions among business owners, SME trade/small business associations and government. This section of the report explores the barriers and challenges associated with public procurement. Recommendations to improve SME engagement in government procurement and expand supplier diversity are also presented. These findings further inform WEConnect Canada and its Canadian and international partners about the issues facing SMEs that seek to contract with government. Information can be used by SMEs and government procurement officers to better manage relationships, structure terms and conditions of tenders and contracts, and manage client expectations and contract obligations.

Opportunities for SME engagement in public procurement

The federal government is the largest buyer of goods and services in Canada, purchasing, in 2008, approximately \$14 billion worth of goods and services. The Office of Small and Medium Enterprises (OSME) of Public Works and Government Services Canada (PWGSC) reports that the percentage of contracts awarded to SMEs, by value, increased from 46 percent to 49 percent between the 2006/2007 and the 2007 /2008 government fiscal years.²⁷

Increased outsourcing, enhanced technology, virtual networks and consortia facilitate SME supplier opportunities. Research also suggests that Canadian SMEs are in an advantageous position to embrace Internet-based procurement given superior Canadian broadband, Internet infrastructure and support for e-Business.²⁸ Creating industry partnerships and networks of suppliers, embracing technology and information optimization tools (for example, Linked-in) and engaging in proactive outreach are viewed as essential for firms that seek to do business with government.

To help facilitate SME engagement in public procurement, governments are increasingly embracing online resources and tools. These web-based portals are intended to link businesses with contract opportunities, specify standards and regulatory requirements and more recently, build consortia within targeted industries. Sample Canadian SME procurement resources include:

- **MERX:** This is the official Canadian public tender website. Procurement opportunities are listed daily from all levels of government including municipal, academic, school boards, and hospitals (<http://www.merx.com/>).
- **Business Access Canada (BAC):** This website was established to improve supplier and buyer awareness of federal business opportunities and procurement system (<http://www.contractsCanada.gc.ca/en/index.html>).
- **BizPaL:** An online service to simplify business permit and licence processes for entrepreneurs, governments, and third party business service providers (<http://www.bizpal.ca/government.shtml>).

²⁷ Kovessy (2009).

²⁸ FreshMinds Research (October 2008).

- MARCAN: The website publishes tender notices for public sector procurement opportunities. MARCAN also provides information on rules for public sector procurement, complaint procedures and contact information (<http://www.marcan.net/english/index2.htm>).

Sample international SME procurement resources include:²⁹

- US Procurement Technical Assistance Centers (PTACs) and Offices of Small and Disadvantaged Business Utilization (OSDBUs): These websites link suppliers into a nationwide network of US SME procurement professionals, (<http://www.aptac-us.org>) and offices within every federal agency that assist small business owners in accessing procurement opportunities (<http://www.osdbu.gov>).
- Supply2.gov.uk: The official UK government lower-value contract opportunity portal, created specifically to provide small businesses with visibility of public sector contract opportunities typically below £100,000 (approx. \$CDN 180,000) (http://www.supply2.gov.uk/about_supply2gov.shtml).
- VEN: A UK regional initiative that brings small businesses together to provide access to commercial opportunities. VEN identifies core business competencies and matches buyers and sellers. Once the contract is fulfilled the supply network disbands. VEN also collects and maintains information on the capability and technical assets of SME members to ensure the requirements of each contract are met. VEN operates in the following sectors: healthcare, chemicals, and digital advanced engineering and manufacturing. More sector groups are anticipated (<https://www.vengroup.com>).

Canadian concerns about public procurement practices

While online resources help to increase access to information about supplier opportunities, the literature suggests that tensions between the public and private sector are growing. Tensions reflect government practices to improve economies of scale and cost effectiveness and SME concerns about decreasing opportunities to qualify, bid, and win government contracts. Canadian concerns are captured through surveys and recent media coverage of presentations to the Standing Committee on Government Operations and Estimates. Canadian trade associations have asserted that:

- Federal procurement practices reflect a lack of transparency of contracting opportunities and decision-making.
- There remains an absence of outreach to work with Canadian SMEs to resolve supplier concerns.

²⁹ Additional online procurement resources are listed in Appendix C.

Contract bundling, or the awarding of multiple sub-contracts through the same master contract, also reduces opportunities for SMEs to access directly government contracts.³⁰ For example, a 2009 CABiNET presentation to the federal Standing Committee on Government Operations and Estimates charged that bundling of IT contracts excluded SMEs. CABiNET, an Ottawa-based organization representing SMEs in the IT professional services sector, also reported that similar concerns have been raised in the temporary help, and furniture and supplies sectors. Studies published by the Canadian Federation of Independent Business (CFIB, a 105,000 member-based small business organization) report further on the nature and extent of SME concerns. A 2009 CFIB presentation to the Standing Committee on Government Operations and Estimates found that among members surveyed:³¹

- Many could not access purchasers, locate bids easily, nor understand why bids were rejected; and many felt that government did not always pay with sufficient alacrity.
- Respondents also expressed concern that engaging in government contracts is not worth the effort.

Chart 4 presents the CFIB (2009) study findings. A comparison between ‘all respondents’ and respondents that supplied to government at the time of the survey suggests that these challenges are not merely ‘perceptual.’ Firms with recent experience supplying to government were significantly more likely to report obstacles to business development. Additionally:

- Half of CFIB sold to any level of government:
 - One in three supply provincial and municipal governments.
 - Two in ten sell to the federal government.
- Firms of all sizes supply the federal government. Firms of less than four employees were least likely to do so. Fifteen percent of micro firms (one to four employees), 23 percent of firms with five to 19 employees, 27 percent of firms with 20 to 99 employees, and 33 percent of firms with 100 or more employees sold to the federal government.
- Firms across all sectors supplied the federal government during the past three years, including (in descending order): enterprises and administrative management (32 percent); wholesale (31 percent); arts, recreation and information (27 percent); construction (26 percent); manufacturing (22 percent); professional services (21 percent); retail (20 percent); hospitality (20 percent); transportation (19 percent); personal miscellaneous services (17 percent); natural resources (14 percent); social services (12 percent); finance, insurance, real estate and licensing (11 percent); and agriculture (eight percent).

³⁰ Smallbone, Athayde and meng (2007).

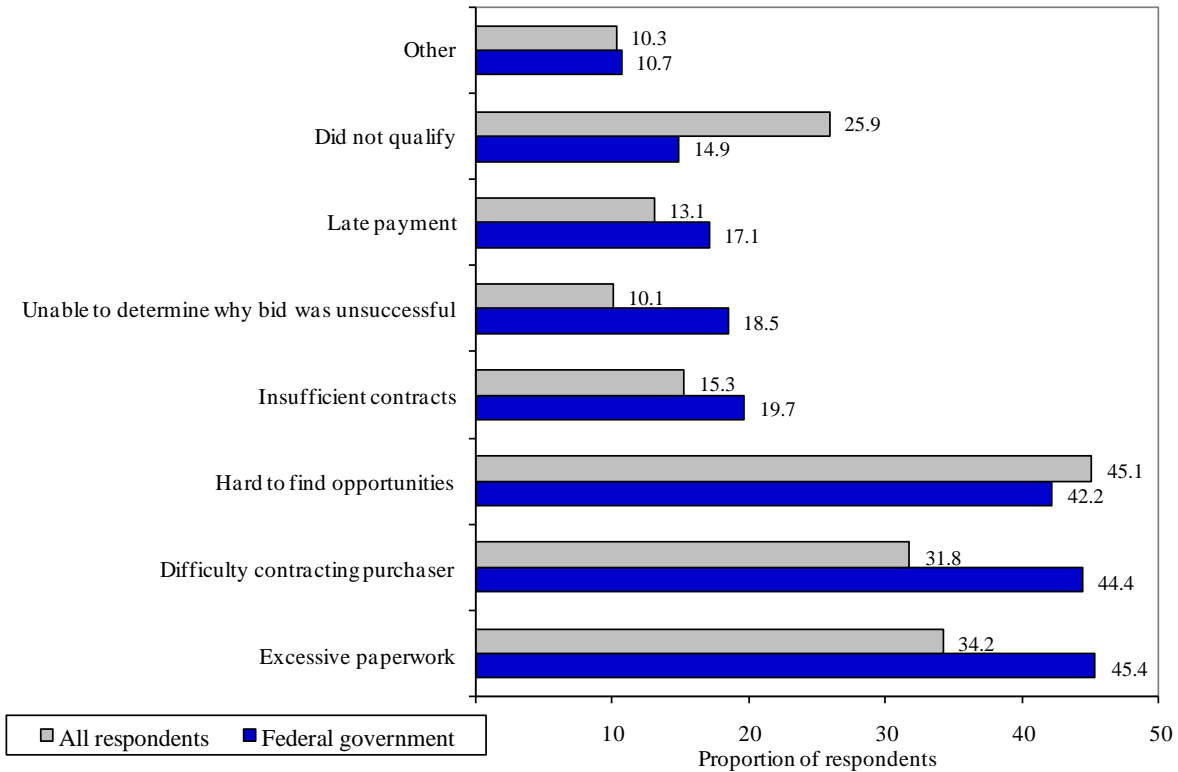
³¹ CFIB (2009). No gender-disaggregated information is reported.

- With respect to where SMEs learn about government opportunities, most rely on business associations (46 percent). Only 14 percent learned about government opportunities through MERX. Firm size was associated with the use of MERX. Among micro-firms (less than four employees), eight percent learned about opportunities through MERX. This compares to 37 percent of firms with 100 or more employees.

The 2009 CFIB procurement survey results reflect findings from a 2004 study. Challenges reported in the 2004 CFIB survey as ‘very important problem’ were:³²

- Difficulty getting on bid lists for local contracts (60 percent).
- Paper burden when bidding (59 percent).
- Not knowing what the government wants to buy (58 percent).
- Suspicion that selection process favours insiders (54 percent).
- Tendering/bidding is too complicated (53 percent).
- Difficulty competing with large firms (52 percent).
- Restrictive bonding or securing requirements (25 percent).

Chart 4: CFIB members’ concerns about selling to the federal government



³² CFIB (2004).

The 2004 survey listed the frequency with which the CFIB members who responded sell to the various federal government ministries. The information may be useful to non-CFIB members as they develop their firm's outreach strategies:

- The largest procuring departments (descending order) were: Public Works Government Services Canada, National Defence, Transport Canada, Crown Corporations, Correctional Services Canada, Environment Canada, Fisheries and Oceans Canada, and Agriculture Canada.
- Among large federal departments that did not figure prominently were Revenue Canada, Health Canada, Human Resources and Skills Development Canada, and Industry Canada. This may be a function of CFIB membership.

Insights about federal procurement practices were also sought through anonymous, key informant interviews and informal discussions with knowledgeable stakeholders. The authors of this report heard anecdotal stories about:

- The inability of Ottawa-based technology firms to access Canadian federal buyers. The same firms were able to access American specialists in Washington.
- Lack of government flexibility on contract deliverables while seeking supplier flexibility (for example, waiving interest on delayed payments to avoid sign-offs).
- Expectation creep and informal add-ons.
- Three in the file: project officers who seek three competitive bids with little or no intention of awarding to two of the bidders.
- Perceptions about senior influence in decisions and the awarding of contracts.
- Inconsistent policy application about set-asides across and within ministries.

To the best of our knowledge, no Canadian research has systemically examined the extent of the above anecdotal perceptions and experiences.

International studies about public procurement practices

The above observations are not unique to Canadian SMEs. For example, *Evaluating SME Experiences of Government Procurement* constitutes a broad examination of the experiences of UK SMEs with respect to public procurement.³³ The analysis sought to identify how, specifically, SMEs can be supported in the public procurement process. Findings indicated that:

- More than three-quarters of UK SME owners believed there were barriers to an awareness of government opportunities. SME owners found the private sector easier to sell to than the public sector: the rate of success in winning private sector contracts was double the rate of winning public sector contracts.

³³ FreshMinds Research (2008). *Evaluating SME Experiences of Government Procurement*, Federation of Small Business, London, UK, http://shared.freshminds.co.uk/marketing/SME_Procurement_Report.pdf. FreshMinds Research was created by the Confederation of British Industry (CBI), the (UK) Federation of Small Businesses (FSB) and the British Private Equity and Venture Capital Association (BVCA) to promote the increased use of SMEs in Government Procurement.

- More than half of SME owners felt that the process of tendering for government contracts required more time and resource than their business could allow.
- More than half of SME owners expected the proportion of their revenue coming from the private sector to increase in the next two years, but only one in five SMEs expected their revenue from the public sector to increase within the same time period.
- Nearly three-quarters of SME owners felt that the public sector is more difficult to deliver work to than the private sector due to a greater formality, lack of responsiveness and unrealistic timescales.

Table 4 summarizes related SME perceptions about the challenges of public procurement identified in the literature.

Response strategies to address SME procurement challenges

To respond to these procurement challenges, governments in the US and UK have sought to move SME procurement policies and practices to a more strategic level.³⁴ This is because a small increase in the percentage of contract expenditures going to SMEs is seen to make a significant difference.³⁵ Rationales for SME policy reform are to maximize financial, organizational, and social benefits and to:

- Reduce bureaucracy (compliance demands) while meeting legal obligations.
- Streamline acquisition procedures under a small purchase threshold.
- Implement government-wide networks to establish procurement system uniformity.
- Enact targets and reporting mechanisms to ensure SMEs are not excluded from relevant contracts.
- Promote processes that are equitable, transparent, simple and able to establish oversight processes.
- Encourage business innovation among high-potential SMEs.
- Build procurer capability and ensure fair dealings.
- Engage, clarify, and enhance transparency of sub-contractors.

One recent procurement review is the 2008 (UK) Glover Report. The objectives of the consultations were to: (a) provide advice to reduce the barriers small- and medium-sized firms face when competing for public sector contracts; and (b) to advise on a goal for SMEs to win 30 percent of all public sector business in the next five years.³⁶ The report is instructive for WEConnect Canada, Canadian community partners, and governments at all levels as it presents a sample public procurement policy framework and potentially transferable procurement recommendations. Summary recommendations of the 2008 Glover Report are listed in Table 5.

³⁴ Glover (2008).

³⁵ Smallbone, Athayde and Meng (2007).

³⁶ The 2008 Glover Report reflected evidence received from over 1,300 responses. Consultations followed previous, large-scale UK procurement reviews including the 2003 *Better Regulation Task Force and Small Business Council's 'Government: Supporter and Customer?'*

Canada currently has no systematic initiatives to integrate SMEs into public sector procurement. To assist government in creating response strategies to address the concerns of Canadian SMEs and to build diversity supplier opportunities, the Canadian Aboriginal and Minority Supplier Council (CAMSC),³⁷ has asked the federal government to “leap frog” current efforts and to adopt ambitious (versus incremental) procurement policy reform. Similarly, in 2004 and 2009, the CFIB advanced similar procurement principles, including the need for: greater accountability, transparency, simplicity, and efficiency in procurement; clear procurement objectives; balancing value for money and other economic development objectives; better and relevant data collections; and effective dispute resolution processes and ensuring a level playing field for small- and medium-sized firms.

It is notable that no Canadian data were identified to help inform WEConnect Canada stakeholders about the engagement of women business owners in the public spend. Consequently, the experience and contributions of Canadian women-owned enterprises are invisible within private sector and government procurement. This discussion, therefore, exposes the need for data and research to provide governments, as well as trade associations and suppliers, with a better understanding about public procurement (for example, cost of goods, transactions costs, complexity, efficiencies and impacts), adjudication (for example, supplier performance standards) and risk assessment.

The literature review also demonstrates that dimensions of equality with respect to public procurement are under-researched. For example, outside the American literature, there is little mention of gender equality in the policy and minority supplier procurement studies. One recent example is the 2008 Glover Report that makes no reference to the experiences of women-owned enterprises. As Christopher McCrudden has noted, if equality duty appears, it is most often “a subsequent add-on” rather than a central issue. As such, gender equality is seen as “imposition” rather than an opportunity, a perspective that is incongruent with evidence about the economic importance of women-owned enterprises and the value of diversity.³⁸

Finally, the literature suggests that most procurement reviews have been reactive rather than proactive. International reports note that industry concerns about SME engagement in public procurement are barely on political and bureaucratic radars. Internal SME advisory offices with government procurement agencies are also described as ineffective and without the mandate and power to affect change in procurement decisions.

These observations speak to the need for clear and targeted communication to both suppliers and governments about why public procurement strategy is a key issue for SMEs including, women-owned enterprises. Given the gender-based mandate of WEConnect Canada, the next section explores insights about public procurement as a means to achieve gender equality through social and economic outcomes. These insights are, in large part, lessons learned from the Canadian Aboriginal and Minority Supplier Council, American minority procurement programs, and American efforts to increase access to the federal marketplace for women-owned businesses.

³⁷ The Canadian Aboriginal and Minority Supplier Council (CAMSC, 2006) is a non-profit organization that promotes and facilitates procurement opportunities for Canadian Aboriginal and minority suppliers.

³⁸ Christopher McCrudden (2008) Columbia Law School Rubin Lecture. Accessed at http://www.law.columbia.edu/media_inquiries/news_events/2008/april2008/Rubin_McCruden

Table 4: Challenges for small- and medium-sized enterprises in supplying governments^{39,40}

Stage of Procurement	Challenges
Access to information	<p>Limited use of MERX, particularly among micro-enterprises. Suppliers do not know whom to contact when seeking work or clarification. Inaccessible, excessive, and disorganized information. Lack of training (for example, bid writing), ‘meet the buyer,’ and sector outreach. Pre-conceptions that government prefers to work with large firms. Preferential treatment of larger suppliers. Lack of feedback/ staff to assist in understanding procurement process.</p>
Pre-qualification	<p>Limited internal resources to engage in pre-qualification processes. Inappropriate questions (finances, non-existent health, safety, equity policies). Time invested in pre-qualification is risky as it does not guarantee an invitation to tender. Lack of response following pre-qualification application. Unspecified intended use of proprietary firm information on websites. Difficulty getting on bid lists for local contracts. Restrictive bonding or securing requirements.</p>
Tendering	<p>Bureaucracy associated with the tender process is burdensome. Findings/understanding information is problematic. Suspicion that selection process favours insiders Contract bundling. Criteria of national/international legislation with respect to technical capacity, economic and financial standing, ability to comply (EU, NAFTA). Just-in-time procurement reduces the number of long-term relationship and limits number of suppliers. Subcontracting is as difficult as contracting directly with governments.</p>
Contract administration and debriefing	<p>Lack of resources dedicated to compliance requirements. Unrealistic limits on size of contact awarded relative to annual turnover. Complexity of federal accounting and payment systems/schedules. Inflexible terms of payment — even when caused by government delays.</p>
Relationship management	<p>Expectation creep, unplanned and/or unrealistic demands. Informal ‘add-ons’ without due compensation. Turnover of government employees and loss of relationships. Lack of communication with respect to expectations.</p>

³⁹ May (2009).

⁴⁰ Table 6 is modelled after *The Better Regulation Task Force* (2003).

Table 5: Glover Report (2008) Summary of Recommendations⁴¹

Improving SME participation in public procurement is best achieved by making the market work effectively to allow SMEs to compete effectively for contracts. This requires that opportunities should be transparent, the process as simple as possible, and that a strategic approach to procurement encourages innovation and gives SMEs a fair deal when they are sub-contractors. In detail:

Transparency

1. By 2010, contract opportunities above £20,000 across the whole public sector should be advertised electronically with standard indicative contract value ranges, and accessible through a single, free, easy-to-search online portal.
2. Government should issue all tender documentation electronically by 2010 and this should be kept as brief as possible. Businesses should be permitted to tender electronically for all public sector contracts by 2010; no “paper only” tenders should be required after this date, with all tenders to be electronic by 2012.
3. Details of contract awardees should be published online in a standard format within 48 days of contract signature, accessible via the single portal by 2010.
4. Tendering opportunities thought especially suitable for SMEs or consortia of SMEs should be flagged by the procurer during the advertising process. Government should provide strategic and detailed guidance for procuring authorities on assessing suitable contracts for flagging, based on risk, value, and market maturity.

Simplicity

5. Qualification criteria that are not specific to a sector should be standardized and incorporated in all pre-qualification questionnaires so that businesses do not need to repeatedly submit the same core information.
6. Procurers should give businesses the opportunity to provide details of all previous relevant experience when bidding for contracts, not just public sector experience. This should be taken into account when selecting successful tenderers.
7. Procurers should ensure that, where they rely on a particular accreditation scheme or standard as part of the process of prequalification or contract award, that they take a flexible approach. Businesses should be given the opportunity to provide evidence that they can meet the contract requirements by reference to other similar equivalent accreditations or standards they may already hold, especially where these have been recognized or required by other public sector procurers.

Strategic Procurement

8. Departments should use their Innovation Procurement Plans to set out how procurement aligns with their overall commercial strategy, encourages innovation and gives advanced notice of long-term procurement plans.
9. Government should encourage wider use of outcome-based specifications across the public sector, as a means of driving innovation.
10. Government should expect and enable prime contractors to make their subcontracting opportunities accessible through the single, online portal created in Recommendation 1.
11. Through contract management, Government should ensure that SMEs and other firms acting as sub-contractors obtain contract conditions (including promptness of payment terms) that are no worse than those applicable to the prime contractor.

Measurement

12. The Committee recommends that all central government departments should report annually on the value of their contract spend with SMEs, creating a reliable single source of quantitative data which can be used to inform future policy decisions and evaluate the recommendations in this report. Accelerating the SME economic engine: through transparent, simple and strategic procurement.

⁴¹ This table was extracted from Glover (2008, p. 5).

Public procurement to achieve economic and social outcomes

Historically, procurement provisions and policies have sought to support populations such as the disabled, unemployed workers, veterans and to redress discrimination, social exclusion, and inequality (for example, racial, ethnic-minority, Aboriginal, women, religion in Northern Ireland). More recently, procurement provisions have been established to support SMEs, local businesses, and ‘green’ purchasing.

Canada has no legislated procurement framework to support small business, minority or women-owned enterprise or to establish procurement goals.⁴² Contract compliance is not, however, without precedent in Canada. Enacted in March 1996, the Canadian federal government established mandatory set-aside requirements for Aboriginal goods and services valued in excess of \$5,000 destined for Aboriginal populations. In addition to mandatory set-asides for Aboriginal goods destined for Aboriginal communities, the federal government has articulated voluntary set-asides for goods and services that are not destined to Aboriginal communities.

Broadly speaking, contracting arrangements and procurement strategies include:

- *Contract compliance*, which seeks to advance a wider conception of equal opportunity to compete and stimulate increased entrepreneurial activity among historically underutilized groups:
 - For example, the Canadian Aboriginal and Minorities Supplier Council (CAMSC, 2006) reports that contract compliance is a developmental tool that promotes economic growth, supports sustainable Aboriginal cultures, increases per capital wealth and enhances the livelihoods of Aboriginals and minorities.⁴³
 - The most prominent contract compliance policy is the US *Small Business Act*. Briefly, the Act requires each government department and agency with contracting authority to establish a federal Office of Small and Disadvantaged Business Utilization. Current the United States government’s national procurement goals are: 20 percent for small business, five percent for disadvantaged businesses and five percent for women-owned enterprises.
- *Set-asides*. Rather than relying on procurement goals targeting disadvantaged groups, set-asides reserve certain purchases for competition only among a certain group of disadvantaged owners of SMEs. In Canada, this is evidenced in mandatory provisions for Aboriginal suppliers.
- *Offer backs*, under which a registered supplier whose tender is unacceptable on price alone has an opportunity to submit a revised tender for part or all of a

⁴² The Parliamentary Secretary’s Task Force for Government-wide Review of Procurement (Public Works and Government Services Canada, 2005). Accessed at PWGSC http://www.pwgsc.gc.ca/prf/text/final_report_summary-e.html

⁴³ The aim of the Aboriginal procurement policies are to: “...increased representation of Aboriginal businesses in contact awards by individual departments and agencies” (CAMSC, 2006, p. 27).

contract. If on such ‘offer back’ the registered supplier is able to match the best offer, its revised tender is accepted.⁴⁴

- *Private sector supplier diversity*, which is a strategy to broaden an organization’s commercial supply base. Initiatives also seek to offer under-represented businesses opportunities to compete with other qualified sellers. Programs are linked to corporate performance goals, corporate social responsibility, legislative/requirements, shareholder and other stakeholder pressures and for ethical reasons.⁴⁵
- *Contractors programs*. First initiated by the Canadian federal government (September 1, 1986), the programs require large organizations (for example, firms that employ 100 persons or more) that wish to bid on federal contracts or to supply goods and services to the federal government to commit to implementing and demonstrating employment equity. CAMSC (2006) reports on contract programming with respect to Canadian Aboriginal small businesses opportunities in the American market:
 - U.S. procurement policy integrates AMBS [Aboriginal minority business suppliers] by requiring major corporations to include them in prime government procurement contracts. Prime contractors for procurement transactions exceeding \$100,000 [US] are required to make “best efforts” to make use of small, disadvantaged and women-owned small businesses as subcontractors, where possible. For larger procurement transactions exceeding \$500,000 (\$1 million for construction), the winning contractor is required to provide the agency-contracting officer with a written plan that established a small business subcontracting goal.

Tender rotation systems and parallel envelope systems are procurement strategies used by local authorities in the UK to support targeted groups of SMEs.⁴⁶ Under tender rotation systems, “a firm’s location is used to get on to a rotation list and bid for contracts, but not used as criterion for awarding the contract.” A parallel envelope system entails two envelope submissions. One envelope contains the bid price on which the contract will be awarded. The other envelope contains the method statement, including information on use of local labour and social clauses, such as the provision of training and inclusion of disabled groups.

Procurement policy as a means to assist women-owned enterprises

Supply-side rationales for establishing procurement goals or targets for majority women-owned enterprises mirror arguments advanced for ethnic-minority and other identified communities. In short, ‘opportunity structures’ are seen to be systematically unfavourable to women. Only two studies identified in the search process reported on the propensity of supplying to government by gender.⁴⁷

⁴⁴ McCrudden (2004).

⁴⁵ The Chartered Institute of Purchasing & Supply (undated).

⁴⁶ As described by Smallbone, Athayde and Meng (2007, p. 10).

⁴⁷ Michaelis, McGuire & Ferguson (2003).

- A 1998 telephone survey conducted among a random, nationally-representative sample of American female and male business owners indicated that among commercially active firms in the US, over four in 10 (42 percent) of women-owned firms sell their products or services to either government agencies or large corporations, compared to 61 percent of men-owned firms.⁴⁸
- A UK study also reports that women-owned enterprises are less prevalent in sectors where most government procurement occurs. Women-owned enterprises operating in sectors associated with government spend were still under-represented in most sectors. The report does not report on how gender is associated with the likelihood of supplying to government (for example, firm capacity, lack of information and other reasons cited above). For example:
 - A comparison of within sector women-owned enterprises and percentage of women-owned firms that supply the UK government follows: government, agriculture, forestry and fishing (two versus zero percent); manufacturing, mining quarrying, energy and water (ten versus eight percent); construction (two versus zero percent); retail/wholesale (22 versus zero percent); and education, health and other services (19 percent versus three percent). Conversely, while women-owned firms comprise 14 percent of ‘financial, real estate, renting and other businesses, the report cited 75 percent of the firms supplied to government. This latter estimate of 75 percent engagement brings into question the validity of the data.

Canada has been recognized as a world leader in enacting (1986) federal contract program that stipulates obligations to address equity within firms that seek to contract with the federal government. For social justice and economic reasons, gender-focused procurement policy is required to, at best, match established American practices.

The case for promoting supplier targets is predicated on several rationales including:

- **Supplier diversity:** The process of qualification serves to identify and recognize quality, growth-oriented firms. Qualification also enhances a firm’s credibility. Introducing qualified women-owned vendors into the supply chain adds value and innovation, increases the inventory of high-potential enterprises and hence, government’s purchasing options.
- **Procurement targets to minority populations’ work.** Qualification or certification and supplier targets are a means to enhance the economic performance of disadvantaged populations. In the absence of gender disaggregated procurement data, it is not clear if women business owners are under-represented in public procurement opportunities.⁴⁹
- **Within the US, there has been a steady, albeit small, increase in federal procurement dollars to women-owned firms since a five percent goal was established, and a more significant increase in the share of procurement actions going to women-owned firms.** As of FY2006, 3.4 percent of federal spending and 8.4 percent of federal contract actions went to women-owned firms.

⁴⁸ Center for Women’s Business Research (1998).

⁴⁹ CAMSC (2006, p. 12).

- Indirect benefits to government. The 2006 CAMSC report outlines reasons why corporations should encourage firms to develop supplier diversity targets. The commercial outcomes associated with contract compliance initiatives have indirect benefits to government, including:
 - Opportunities to build brand and corporate image.
 - Expansion of supplier diversity and customer bases.
 - Enhanced customer and brand loyalty.
 - Leverage other sources of competitive advantage.
 - Superior cost economies from increased competition in the supply chain.
 - Improve access to rapidly growing minority markets.
 - Enhance access and trust relationships to international business markets.
 - Promote innovation and supplier efficiencies and enhance knowledge transfer and exchange.

The literature recognizes that, historically, procurement strategies associated with identified communities such as women-owned enterprises are based largely on American anti-discrimination and affirmative action policies. Unlike the US public sector targets for women-owned enterprise, Canada, the UK and other EU countries, have no established national public procurement targets for minority or women-owned firms. However, several UK local or regional initiatives to foster SME engagement in public procurement have established targets to support women-owned firms (for example, SupplyLondon).⁵⁰ The UK also has established a number of minority-focused procurement initiatives.

Within the UK and hence EU, scholars assert that the legal status of “women’s clauses” within government procurement policy requires clarification. It is suggested that current government procurement policies reflect contradictory objectives, including ‘buy efficient’ policies, secondary social policies and Article 3(2) of the European Commission that states, “The Community shall aim to eliminate inequalities and to promote equality, between men and women”.⁵¹ Examination of EU directives, competition policy rules and secondary legislation is warranted given the March 2009 announcement that Canada will enter discussions about a potential EU trade agreement.

The next section of the report examines the lessons learned from the American experience with gender-based public procurement goals or targets. Lessons learned from other nations are also summarized.

US procurement programs: lessons learned

The evolution of American advocacy and policy reform provide important insights to inform Canadian strategies to enhance procurement opportunities for women-owned enterprises.⁵² Studies about the challenges and outcomes of American procurement programs

⁵⁰ See <http://www.supplylondon.com/>

⁵¹ Tobler (2000).

⁵² A history of American policies and programs is outlined in Appendix C. A description of American certification is outlined in Appendix D.

also provide benchmarks to compare the profile and experiences of Canadian firms engaged first, in certification and second, in potential public procurement opportunities. Three studies conducted by the Center for Women's Business Research (CWBR, formerly, The National Foundation for Women Business Owners) sought to compare the characteristics of women-owned firms with firms involved in American federal procurement.

A 1998 CWBR survey of women and men business owners indicated that women involved in government procurement and corporate purchasing markets had less experience in those markets when compared to their male counterparts. One-third (35 percent) of females had been engaged for five years or less, compared to 29 percent of males. Conversely, 52 percent of male-owned firms, but only 34 percent of female-owned firms, had sold goods or services to government agencies or large corporations for 10 years or more.⁵³ These observations are consistent with Canadian and international studies that report that women business owners have, on average, less experience than male counterparts.

A 1999 CWBR study reported that women-owned firms involved in American federal procurement were of similar age as a representative sample of women-owned firms in the US. However, enterprises engaged in American federal procurement were significantly larger.⁵⁴ Employment among women-owned federal contractors averaged 52.2, compared to 12.5 among commercially active women-owned firms and 2.3 among all women-owned firms. The average revenue among women-owned federal contractors was \$5.3 million, compared to under \$300,000 for all full-time women-owned firms.

While causality cannot be assumed, the findings indicate that firms engaged in federal procurement are growth-oriented and larger than most women-owned enterprises. As such, certifying or 'qualifying' women-owned enterprises is a mechanism to identify high-potential, growth-oriented women-owned Canadian enterprises.

Using data obtained from the (US) Federal Procurement Data Center, a subsequent CWBR (2000) study documents that:⁵⁵

- Women business owners who were involved in federal procurement got started early in their business's development. Nearly three-quarters (72 percent) received their first (US) federal contract within the first three years of starting their business. Among those who acquired an existing business, 45 percent already had federal customers and another 38 percent received their first federal contract within three years of acquiring the business.
- Women business owners involved in federal procurement cited the following challenges as being most difficult to overcome: complex paperwork (20 percent), understanding the process (20 percent), and complying with requirements (17 percent); could not get enough bonding (eight percent); getting paid promptly/cash flow (seven percent); finding information on bidding opportunities (six percent); and building credentials/proving I could do the job (six percent). Just 12 percent said they encountered no significant problems when first entering the federal marketplace.

⁵³ Center for Women's Business Research (1998).

⁵⁴ Center for Women's Business Research (1999).

⁵⁵ Center for Women's Business Research (2000).

- The most important current challenges facing firms in the federal procurement arena were: competition (19 percent); managing relationships with procurement officials (15 percent); keeping up with changing requirements/regulations (12 percent); getting contracts (10 percent); and getting paid in a timely fashion (10 percent).
- While all of the women were prime federal contractors, one third (36 percent) have been involved in joint ventures, wherein they had teamed up with other firms to submit bids together. Nearly all (90 percent) said they would consider doing so again. In addition, 19 percent of their revenue, on average, came from subcontracting relationships.
- With respect to being a subcontractor, 58 percent said they have experienced challenges with getting paid promptly by the prime contractor, and 42 percent had been involved in bids as a subcontractor but subsequently were not used after the prime contractor won the contract. These two issues were frequently cited as downsides to involvement in government procurement as a subcontractor rather than a prime contractor.
- While third-party certification (qualification) is not a requirement for federal procurement, three-fourths (74 percent) of women involved in federal procurement in the US were certified in some form or fashion: 66 percent are self-certified as a woman-owned small business, 50 percent are certified by a third party as a women's business enterprise (WBE), 30 percent are certified as a small disadvantaged business (SDB), and 15 percent are certified (qualified) as an 8(a) firm. The latter two certifications were overwhelmingly held by women of colour rather than by Caucasian women business owners (83 percent of women of colour were certified as an SDB and 49 percent have 8(a) certification, compared to only 12 percent and four percent, respectively, of Caucasian women in the federal marketplace).

The 2000 CWBR study provides evidence that certification (qualification) is associated with opportunities to supply to governments. These findings also indicate that certified women-owned enterprises are growth-oriented, able to foster collaborative supplier networks and relationships and aware of the opportunities and limitations of government procurement.

Implications

The evolution of American advocacy and policy reform provide additional insights to inform Canadian strategies to enhance procurement opportunities for women-owned enterprises. The review of the literature, including the above studies, and exploratory interviews with American experts suggest:

- *Goals must link to consequences.* The US five percent goal of federal procurement with women-owned enterprises has never been met. When US government procurement officials were asked for suggestions on how to ensure greater success with achieving the goal, a common refrain was that ‘goals without consequences do not work.’ Furthermore, if there are rewards for achieving the goal (performance bonuses for procurement officials, public recognition, other benefits) goals are more likely to be attained. Alternatively, punitive outcomes for not reaching the goal (for example, punitive action against prime contractors who do not meet subcontracting goals) might also achieve better results.
- *The importance of champions.* Progress in enabling federal access for women-owned enterprise is, in large part, an outcome of champions within government agencies. In every American federal agency, there is an Office of Small and Disadvantaged Business Utilization (OSDBU). Many have been champions for individual small business owners. Having internal champions is essential for women-owned enterprises.
- *It takes two sides.* While goals with consequences and champions within government are important in increasing access to federal procurement for women-owned businesses, it is unlikely that progress would have been made without active engagement and concerted advocacy from the women’s business community. The women business owner community has driven change, applauded progress, and halted potentially negative actions.
- *Education is key.* Consistent with the international literature, many SMEs including women business owners are not familiar with government procurement and how to enter this complex marketplace. In the US, education has largely taken place in the private sector by women’s business associations, ‘procurement fairs’ put on by federal agencies, and matchmaking. For example, when CWBR (2000) asked women business owners involved in federal contracting what should be done to help women-owned businesses conduct business with the government, interviewees suggested: teaching business owners how to get federal contracts; improving communications about what contracts are available; offering financial assistance that included access to capital and low interest loans; monitoring and enforcing quotas and the five percent goals; and increasing program opportunities.
- *Empirical evidence linking procurement programs and firm performance is limited.* While there are increasing calls for results-oriented and research-based policy, few studies examined if and how SBA business development programs contribute to the viability and long-term survival of ventures owned by socially and economically disadvantaged groups, including women-owned enterprises.⁵⁶

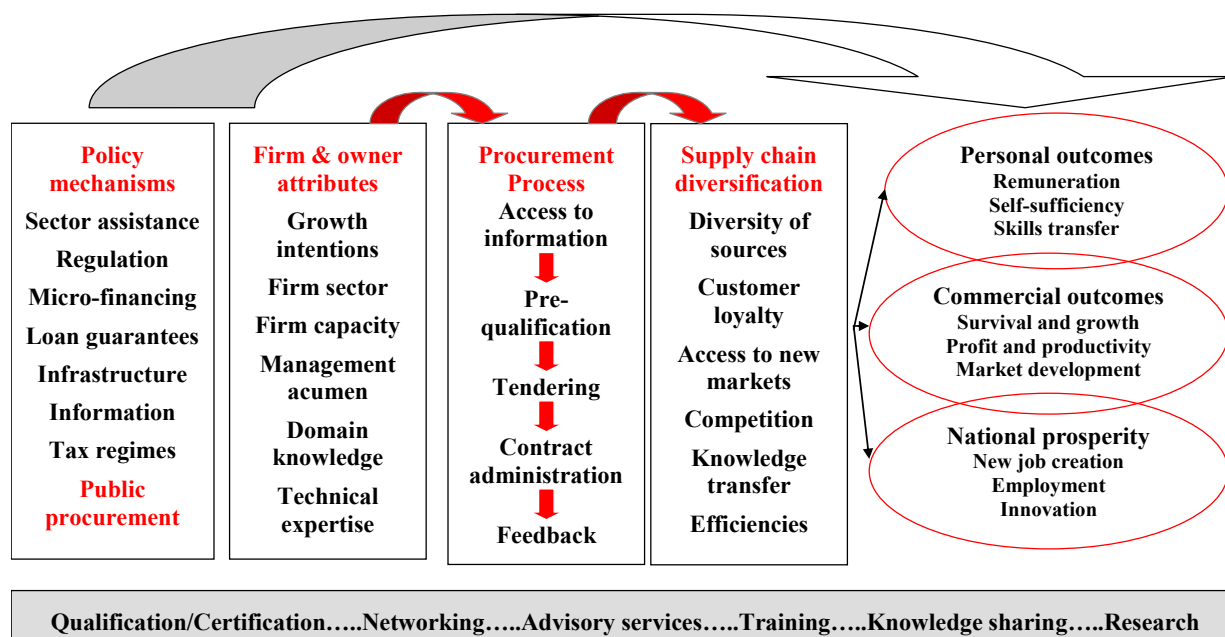
But Canadian policy reform and changing commercial practices are not without challenge. Again, drawing on the literature, the final section of the report highlights challenges and suggested response strategies to affect change.

⁵⁶ Smith, Roberson-Saunders and Fanara (2004).

Summary observations

The purpose of this report is to inform WEConnect Canada, community partner organizations and governments about strategies to leverage public procurement opportunities for women-owned enterprises. The digest has outlined the rationale for, and benefits of, public procurement initiatives targeted at women-owned enterprises. Limitations, potential impacts, and lessons learned from government, NGO and academic reports were reported. To provide context, an overview of Canadian SME policies and programs and gender-based initiatives were described. Schematic 1 presents a summary of topics identified in this study.

Schematic 1: Procurement strategies to support women-owned enterprise



Source: Orser, B. (2009) Procurement strategies to support women-owned enterprises.

The schematic illustrates that SME procurement policy is one of several policy mechanisms used by government to stimulate economic growth. All are premised on economic arguments that SME growth and survival are hindered by unfavourable economies of scale, etc. It is also argued that the costs of these public initiatives are off set by the economic returns from small firm growth. Gender-specific programs and policies, such as procurement target for women-owned enterprise, reside within the larger national SME policy framework.

Within the SME policy framework opportunities and the ability to supply the private and public sectors are associated with firm and managerial capacity. This report highlights Canadian and international research that document systemic gender differences across SMEs. These studies also report that most, but not all, women business owners perceive gender-related barriers to firm growth. These influences are linked to the engagement of women-owned enterprises in accessing private and public sector contract opportunities.

Drawing on the literature and expert consultations, the study then documented the challenges for small- and medium-sized enterprises in supplying governments. The challenges are evidenced in all phases of the contract lifecycle. At the same time, the report asserts that there are unfulfilled procurement opportunities for women-owned enterprises.

The economic and social benefits of supplier diversity in the public and private sector are noted. Owner level outcomes reflect personal remuneration, economic self-sufficiency, and transfer of skills. Firm level outcomes include increased managerial and financial capacity with resultant increases in firm profitability, productivity, and growth. National level outcomes link to the drivers of economic prosperity: leveraging human and managerial capital; embracing private and public sector innovation; ensuring that all businesses are tapped into public and international market opportunities; and establishing sound financial and economic policy frameworks. WEConnect Canada and community partners are positioned to support this process by advisory services, training and knowledge-sharing, qualifying majority-women-owned enterprises, research, and networking.

To further inform policy discussions about strategies to support women-owned enterprises, the following observations are advanced:

- *Creation of a Canadian SME policy framework:* The US SBA's procurement efforts are predicated on promoting 'equality of outcomes.' The UK policy framework has focused on 'equal treatment.' Both perspectives merit discussion about a 'Made in Canada' policy framework to support women-owned enterprises. This observation is consistent with other scholars who have examined the applicability of US SME procurement and minority policies within European jurisdictions. UK experts suggest that it is important to determine contextual differences between the country of origin (US) and the "borrowing country".⁵⁷
- *Achieving government buy-in.* The literature suggests that 'successful' diversity programs require clear and unambiguous executive support. Corporate and government residence to diversity initiatives are documented.⁵⁸ Furthermore, decisions are often made by non-procurement personnel who are not familiar with SME procurement targets or certification. Hence, they have little interest in seeking out qualified suppliers. Visible executive support is therefore required to ensure that all employees are aware of the importance of supplier diversity initiatives. This entails educating personnel about the benefits and risks of contract compliance while emphasizing that diversity supplier goals are benchmark of performance. Such observations are consistent with Canadian trade organizations that call for clear objectives to ensure that all government departments are committed to engaging SMEs in the procurement process.

⁵⁷ Moder, Theodorakopoulos and Worthington (2007, p. 478). Marlow, Carter and Shaw (2008) present similar arguments in their examination of US policy initiatives in the UK to encourage women to start new firms.

⁵⁸ Chartered Institute of Purchasing & Supply report *Supplier Diversity* (undated).

- *Aligning diversity programs with existing processes and procedures.* Within Canada, there are no mechanisms with which to identify women-owned suppliers. WEConnect Canada is breaking ground in providing incentives and support for qualifying women-owned firms. Still, current tender processes do not require owners to declare gender. Discussions are required to understand further the logistical barriers in systematically identifying women-owned enterprises.
- *Improving knowledge about SME procurement policy.* Key informants suggest there is limited knowledge within the bureaucracy about SME procurement policy. Respondents also indicated that policymakers assume procurement programs are predicated on social rather than economic outcomes and that government ‘inertia’ may be an outcome of misinformed assumptions. For example, respondents indicated that some policymakers hold the view that Canada is an ethnically-diverse nation and, therefore, SME procurement strategies that seek to support ethnic-minorities are not relevant. Some policymakers dismiss the idea of targeted procurement for SMEs because they believe that Aboriginal procurement targets are not being met. Knowledge sharing about alternative policy options is required across all levels of government.
- *Persuading suppliers to seek government contracts.* WEConnect Canada is encouraged to inform all women business owners about the challenges and opportunities in supply government. This information can then be used to manage expectations, anticipate hurdles and structure contracts.
- *Legal implications require clarification.* The review of found no obvious legal impediments for enacting public procurement goals to support women-owned enterprises. With the enactment of the Canadian Aboriginal set-aside and voluntary procurement goals, precedent for targeted SME procurement programs was established. The Canadian Charter of Rights and Freedoms authorizes special programs designed to improve the conditions of disadvantaged groups. Further examination of Canadian and international law, including the “women’s clauses” in EU procurement policies is required given the March 2009 announcement that Canada will move forward with efforts to construct an EU trade agreement.⁵⁹
- *Gender disaggregated data is required.* Research that incorporates gender disaggregated data is required to inform policy discussions about the experiences and contributions of women in supplier value chains. WEConnect Canada is encouraged to work with federal, provincial, and local governments to construct mechanisms for data collection, analysis, and reporting. Without quality gender disaggregated data at the outset of public procurement discussion, opinion-based policy (often) inspired by ideological standpoints, prejudices or speculative conjecture is a likely outcome.⁶⁰

⁵⁹ See Tobler (2000).

⁶⁰ Ungerleider (2009).

Questions for corporate and public sector procurement officers

To assist in information exchange among stakeholders, we present a series of questions targeted at corporate purchasers, public sector purchasers and procurement officers in addition to women business owners and women business owner organizations. Questions are intended to stimulate thoughts about *how* public procurement practices (for example, access to information, pre-qualifications, tendering, supplier liaison) and cost/process efficiency strategies (for example, contract bundling, reliance on MERX) unintentionally preclude women-owned enterprise and the other SME suppliers.

In closing, it is the hope of the report's authors that this research digest will inform discussions about SME procurement policies that facilitate trade with women-owned enterprises. This is because improving access to public procurement opportunities for all SMEs is an underutilized and innovative strategy to enhance Canadian competitiveness.

Box 2: Questions about strategies to support women-owned enterprises

Questions for corporate and public sector purchasers/procurement officers

- What share of your current spending is with women's business enterprises (WBEs)?
- What will be the impact of supplier qualification/certification?
- How might qualification help government to diversify their SME supplier network?
- How might diversity efforts pay off in monetary, employee satisfaction or corporate social responsibility terms? How can tracking these returns on investment be improved?
- What outreach or marketing efforts could corporations and the government undertake with WBEs? Website tools and information? Dedicated personnel? Sponsor relationships with membership organizations? Business fairs or conferences? Supplier diversity awards?
- What type of incentives are required to encourage purchasing officers to do business with SMEs and in particular, with WBE suppliers? Performance bonuses? Employee recognition programs? Reporting in your annual report?

Questions for women business owner organizations

- What information do you/your members need to have to begin to engage in private sector and government procurement, or increase your efforts in that regard?
- What share of your membership supplies goods or services to the federal government or other government agencies? What percentage supply to local agencies? Should you track improvements among these customer groups?
- What barriers or roadblocks have you/your members faced in the government procurement arena? How would you suggest they be addressed?
- Do you hold conferences/meetings/webinars during which educational sessions on doing business with the government can be conducted?
- What government efforts do you feel would be most helpful to increase contract opportunities for WBEs?

Appendices

Appendix A: WEConnect Canada⁶¹

WEConnect Canada is a Canadian non-profit organization that is opening doors to new supply chains. Led by corporate members, it qualifies firms that are at least 51 percent owned, managed, and controlled by women and connects them with the growing global demand from corporations and the public sector for diverse and innovative suppliers. An affiliate of WEConnect International, which promotes the leading international certification standard for women-owned businesses to link them to the global supply chain, WEConnect Canada is building on successful models in the US and U.K. The organization actively partners with corporations, associations, governments, women entrepreneurs and their supporters to accelerate the growth of women-owned businesses in Canada. In addition to qualification, WEConnect Canada delivers education and training programs for Canadian women business enterprises to help them bid successfully on procurement contracts.

Why WEConnect Canada was created

Despite the growth of Canadian women entrepreneurs, women-owned businesses are under-represented in procurement contracts. WEConnect Canada estimates that they comprise less than five percent of all domestic and international suppliers to corporations and governments. The result is that business misses out on value and innovation, women's businesses don't grow, and productivity is compromised.

It is important, therefore, for Canada to mirror the growth of supplier diversity spreading through multinational corporations in the US and UK. With the trend towards contract bundling in the US, over 80 percent of multinational corporations are now requiring supplier diversity efforts from their tier one and tier two suppliers. They advertise this "spend" with diverse populations, and are taking their business practice global, setting new benchmarks for measuring and celebrating diversity in supply chain contracts they award. Women-owned businesses are well positioned and ready to work at all points in the supply chain: local, national, and international. A supplier base, therefore, reflects the growing diversity of Canadian businesses, in particular, and the population, in general, makes good business sense. Women are involved in 85 percent of purchasing decisions, but receive a very small fraction of large contract opportunities, despite the innovative and quality products and services they are bringing to the marketplace at an escalating pace.

Why buyers support WEConnect Canada

- *To expand sourcing options.* Buyers gain access to the WEConnect Canada database of women suppliers qualified through internationally standardized procedures. Available only to members, this online database helps facilitate access to historically underutilized companies that bring quality products and services in addition to competitive pricing.
- *Drive value and innovation.* By developing a more inclusive vendor network, buyers increase the number of suppliers in the marketplace, drive up quality and innovation as well as to help drive down cost.

⁶¹ WEConnect Canada (2009).

- *Create a competitive edge.* Buyers can source a network of growth-oriented women business owners, many with products that fill unexploited market needs.
- *Stay on the leading edge of diversity practices globally.* Buyers have access to WEConnect global events and 'Best Practices' in supplier diversity.
- *Improved metrics.* The WEConnect Canada system makes it easier for buyers to accurately track women business enterprise expenditures and utilization rates in order to measure and report on diversity in procurement practices.

Founding corporate members and supporters

Accenture	Cisco	Pfizer
Alcatel-Lucent	IBM	Staples
BMO Financial Group	Manpower	Wal-Mart

Government supporters include Status of Women Canada, Atlantic Canada Opportunities Agency, and Foreign Affairs & International Trade Canada.

Sample testimonials

"In Canada today, women are starting business at twice the rate of men. In working with WEConnect, we are giving those women access to markets that were unavailable to them previously. Status of Women Canada, in partnership with DFAIT, is committed to ensuring the success of Canadian businesswomen as they conduct trade around the globe. By partnering with such worthy projects as WEConnect, this Government continues to advance women's full participation in all aspects of Canadian life, including helping them expand their businesses to the next level of success."

*Honourable Helena Guergis
Minister of State, Status of Women*

"It's really just smart business for us to support the growth of women-owned businesses. It helps to provide innovative products for our customers and increases our competitiveness. We're proud to be a founding member of WEConnect Canada."

*Tara Spann
Director of Diversity Initiatives
Staples North American Delivery*

"Walmart is proud and honoured to participate as a WEConnect Founding Member. We heartily applaud your commitment to facilitate global collaboration and business connections for women and your creation of a platform to develop business opportunities for women-owned companies and their corporate partners. May WeConnect Canada lead us to greater heights as ingenuity and diligence serve to encourage entrepreneurial women in Canada and around the world."

*Jackie Spedding
VP, Global Indirect Sourcing Manager, Global Market Integration
Wal-Mart*

Appendix B: Sample Canadian women business owner associations

- Alberta Women Entrepreneurs (AWE)
- Association of Canadian Business Women's Organizations (ACBO)
- Canadian Aboriginal and Minority Suppliers Council (CAMSC)
- Canadian Manufacturers Association
- CATA Women in Technology Forum (CATA WIT)
- Center for Women in Business, Halifax
- Manitoba Women's Enterprise Centre (MWEC).
- New Brunswick Association of CBDCs, Bathurst, NB
- Newfoundland and Labrador Organization of Women Entrepreneurs, St. John's
- PEI Business Women's Association, Charlottetown
- The Canadian Foundation for the Americas (FOCAL)
- The International Alliance for Women (TIAW)
- Women Entrepreneurial Center of Quebec
- Women Entrepreneurs of Canada (WEC)
- Women's Entrepreneurs of Saskatchewan Inc. (WESK)
- Women Entrepreneurs of Saskatchewan Inc. (W.E.)
- Women's Enterprise Centre (WEC-BC)
- Women in International Trade
- Women Presidents' Organization (WPO)

Appendix C: Sample American procurement support web-sites

Sample Websites	Descriptions ⁶²
www.womenbiz.gov	A gateway for (US) women business owners selling to government, providing tips for supplying to government and links to procurement and WBO agencies.
www.osdbu.gov	Federal Office of Small and Disadvantaged Business Utilization Directors Interagency Council is an informal organization of federal SME officials.
www.sba.gov/onlinewbc/wbc	Office of Women’s Business Ownership Entrepreneurial Development (OWBO) exists to establish and oversee a network of Women’s Business Centers (WBCs) throughout the United States and territories. Through the management and technical assistance provided by the WBCs, entrepreneurs, especially women who are economically or socially disadvantaged, are offered comprehensive training and counselling.
www.awbc.biz/	The Association of Women’s Business Centers (AWBC) is a national not for profit 501(c)(3) organization representing women business owners through a network of women’s business centers. The AWBC supports entrepreneurial development among women as a way to achieve economic self-sufficiency, create wealth, and participate in economic development through education, training, mentoring, business development, and financing opportunities.
www.women-21.gov/	Women-21.gov, is a one-stop federal resource for targeted information, registration for online programs, and networking opportunities to help women entrepreneurs navigate the ever-changing business world.
www.nafe.com	The National Association for Female Executives (NAFE) provides education, networking, and public advocacy to empower its members to achieve career success and financial security. Members are female executives, women business owners and others who are committed to NAFE’s mission: the advancement of women in the workplace.
www.ccr.gov	Central Contractor Registration (CCR) is the primary registrant database for the US federal government. CCR collects, validates, stores, and disseminates data in support of agency acquisition missions.
http://www.sba.gov/contractingoortunities/index.html	The website of the US Small Business Administration includes some basic information about how to seek federal procurement opportunities.

⁶² Descriptions are verbatim extractions obtained from the web-sites cited.

Appendix D: U.S. policies and programs

Initial policy to expand access to American federal procurement opportunities for SMEs in general, and women-owned businesses in particular, was formalized approximately 30 years ago through the *US Small Business Act* (1978). In 1978, an Interagency Task Force on Women's Business Ownership was convened with subsequent establishment of: (a) The Office of Women's Business Ownership (OWBO) within the US Small Business Administration (SBA); and (b) an Interagency Committee on Women's Business Enterprise (IACWE). Power of the Office of Women's Business Ownership (OWBO) and Interagency Task Force on Women's Business Ownership was viewed as largely ceremonial. As such, women's business leaders continued to advocate for policy change.

Significant progress in formalizing support for women-owned enterprises is then linked with passage of the *Women's Business Ownership Act* of 1988 (Public Law 100-533). The legislation, known informally by women's business advocates by the original bill number (HR 5050), is considered the "Big Bang" of women's enterprise development. The *Women's Business Ownership Act* of 1988 contained four elements:

- Extension of the *Equal Credit Opportunity Act* of 1974 allowing women to obtain personal and commercial credit in their own names.
- Requirement of the US Census Bureau to include all women-owned firms in the business census.
- Launch of a demonstration project of Women's Business Centers to provide assistance to women seeking to start their own businesses.
- Establishment of the National Women's Business Council in order to provide a voice for the women's business community in Federal policymaking.

Much of the early dialogue among the NWBC, OWBO, the IACWE, and women business organizations such as the National Association of Women Business Owners (NAWBO) focused on federal market access. This is because the *Women's Business Ownership Act* (1988), specifically and consciously, did not address the topic.⁶³ Furthermore, the statutory authority of the NWBC required review of "...the role of Federal Government and State and local governments in assisting and promoting aid to, and the promotion of, women-owned businesses and to make recommendations concerning ways to promote greater access to public and private sector financing and procurement opportunities for such businesses."⁶⁴

Increased access of women-owned enterprises to the federal marketplace saw progress in 1994 with the passage of the *Federal Acquisition Streamlining Act* (Public Law 103-355). The law established a five percent goal (not mandate) for federal spending with women-owned enterprises. Systems were also put in place to measure contract actions and federal 'spend' with women-owned enterprises.

⁶³ Federal procurement for women-owned enterprises was discussed during the drafting of the Business Ownership Act of 1988 (Public Law 100-533). It was not included because women's business advocates were told by Congressional leaders that its inclusion would hurt its chances of passage.

⁶⁴Original statutory authority of the NWBC as written in the WBO Act of 1988. Subsequent reauthorizations of the NWBC, which are conducted approximately every three years in parallel with the reauthorization of the US Small Business Administration, have modified the "marching orders" for the Council. The authority that governs the operation of the NWBC is typically included as an appendix in their annual reports, which can be accessed at www.nwbc.gov.

- In 2000, the *Small Business Reauthorization Act* (Section 811 of Public Law 106-554) sought to further address the issue of improving access to federal procurement for women-owned businesses. The law allowed federal procurement officials to restrict competition for some contracts in areas where there is a disparity in market access between women-owned and all small firms. However, while this law has been passed, it has not been implemented. During the eight years of the Bush Administration, officials in the US Small Business Administration (SBA) and the Department of Justice delayed implementation by conducting first, an internal disparity study and second, an external contracted review with RAND Corporation. The RAND study sought to ascertain in which industries gender disparity was found (for example, a comparison of number of potentially available women-owned businesses and the number receiving federal contracts). The first (internal) disparity study was never published as the SBA cited methodology flaws. The RAND study was published in 2007, but not before the SBA was sued by the US Women’s Chamber of Commerce for failing to implement the *Small Business Reauthorization Act*. Proposed regulations to implement the 2000 law were published by the SBA on December 27, 2007.

The 2007 legislation was not well received by women business advocates given substantive SBA delays and interpretation of the RAND report. For example, initially only four industries were designated for “protected” status versus the RAND report that indicated disparity in Federal contracting for women-owned enterprises in up to 87 percent of industries).⁶⁵ Narrow SBA interpretation of the RAND report led to a bombardment of complaints during the public comment period (December 27, 2007 to February 25, 2008). After this initial comment period, the original proposed regulations were withdrawn, then delayed and most recently, resubmitted in the final days of the Bush Administration. While there is a comment period still open until mid-March 2009, it is expected that regulations will be withdrawn and redrawn when President Obama’s personnel assume positions in the SBA. And, to ensure that this rule does not take effect before it can be withdrawn, an amendment was recently included in an omnibus budget bill to prevent the SBA from using any appropriated funds to promulgate the proposed regulation.

While some agencies met the five percent goal, this procurement goal has never been met on a government-wide basis. In 1999, 2.4 percent of federal contract dollars and 3.8 percent of federal contract actions went to women-owned enterprises. Of fiscal year 2006, 3.4 percent of dollars and 8.4 percent of contracts were spent with women-owned firms.^{66,67,68}

Legislative delays and failure to meet procurement goals has galvanized policy support and stimulated outreach within the women’s business community. For example, the US Women’s Chamber of Commerce holds federal procurement workshops around the country. Access to government markets is a priority of the National Association of Women Business Owners policy agenda. Women Impacting Public Policy (WIPP) has launched a “Give Me 5%” initiative to encourage women-owned enterprises to register on the Central Contractor Registry – the first step for any business that wishes to compete for Federal contracts. WIPP also recently published an “Economic Blueprint” report containing policy recommendations for the Obama Administration, which includes four procurement principles: implement a real women’s procurement program; strengthen small business subcontracting; increase the small business contracting goal; and unbundle contracts to allow greater utilization of small businesses.

⁶⁵ Industries include kitchen cabinet manufacturing, engraving, other motor vehicles, and intelligence.

⁶⁶ National Women’s Business Council (2007).

⁶⁷ These estimates mirror private procurement data. In 2003, 3 percent of ‘spend’ among Fortune 1000 companies went to women-owned enterprises; 1 in 5 Fortune 100 companies spent less than 2 percent to women-owned enterprises. Ibid.

⁶⁸ United States General Accounting Office (2000); National Women’s Business Council (2007).

While it is too early to comment on the current US administration's response to increasing access to federal procurement for women-owned enterprises, on March 4, 2009, President Obama stated:

First, with the presidential memorandum that I'm signing, I am instructing my administration to dramatically reform the way we do business on contracts across the entire government. So starting today, Peter Orszag, my budget director, will work with Cabinet officials and agency heads to develop tough new guidelines on contracting by the end of September. We will stop outsourcing services that should be performed by the government, and open up the contracting process to small businesses. We will end unnecessary no-bid and cost-plus contracts that run up a bill that is paid by the American people. And we will strengthen oversight to maximize transparency and accountability. Altogether, these reforms can save the American people up to \$40 billion each year.⁶⁹

*Description of American certification*⁷⁰

The federal government does not require independent, third-party certification for woman-owned small businesses. However, third-party certification can be helpful in winning other types of contracts, including some state and local government opportunities. For federal procurement, a woman business owner may self-certify as a woman-owned business during the Central Contractor Registration process. In addition, two private national women's business organizations that certify qualified women-owned businesses:

- The Women's Business Enterprise National Council (WBENC) offers certification for women-owned businesses, administered through fourteen regional affiliates. Certification is accepted by more than 700 national corporations, as well as state and local government agencies.
- The National Women's Business Owners Corporation (NWBOC) is another private certification organization. NWBOC has launched a national certification program for women-owned and controlled businesses as an alternative to the multiple state and local certifications required by many public and private-sector agencies or prime contractors. More than 100 major corporations, agencies, and organizations accept NWBOC certification.

A small business is one that: is organized for profit; has a place of business in the United States; makes a significant contribution to the US economy by paying taxes or using American products, materials or labour; and does not exceed the numerical size standard for its industry. The business may be a sole proprietorship, partnership, corporation, or any other legal form. A third-party certified women's business enterprise is a for-profit business, of any size, that is at least 51 percent owned, operated and controlled by a woman or women. Third-party certification involves a comprehensive financial review of the business and a site visit of the enterprise.

Central Contractor Registration has aligned its classification standard with the official classification from Small Business Administration (SBA). The SBA has a size standard for all private sector industries in the U.S. economy, using the North American Industry Classification System (NAICS) to identify the industries. Size standards (usually stated in number of employees or average annual receipts) represent the largest size that a business (including its subsidiaries and affiliates) may be to remain classified as a small business for SBA's programs and for federal contracting programs. For the most current

⁶⁹ See: http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-on-Procurement-3/4/09/ and http://www.whitehouse.gov/the_press_office/McCain-Levin-McCaskill-Towns-Welch-to-Join-President-Obama-This-Morning/

⁷⁰ Extracted verbatim from: <http://www.womenbiz.gov/faq.html>

information on the small business size standard for a variety of industry groups, check the CCR Web site.

Although women-owned businesses are not required to obtain third-party certification to do business with the federal government as a women-owned business, there are several other federal certification programs for which some women-owned business may qualify. These include:

- The 8(a) Business Development Program: The 8(a) Program was the first and perhaps best known of the SBA's contracting-related certification programs. This nine-year program provides business development assistance to all its participants. Participants may also compete for federal contracts reserved for the 8(a) program through sole source or limited competition awards. Each year, millions of dollars in 8(a) contracts are awarded to program participants. Today's 8(a) Business Development Program is strengthened and improved to be a truly effective business development vehicle. New regulations permit 8(a) companies to form beneficial teaming partnerships and allow federal agencies to streamline the contracting process. Nearly every SBA district office has regularly scheduled presentations about applying to and benefits of the 8(a) program. For more information, call SBA's Answer Desk at 1-800-827-5722.
- The Small Disadvantaged Business (SDB) Program: While the 8(a) Program offers a broad scope of assistance to socially and economically disadvantaged firms, SDB certification strictly pertains to benefits in federal procurement. 8(a) firms automatically qualify for SDB certification. SBA certifies SDBs to make them eligible for special bidding benefits. Evaluation credits available to prime contractors boost subcontracting opportunities for SDBs.

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