



## **What's Working for You? Competitive Dialogue Process by University Health Network**

*By Juli Smyth and Debby Shapero Propp*

Is your organization confronted with large complex projects and not sure which way to proceed to procure? Have you wanted to seek the expertise of the suppliers in the market and have an open discussion in an exploratory and transparent way? And is senior management at your organization wanting to tap into the buzz about newer innovation procurement and value-based methodologies? These were some of the considerations that motivated the University Health Network (UHN) to explore – and begin using – the Competitive Dialogue methodology nearly two years ago.

Once we established legal support for the Competitive Dialogue process in Canada, we started to turn our attention to the practical implementation of such a process. And while the legal aspect of Competitive Dialogue could be its own article, this article will focus on some high-level practical matters. When we started looking at Competitive Dialogue, we did not have access to the now readily available *BPS Primer on Innovation Procurement Interim*. This document is an important step and would have been useful.

Now after successful uses of Competitive Dialogue at UHN for major projects and as our comfort level and facility with this methodology have grown, we are now able to share some of our collective insight into the process.

### **What is Competitive Dialogue?**

For those of you not yet familiar with Competitive Dialogue, this is a multistage procurement process that was first introduced in the European Union in 2004. However, it did not become widely used until years later. Competitive Dialogue is a procurement process that allows more flexibility when dealing with complex or unusual procurements.

Competitive Dialogue is different from other procurement processes because it allows organizations to discuss the procurement with suppliers before specifying the project requirements and before inviting the suppliers to submit their proposals.

The Competitive Dialogue methodology works well for procurements where at least some of the following apply:

- The procurement is complex or unusual;
- There isn't an identified solution or an established market for the goods or services you want to procure; or
- It is challenging to describe the requirements without discussing possible solutions with potential suppliers.

### **Methodology**

Competitive Dialogue methodologies can vary, and we considered different methods. Our approach was somewhat cautious but certainly both practical and effective.

- Organizations may first issue a Request for Supplier Qualifications (RFSQ) and then shortlist suppliers to be invited to participate in a structured competitive dialogue phase.
- There are several matters to address before the competitive dialogue phase begins, including signing non-disclosure agreements to address confidentiality and proprietary issues, arranging logistical matters, setting up the question and answer protocols and the governance of the meetings, and so on.
- The competitive dialogue phase allows organizations to work in structured one-on-one sessions with each pre-qualified supplier to develop possible solutions. Pre-qualified suppliers discuss the situation, working together to develop the best solution(s) and presenting them to the organization. This can create a competitive and creative tension that stimulates innovative ideas and can result in better value for money over the whole-of-life of the contract.
- The competitive dialogue phase may result in a single solution or a different solution with each pre-qualified supplier. The organization may then finalize its specifications based on the information obtained in the competitive dialogue phase and the organization's objectives and desired outcomes. The specifications would then be included in the Request for Proposal (RFP) sent to the pre-qualified suppliers to submit proposals for resulting contract opportunities.

It took some time, elbow grease, and legal input to create our Competitive Dialogue toolkit, which includes, but is not limited to, a non-binding RFSQ, a non-binding RFP, an Invitation to Participate in Dialogue, and an Outline Solution Proposal template. The toolkit will likely need to be customized somewhat for each project, and while the developed documentation is more complex than a traditional procurement, it was certainly worth the effort.

### **Selected Competitive Dialogue Risks**

There is always the potential of risk from doing something innovative and with taking on a process more complex than those often used. With limited direction, we reviewed the processes outside of Canada and turned to New Zealand for some assistance and to mitigate risk. While there are legal risks to using this procurement methodology, as there are with most procurement methodologies, we kept the parameters of the Ontario BPS Procurement Directive (UHN is in Ontario) and the common law at the forefront of the development of the documentation and processes. Additionally, there were operational and implementation risk areas that can impact a Competitive Dialogue process, including: poor market response, insufficient or underestimated resource capacity for Competitive Dialogue, and potentially high costs for participation from the perspective of both the supplier and the issuing organization – just to name a few. Efforts were taken to mitigate these and other risks and to provide education to those involved in the process.

### **Lessons Learned**

We have been asked to share some of the practical lessons of using this methodology. While there are many areas that we could discuss, we will touch on four of those areas as follows:

#### *1. Be resource conscientious*

You should have a strong procurement professional to lead. Ensure that there are supportive legal services experienced with public procurement and commercial law to develop your organization's toolkit and keep these services on hand throughout the process. Advise the working group and support staff of the on-going time and work effort required – and clear part of your calendar. This process requires a great deal of effort from procurement. As UHN has now run a number of these processes, we know that the timelines will vary – likely between six to ten months. However, keep in mind that even with the best laid plans, any project can take an unexpected turn.

#### *2. Executive engagement*

Ensure that the executive sponsor for a project using Competitive Dialogue is comfortable with the strategy, and that there is engagement and alignment with the senior team and stakeholders.

#### *3. Practice clear communication and be transparent*

We worked to communicate the methodology to the supplier community throughout the process – and even before the process commenced. For example, a pre-bid conference was announced electronically and held in a public forum at the outset of the process. There was a huge turnout for this meeting and a robust panel discussion and presentation. We also endeavoured to ensure that the documentation was clear about the process and that the process was discussed with the shortlisted suppliers via a plenary session, as keeping the supplier community and internal stakeholders informed is very important.

#### *4. Usage*

It is important to ensure the Competitive Dialogue is both strategically used when appropriate and carefully managed. The overuse of this methodology is itself a risk.

### **Feedback on the Process**

Given that this was a new process, feedback was solicited both from the suppliers and internally. Some of the general and synthesized feedback that we received from the suppliers provides insight into the methodology and is set out below:

*Overall a good process; encouraging to see organizations undertake innovative procurement processes like this to improve outcomes.*

*The interaction between teams was strong and was a major factor in formulating a comprehensive solution proposal.*

*Engaged team – right group of individuals attended the dialogue meetings to participate in detailed technical conversations.*

*Well run – great communication, well defined process, and right level of engagement*

Developing a process for Competitive Dialogue for UHN has been a journey. And for a multitude of reasons, a journey that was worth pursuing.

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## **Authors**

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