



Driving Innovation Through Procurement

Introduction

The rapidly evolving global security context presents the Canadian Armed Forces with a myriad of challenges. Although capability and budgetary issues typically make the headlines, one crucial aspect that can assist in optimizing our military's role and reach is **innovation**.

Recent policy documents from our allies suggest that driving innovation through procurement in particular may be highly valuable, not only for bringing innovative solutions to the Defence Team specifically, but also for driving innovation across the national landscape

Why Focus on Innovation?

There are several reasons why innovation needs to be a key consideration in Canada's Defence Review, three of which are listed below:

1. *Our rapidly evolving security environment demands new approaches and solutions.*

The rapid dissemination, adoption, and innovative use of technology across the globe as well as the pace of geopolitical change requires us to be agile in dealing with quickly evolving security and defence issues. The ability to leverage innovation within the defence realm would provide the means to more effectively adapt to the demands of a changing global context.

2. *We need to maximize what we can achieve within a finite defence budget.*

Given our spending limits, the current economic situation in Canada, as well as the growing funding requirements of other sectors such as health care, the military will face budgetary constraints for the foreseeable future. Innovation can provide new solutions that help maintain and create new capabilities within a restricted fiscal environment.

3. *Innovation is key to Canada's long-term success.*

Several Conference Board of Canada reports have highlighted the need to improve innovation performance in Canada and how crucial innovation is to our country's long-term economic success. There is an opportunity to drive innovation nationally through defence, which is an approach taken by many of our allies, but which Canada has not fully capitalized on yet.

The Innovation Challenge and the Role of Procurement

Part of the challenge in driving innovation within the defence context is that government organizations and the military are not optimally structured to encourage and drive it. While we do need to build the capacity for innovation *within* the Canadian Armed Forces, we also need to quickly leverage new ideas being developed



outside the military and government, especially since innovation often occurs in start-ups, small companies, and even larger private sector corporations.

A number of tools are available to leverage Canada's innovation capacity. One important tool includes the procurement system. Innovation procurement offers options for enhancing Canada's innovation performance in particular by stimulating and supporting a market for new approaches to challenges faced by the Defence Team. As the experiences of our allies indicate, not only can this help deliver novel defence solutions, but their application can extend far beyond the military. As a result, effective defence innovation procurement can be an engine for driving innovation nationally. In other words, the procurement system becomes a tool that helps to create value.

Defence Review Recommendations

Several steps need to be taken to establish effective innovation procurement within defence:

- *Learn from our allies:* A number of Canada's allies have successful programs in place that leverage defence procurement to drive innovation. We need to understand these programs, their successes, and pitfalls, lest we repeat the mistakes of others.
- *Contextualize the lessons from our allies:* These lessons need to be contextualized within the needs and constraints of Canada's ambitions for its armed forces. A better understanding of the future domestic and international roles and responsibilities of the Canadian Armed Forces is needed.
- *Involve private sector expertise:* Whether it is venture capitalists or industry experts in innovation, private sector officials with in-depth expertise in successfully driving innovation should have a significant role in designing and overseeing the defence innovation procurement process.
- *Revise procurement processes:* Simple processes will be needed that can involve smaller companies and start-ups as well as major defence primes when procuring innovation. Procuring innovative solutions or products can be substantially different to standard processes in use today, which may present a significant barrier to innovative solutions.
- *Update risk management approaches:* Innovation is risky by definition and the management of processes linked to innovation will need to be managed accordingly. The standard approaches within government to managing risk, which tend to be highly risk averse, will need to be revised to better accommodate innovation.

Conclusion

The Defence Review represents a significant opportunity for Canada and for the way in which the Canadian Armed Forces are structured to deal with a rapidly evolving future. It is crucial to acknowledge that innovation has become a *necessity*. The Defence Review can be used as a platform to drive the principles of innovation procurement in defence and deliver novel solutions to the military, while also helping to drive a broader mandate for innovation in Canada.



For further details the Conference Board's work on innovation, defence, and security please contact:

Dr Satyamoorthy Kabilan

Director, National Security and Strategic Foresight