

The risks and opportunities of social procurement from a social enterprise perspective

Social procurement is an emerging approach that encourages collaboration between government, private industry, and social enterprises to deliver social value through procurement practices. While it presents new opportunities for social enterprises such as greater market access and potential to scale, there are also significant risks and challenges.

Why the study:

- Social procurement is a new collaborative policy mechanism which seeks to shift attention away from governments as a provider of welfare to an enabler of such services. It does this by incentivising new collaborative arrangements between government, private, third sector and community organisations.
- There is virtually no research into how these new hybrid organisational arrangements work within the construction industry – yet it is the focus of most social procurement policies.
- Research outside the construction sector shows that while the potential opportunities of collaboration are theoretically enormous, collaborating across diverse sectors is risky and prone to failure. Potential risks include: disparate organisational systems, goals and logics, high transaction costs, poor communication and differing professional identities, cultures and languages, incentives and management practices.
- This research explored these risks and opportunities from the perspective of social enterprises (SEs) which many social procurement policies are meant to help.

What we did:

- Data was collected about the risks and opportunities of social procurement from a social enterprise perspective.
- This was done via interviews, focus groups, documentary and case study analysis of SEs operating in the Australian construction industry.

What we found:

- There was some uncertainty about whether new social procurement (SP) policies represented an opportunity or risk to SEs.
- Few SE had seen a major increase in business from social procurement in the construction sector.
- There was a sense that people were still learning how to navigate this space and that there was a need to educate themselves and potential clients about the nature and benefits of these requirements. This made it hard to formalise strategies around this.
- SP policies were seen by some as an important new door-opener for social enterprises and a way to open opportunities for further work and sometimes spin-off businesses.
- They were also seen to benefit a wide range of cohorts (although some concerns were raised about an over-focus on Indigenous people and businesses at the exclusion of other cohort groups who also need support).
- However, many respondents thought that mandating social procurement will not bring about sustained change attitudes towards SE. Bringing external private investor funding into the sector was seen as important in the long term to make it sustainable
- There was a perception that the terms SE and SP were confusing for many in the construction industry. There is an important education role for SEs to play in helping government roll out these policies
- Reducing the perceived risk of employing a SE in the construction industry was seen as important. This was leading to gaming of the system in some companies such as giving SE tokenistic contracts etc.

- The SE label was seen as a disadvantage for many respondents.
- Ironically, there was a perceived need to emphasise the commercial aspects of what SE do rather than the social aspects since this could cause confusion and negativity in the market.
- Changing negative perceptions of SE's ability to deliver efficiently and effectively and to the same safety and quality standards as incumbent subcontractors was seen as critical.
- Getting in front of the right people was a common problem raised by our respondents. The role of intermediaries like Social Traders was seen as potentially useful but their ability to facilitate access to key decision makers was seen as problematic.
- SEs tend to occupy the lower end of the supply chain and be given low-value and small sized jobs. SE's need to move up the value chain.
- The risks that social procurement policies pose for SE largely revolved around: mandatory nature of policies, politics, cash flow, size of contracts, increased competition, learning to work with the private sector.

- Construction-specific risks include: lack of experience in employing social procurement cohorts, boom and bust nature of work, safety risks, high stress project-based environment, lack of clarity around skills needs, quick staff turnover needs, large packages which make it hard to compete, union presence, government restructures and outsourcing of their maintenance/construction services, negative stereotypes of social enterprises. These risks were seen as especially high for work integrated social enterprises because of the nature of employment in the industry (skills, culture, existing networks, discrimination etc).
- Measuring social impact was seen as problematic and there was some scepticism in trying to quantify it. There is a focus by clients on hard \$ outputs not soft outcomes/impacts.



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More information about this research can be found here: Barraket J and Loosemore M (2018) Co-creating social value through cross-sector collaboration between social enterprises and the construction industry, *Construction Management and Economics*, 36:7, 394-408; Loosemore, M., Denny-Smith, G., Barraket, J., Keast, R., Chamberlain, D., Muir, K., Powell, A., Higgon, D. and Osborne, J. (2021), "Optimising social procurement policy outcomes through cross-sector collaboration in the Australian construction industry", *Engineering, Construction and Architectural Management*, Vol. 28 No. 7, pp. 1908-1928; Loosemore, M (2015) Building the third construction sector through social enterprise, *Construction Management and Economics*, Volume 33, Issue 9, 724-739; Loosemore, M and Higgon, D (2015) *Social enterprise in the construction industry: Building better communities*, Routledge, London.