

Social procurement in UK construction projects

Martin Loosemore

Faculty of the Built Environment, University of New South Wales, Sydney, Australia

Received 18 February 2015; received in revised form 30 September 2015; accepted 22 October 2015



Abstract

Recent developments in the field of social procurement mean that in the future, firms tendering for major construction and infrastructure projects will need to demonstrate that they are not just efficient in project delivery, but also contribute positively to the communities in which they build. The emerging social enterprise sector represents a potentially innovative and sustainable opportunity to meet this new challenge but is poorly understood and grossly under-represented in the construction industry. Through interviews with twelve leaders of successful social enterprises operating in the construction industry, it is concluded that many changes are needed to traditional procurement practices to grasp this opportunity. These include unbundling work packages, reducing tender compliance burdens, changing traditional perceptions of ‘value’ which revolve around lowest price, incorporating social value requirements into existing subcontracts and challenging the dominant role of supply chain incumbents and ingrained negative stereotypes of the disadvantaged groups which social enterprises employ.

© 2015 Elsevier Ltd. APM and IPMA. All rights reserved.

Keywords: Social procurement; Social enterprise; Construction; Social value; Procurement; Community; Corporate social responsibility

1. Introduction

Procurement is the process by which organisations acquire the products and services necessary for the achievement of their project objectives at the best possible cost, quality and timing and in a way which does not damage the environment or society (Ruparthna and Hewage, 2015; PMBOK, 2013). Social procurement differs from traditional procurement in the use of procurement to leverage extra social benefits and create ‘social value’ in local communities, beyond the simple purchasing of products and services required (Bonwick, 2014). For example, in construction projects, social procurement may involve construction companies specifying products on projects which promote fair trade or requiring subcontractors and suppliers to not only deliver traditional products and services but to also provide employment opportunities for disadvantaged and marginalised groups such as the disabled, ex-offenders, ethnic minorities or the long-term unemployed.

While social procurement has a long history going back to the nineteenth century (LePage, 2014), recent momentum has been added by legislation such as the UK’s Social Value Act (2012) and new EU public procurement directives (European Union, 2014) which form part of a series of policy developments to broaden public procurement criteria beyond cost. The US has long had legal requirements for firms to engage with disadvantaged groups when tendering for public contracts and other countries like Australia are also experimenting with social procurement and are introducing new policies and guidelines such as the Federal Government’s Indigenous Procurement Policy. These place a new duty on the clients of publically funded construction projects, and those tendering on them, to consider the wider social, environmental and economic impact of their procurement decisions and to consult communities in considering how projects might improve the well-being of society. For example, in the UK, Temple and Wigglesworth (2014) found that 66% of Local Authorities and Housing Associations now require tenders to consider social value in their procurement processes and 23% said they were considering how to do it. This idea is not new. In the US, existing legislation such as the Public Law 95-507 Act of 1978 has

E-mail address: m.loosemore@unsw.edu.au.

long required firms tendering for construction contracts of over US\$1 million submit a buying plan that includes % goals for employing minority businesses (Bonwick, 2014). In Australia too, governments are experimenting with social procurement. For example, Parramatta City Council in Western Sydney has developed a much lauded social procurement strategy to make sure its procurement and purchasing practices around construction projects contribute to the welfare and amenity of local communities (Dean, 2013).

There has been a vast amount of research into construction project procurement stretching back over fifty years. A review of papers published in eighteen leading internationally peer-reviewed journals and conferences and PhD theses over the last thirty years produced over four hundred references to procurement looking at a wide variety of issues including tendering practices, supply chain management, different project delivery systems and buying and purchasing practices (ARCOM, 2015). However, there has not been one reference to the concept of social procurement, despite the above trends. There is currently no understanding of what this means for the construction industry and how it can engage more effectively with this agenda.

This is in stark contrast to research in other industries where social procurement is widely seen as a key vehicle for commercial firms to achieve the social impact required in social procurement criteria (Bonwick and Daniels, 2014; Barraket and Weissman, 2009). Given that it is almost certain that in the future, social procurement initiatives will require construction firms and consultants which tender on publically funded projects to compete on their social credentials not just price, research into the challenges of social procurement is important. To this end, the aim of this paper is to address the paucity of research into social procurement in construction by exploring the current barriers to procuring services and products from a social enterprise perspective. A social enterprise perspective is taken because they represent one of the main mechanisms by which firms can achieve their social procurement objectives. So their perspective is critically important in better understanding the barriers to social procurement in the industry. Unlike traditional contractors and subcontractors and consultants which operate in project supply chains in the construction sector, social enterprises specialise in adding social value to their commercial activities by benefiting disadvantaged groups in the community such as the unemployed, disabled and Indigenous (McNeill, 2011). While they exist to make profit like any other business, the profits of social enterprises are reinvested back into the community rather than being distributed to private shareholders. Furthermore, the performance of social enterprises is judged by the difference they make to the communities in which they operate (their social impact) rather than by the profits they generate for private shareholders (Agafonow, 2013).

This research is important for the many clients, firms and consultants operating in the construction industry and for the communities in which they build. First, it will improve competitive advantage. As CM (2014) notes, “Increasingly, putting up the building on time and to budget is the easy part. Local authorities and other public clients are seeking to ensure that investments in their neighbourhoods don’t just deliver

great new facilities, but the process of constructing them provides local jobs and training too”. Second, it will realize the significant but as yet untapped role that the construction industry can play in improving society. Globally, the construction sector employs more people than any other industry and is anticipated to grow by more than 70% to \$15 trillion worldwide by 2025 (WMI, 2010; GCP, 2013). Furthermore, given the construction industry’s extensive linkages with other sectors in the economy, the potential economic multiplier effect on one job into other sectors of the economy is huge. At a higher level, there are also impacts on regional and national prosperity and economies. Effective social infrastructure like libraries, hospitals and schools and economic infrastructure such as roads, ports tunnels and bridges are the lifeblood of a prosperous economy, catalysing growth and prosperity by generating jobs and enabling the efficient transportation of goods and services and knowledge between businesses and the communities in which they operate (Hansford, 2013). In 2010, poor and unaffordable housing alone costs the UK an estimated £2.5 billion per year in extra health costs, £14.8 billion per year in extra crime and lower educational attainment and contributed significantly to higher homelessness and reduced labour mobility (CIOB, 2014).

2. Social procurement in construction projects and the role of social enterprise

While closely related, research in the fields of social procurement and social enterprise has evolved in different ways. The reason for this is that social enterprise represents just one aspect of social procurement, if not a critically important one. As Newman and Burkett (2012) point out, there are numerous ways, outside social enterprise, in which organisations can achieve social value through their procurement activities. For example, a firm can require existing suppliers to employ disadvantaged people on its projects. Nevertheless, social enterprise is the focus of this paper and despite being ahead of social procurement in its theoretical development, suffers the same conceptual vagueness (Doherty et al, 2014; Haugh, 2012; Grassl, 2012). As Mason and Barraket (2015) point out, “the disparity of foci as well as the pace of development has not been conducive to an orderly interrogation of the field at large”. Furthermore, De Bruin and Lewis (2015) show that we are only starting to understand the importance of context in the practice of social entrepreneurship, which includes transition to social enterprise. The main advances in both social procurement and social enterprise research has been largely ‘practice-based’. For example, Barraket and Weissman’s (2009) review of academic and policy literature argued that advances in social procurement can be broadly located within a ‘relational approach’ to procurement, which represents a change to the traditional focus of procurement away from competitive tendering towards valuing social impact, public, private partnership and sustained supply chain relationships. Their work concluded that the main barriers to social procurement included: “governmental culture, lack of purchaser knowledge of social purpose businesses, the complexity of measuring and assessing social value, limited organisational capacity and lack of experience with public procurement amongst some prospective providers, and limited

Download English Version:

<https://daneshyari.com/en/article/6748130>

Download Persian Version:

<https://daneshyari.com/article/6748130>

[Daneshyari.com](https://daneshyari.com)