**Transcript of interview with Professor Martin Loosemore, University of Technology Sydney, Australia - November 2023**

**Interview undertaken by Jane Lynch, Professor Procurement for the Logistics and Operations Management and Head of Centre of Public Value Procurement at Cardiff University, UK.**

**Q. How do you define social value?**

Social value is the net difference you make in the communities in which you operate in the short, medium and long term, taking into account negative outcomes and counterfactuals.

* + - * Deadweight – what would have happened anyway,
			* Attribution - what else could have contributed to the change,
			* Displacement - what other benefits does the intervention displace/push aside,
			* Substitution - losses for others who might have lost out,
			* Drop-off - reducing benefit over time.
			* Culture - cultural differences in perceptions of value

Community includes any external and internal stakeholders affected by your organisation’s activities (individuals in the community, their families and friends, broader society and also your employees)

**Q. What does social value look like in practice?**

Social value can be created in many ways

* Providing employment/business opportunities for disadvantaged groups (engagement of minority and third sector organisations and businesses which focus on helping disadvantaged groups, providing jobs and training for disadvantaged groups such as disabled, Indigenous, refugees, youth, ex-offenders etc)
* Community involvement (corporate volunteering, supporting local charities , donations to good causes etc)
* Fair business practices (responsible sourcing and supply chain management, respect for commercial and labour, fair pay, fair business relationships etc)
* Human rights (promoting equality and diversity, respecting local cultural rights, freedom of association and expression, modern slavery etc)
* Labour practices (providing employment, safe and healthy workplace, good working conditions and wages, opportunities for human resource development/training, work-life balance etc)
* Environmental (reduce pollution, emissions and waste etc)
* Consumer issues (privacy and data protection, safe and healthy products etc)
* Governance (accountability, transparency, accurate reporting, respect for law, involvement of staff and stakeholders in decision making etc.)
* Responsible supply chain and purchasing activities (social procurement)

Social value can take many forms (some more easy to measure and communicate than others) but can be broadly classified into five main areas:

* **Affective** - impact on people’s attitudes, happiness, optimism, self-esteem, confidence, motivation to succeed, life satisfaction, interpersonal trust, hope for the future and attitudes towards work and study etc.
* **Health and well-being** – impact on people’s physical and mental health and well-being
* **Cognitive** – Impact on people’s knowledge and skills. Hard outcomes such as new technical skills and knowledge, qualifications, literacy and numeracy. Soft outcomes such as communication ability, conflict management, teamwork, people management, emotional intelligence, time management, leadership etc.
* **Behavioura**l – Impact on people’s behaviour as a result of the program within the workplace and outside the workplace. Internally this would include factors such as punctuality, taking responsibility, teamwork, social interaction, anger, trust, respect and behaviour towards others etc. Externally it would include crime, violence, substance abuse etc. which can help in employment and whether they seek a career in the construction industry or elsewhere.
* **Situational** – impact on an individual’s personal circumstances and life outside of work such as: increase in income, credit-rating, debt levels, access to transport, stable accommodation and welfare support, support networks, community integration, work experience (value and quality) and career management skills.

**Q. How do you embed social value in tenders and more generally in the procurement process?**

In simple terms, social procurement involves organisations requiring their supply chains to create wellbeing, diversity, capacity building, entrepreneurship, sustainability and circularity in the communities in which they operate.

This can be done in two main ways:

* *Directly* – by diversifying existing government supply chains to involve more local, small and minority businesses and social benefit organisations like social enterprises and B-Corps etc.
* *Indirectly* – by requiring ‘existing’ supply partners to do the same and to create social value in various ways (for example by directly employing targeted under-represented groups in their workforce such as women, young people, refugees and migrants, people with a disability etc)

This is done by including social clauses in your supply contracts and tenders contracts (including consultant services contracts). By doing this, you are telling your contractors/supply chain that they need to be ‘thinking’ about how they create ‘social value’ for your business (as defined by you).

This needs to be communicated clearly to all bidders in an open and transparent manner and they need to be told how much weighting it will be given and how this will be considered in tender award decisions.

There are two main types of social clauses: *prescriptive*; and *performance-based.*

* *Prescriptive* *clauses* - States exact quantity of outputs in measurable KPIs (such as no of people employed, hours or weeks of training or numbers trained in different cohorts such as disabled, x-offenders, Indigenous etc. or $ spent on certain services or products from social benefit organisations like Fair Trade, or Indigenous businesses etc.)

This is a top-down imposed approach which is dictated by the client and which leaves little room for contractors to innovate and respond to community needs. It is the most common approach used in Australia.

* *Performance-based clauses* – describes what you want to achieve in activities (training etc), outputs (no of people trained) or even community outcomes/impacts (such as increased literacy, reduced crime/re-offending etc ….. although impacts are hard to prove and measure).

eg. Please explain how you will build in employment opportunities for Indigenous people living in the housing estates who have been excluded from the workforce. How you will ensure a diverse supplier base and that social benefit organisations and minority businesses in the local community and local economy are given opportunities to provide goods and services on your contract.. etc.

Performance-based clauses ask contractors to specify ‘what’ social value they will create, ‘why’ they want to create it and ‘how’ they will achieve these outcomes and measure them. Its more of a bottom-up approach which requires them to innovate and talk to the community.

This is an approach which is more commonly referred to as community benefits clauses and used widely in Canada and UK.

General advice:

* If you take social value seriously then you must make them part of the contract and expect social value to be delivered just like any other product or service on your projects
* It’s critical that you integrate social value considerations into a project from its very inception and link this in an integrated approach through the entire life of a project (eg. Feasibility, pre-qualification, pre-tender briefings, contract drafting and specifications, final contracts, in advertising for tenders, in selecting/evaluating tenders, during contract delivery and during procurement/project reviews and feedback).
* There should be a social value plan created in the planning stage of every project which articulates the social value (in outputs and outcomes) that needs to be created by the project and how this links back to corporate business objectives. This needs to be driven by an understanding of community needs – bottom-up.
* Tenderers should be asked to submit a social value method statement to explain how they will achieve these social value outcomes in practical terms and how they will be measured and assessed (input, activities, outputs and outcomes) – and there needs to be a rigorously researched theory of change submitted to articulate how these connect-up. They need to show they also understand community needs and priorities.
* Good communication with organisations who you want to deliver social value is critical from the start to enable them to engage emotionally with what you want and understand what you want and why and what impact it will have (this avoids it being a compliance based process for your supply chain.. and therefore for you ultimately).
* Important to state whether the clauses relate to core contract deliverables (and whether and how they will be assessed, monitored and imposed.. through sanctions etc) or whether they are peripheral to the contract (and just an extra nicety that you would like and prefer but are not crucial to getting the job)
* Prescriptive clauses tend to be better with inexperienced business partners because it tells them exactly what you want. Performance-based tend to be better when used with experienced partners and social benefit organisations because it gives them space to innovate.
* Avoiding dictating ‘how’ to create social value. This helps to encourage innovation and avoids putting people off tendering.
* Social value KPIs must be:
* Fair (equally applied, achievable and transparent to all tenderers as well as social benefit organisations).. otherwise you will dissuade your existing suppliers from tendering and lose competitiveness
* Clear, simple and achievable (better to have a few simple KPIs than lots that cannot be achieved (tables are often useful to state KPIs)
* Measurable so that performance can be evaluated and success established and proven.
* Its critical to be clear about how the social clauses will be weighted and evaluated
* It is critical to clearly state how performance against KPIs will be monitored and evaluated and what sanctions will be used if not met
* There are many examples of social clauses which have been used but there is no standard clause that can simply be dropped into a contract since every job varies in its needs and how they will be weighted and evaluated.

**Q. How should procurement professionals engage with the supply market?**

Build demand for social value in your business and supply chain but don’t forget about the supply side. Your credibility will be damaged if you can’t deliver on what you promise. There are two main dimensions to this:

* Building capacity in social benefit originations - Make it easier to social benefit organisations to tender for work (unbundling contracts, set-asides, simplifying tendering and pre-qualification etc) and build their capacity to compete effectively with incumbent suppliers and subcontractors. This can be done by running information and training sessions and boot camps for prospective suppliers and a more resource-intensive incubation hub model which also provides backbone administrative support to assist suppliers tender for work.
* Building capacity in in your existing supply chains to create social value - This is potentially where the greatest social value can be created. Its not their core business so this takes time and will meet with resistance. Assume 30% will do it willingly, 30% will need to be persuaded and 30% will resist at all costs. Persuasion will only go so far and social clauses may be needed to contractually require it. This can be done by running information and training sessions for existing suppliers and a more resource-intensive support structure model which helps to de-risk social value creation for existing suppliers (by for example co-ordinating access to supporting organisations which provide employment, training and other forms of support for employing disadvantaged groups).

**Q. What tips would you offer others to get started on the social value journey?**

* Don’t try to boil the ocean. Be strategic to maximise social impact of limited resources and to build trust, credibility and authenticity with key stakeholders. Do this by: focussing a few key areas rather than trying to be everything to everyone; building on existing initiatives, strengths and resources (don’t reinvent the wheel); building on areas of strength where there is a history of success; focussing on issues which are close to key stakeholders’ hearts; pacing yourself (not trying to do everything at once), being realistic within existing resource constraints; starting with simple with quick and easy wins; focusing on low risk area; start with a compliance mindset (on what must be done first).
* Get in early when key decisions are being made. This is when the most social value can be created.
* Become a value-adding connector - Develop an in-depth understanding of how social value is created across your organisation and connect the disconnected dots. There is social between as well as within business units. Do the same with external organisations that support social value creation.
* Develop an understanding of how social value is relevant to different business unit goals, bring them on-board and leverage resources and influence from these areas.
* Leverage resources through the influence of others in more established, more powerful and better resourced positions (sponsorship is important).
* Building support - Senior leadership buy-in is especially important. But informal support from like-minded allies from across an organisation is also important. This can be done by creating internal communities of practice and specialist working groups to create social value champions
* Well design policies (which clearly state targets and enforce them) are a powerful resource for encourage people to change. Use them.
* Don’t go in with a cape and stay rational (while stories are powerful emotional mechanisms to engage people, generally its best to de-emotionalise arguments and stick to rational arguments supported by facts and figures).
* Use education and training to build knowledge. Knowledge comes before competence. (define social value, how it can be created, how to mitigate any perceived risks (such as increased cost), what it could achieve for them (measuring and communicating a value proposition) and explain why they should engage).
* Use a risk-based lens to bring people on-board - Social value is seen as a risk rather than opportunity by many people. Help stakeholders to identify, assess and mitigate the risks and maximise the opportunities. Turn social value into an opportunity rather than a risk.
* Use social clauses in contracts and monitor and enforce them (financial penalties focus the mind).
* Reward those who deliver (use incentives and positive reinforcement).
* Create a clear value proposition and demonstrate you can deliver. Key to this is being clear about what one is trying to achieve, making sure it is in one’s power of influence that, understanding the organisational levers to create it, monitoring and measuring social outcomes in a systematic rational, evidence-based and logical way and then communicating its effectively to key stakeholders.
* Develop the necessary skills, attributes and knowledge to do this job effectively – you need to be super human so its best to work with others who have got all these: (Strategic thinking; Systems thinking; Influencing skills; Commercial acumen; Resilience; Listening skills; Tenacity and determination; Creativity and problem solving; Networking skills; Policy awareness; Collaborative skills; Communication skills; Courage; Rationality; Emotional intelligence; Adaptability; Community capacity building skills; Humility; Supportiveness).