Research Roundtable on Social and Indigenous Preferential Procurement

Summary Report

Centre for Social Impact Swinburne

September 2021

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Acknowledgements

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1.0 Executive summary

Researchers from Swinburne, University of Technology Sydney, and the University of Melbourne came together with leaders from policy and practice on 25 June 2021 to share insights about current research in Australia on social and Indigenous preferential procurement. Participation in the event was by invitation to support high quality discussion between people with a particular interest and expertise in social procurement.

The purpose of the Roundtable was to map out existing research, identify gaps and synergies, and consider implications for future knowledge needs. Presenters shared their current research and findings, and all participants engaged in discussion about current and emerging research needs.

Key insights, challenges and future directions

- Social procurement offers a mechanism for diversifying the economy to, among other things, provide for-benefit suppliers – such as Indigenous-owned, social and local enterprises – with a full and fair opportunity to compete. However, there is an ongoing tension between operating profitable and efficient supply chains and pursuing shared social goals. Fulfilment of social and Indigenous preferential procurement aspirations requires us to move towards a model of procurement that is more relational than transactional and that can produce social outcomes to an expected standard.

- Research across different jurisdictions has highlighted the need to build the capability and capacity of different sectors and staff through the provision of training, advice, systems, and tools across the procurement cycle. Capability issues exist for procurement staff, policy designers, intermediaries and suppliers. Capacity issues are particularly challenging for small to medium for-benefit suppliers.

- Industries that are particularly significant to the realisation of social and Indigenous Preferential procurement policies, such as construction, need to make substantial shifts in their own practices and cultures to meet emerging requirements and realise the aspirations of procurement with social goals. This is producing commercial risks as well as pushing risk downstream to for-benefit suppliers.

- Social and Indigenous preferential procurement requirements are generating new opportunities for for-benefit suppliers, but also having isomorphic effects similar to those of professionalisation of the third sector that emerged under new public management regimes. It will be important to understand over time what social value may be lost as well as gained as for-benefit suppliers build their capacity to respond to procurement opportunities.

- Intermediation is not just done externally or between organisations, but also by intrapreneurs and policy entrepreneurs within those organisations. The role that individual and organisational 'boundary spanners' play in driving knowledge and practice, and the barriers that prevent a more evenly distributed championing of social procurement, require further attention in research.

- Future research will benefit from the integration of different sources of data and the development of data coordination tools. Greater data integration also poses risks to governance that must be managed to secure data rights and sovereignty from unauthorised use.

- As practice grows, so does the terminology of procurement for social goals. We need to establish a shared language of 'for purpose' procurement that is clear to all, consistent with

related legislation, frameworks and policies, and resonates with international practice and emerging literature.

- There is limited accredited training and education in social and Indigenous preferential procurement available to procurement professionals and those involved in supply chain management. Universities and other providers should develop offerings to help build the necessary skillsets among procurement professionals and mitigate the risks that come with procurement shifting from an operational to a more broadly strategic function. Such offerings need to be grounded in specific knowledge of these forms of procurement practice.

- Research that has engaged directly with actors across the social procurement ecosystem has shown that they offer profound insights, experiences and practices. Research must give primacy to diverse perspectives and work against the siloing of these perspectives. Practice will improve through learning where knowledge is respected and shared.

# 2.0 Research Roundtable Presentations and Discussions

2.1 Summary of presentations

This section outlines six current and emerging research projects and programs being conducted in Australia and across other jurisdictions that were presented at the roundtable. A number of projects are at an early stage of development, while others have preliminary or finalised findings.

2.1.1 Current state of play

The state of social procurement in Australia and New Zealand

Jo Barraket, Kiros Hiruy, Jarrod Walshe, and Batool Moussa, Swinburne University of Technology Commissioned by IPA Personnel Services, in partnership with Chartered Institute of Procurement and Supply (CIPS), Social Traders and Ākina Foundation.
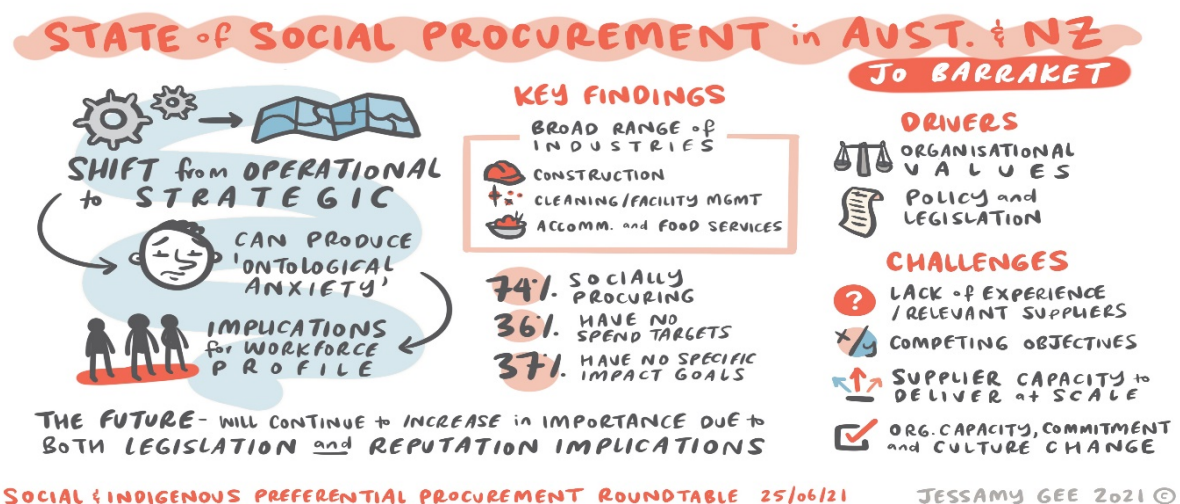
This research presents the first comprehensive analysis of the state of social procurement in Australia and New Zealand from the perspective of procurement professionals. The aim of the research was to consider the current and future directions of social procurement. Project findings are based on a survey of 179 procurement professionals and champions across all sectors in both countries. The survey was administered online between November and December 2020. A call out was done by the partner organisations, and this resulted in a reasonable spread in the kinds of people who participated. The full research report is available here. An insights report by CIPS is available here.

Key findings:

- The major drivers of social procurement include organisational values, government policies, customer expectations, and a desire to improve corporate or public profiles.
- Government bodies are more likely to have social impact goals than other sectors. The most common social impact goals are related to employment for people experiencing disadvantage, local people, and for local economic development.
- Among procurers that target 'for-benefit' suppliers, the most common target suppliers were Indigenous or Māori and Pasifika owned businesses, local and/or small businesses, and social enterprises.

- Major internal challenges to social procurement include the lack of experience in the organisation generally, competing organisational objectives, and resource commitments.
- Major external challenges include the lack of relevant suppliers and their capacity to deliver at scale.

Indigenous Procurement Policy evaluation project

Michelle Evans and Cain Polidano, the University of Melbourne
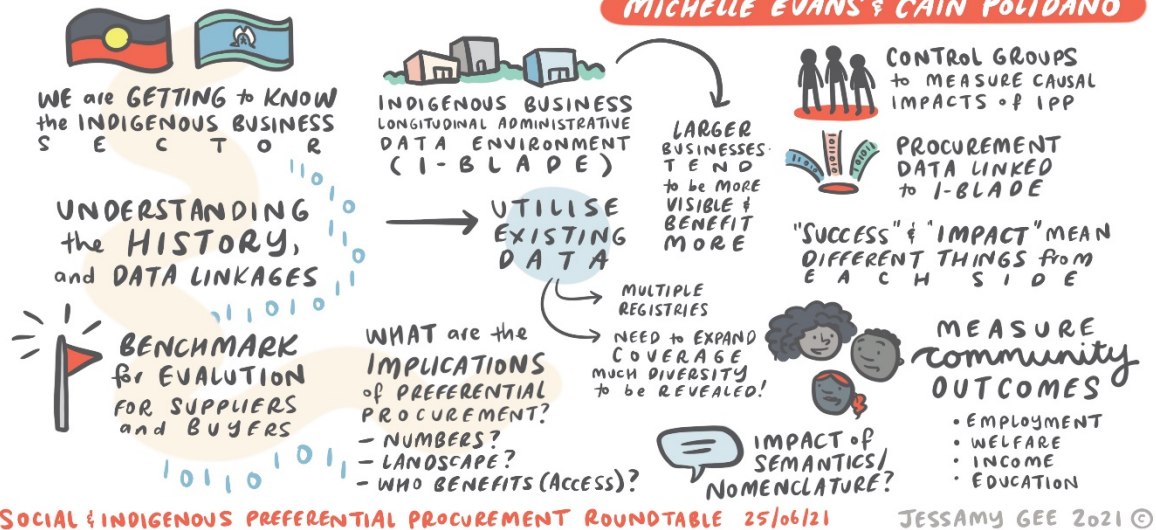
This project aims to improve our understanding of the Indigenous business sector by developing a representative dataset known as the Indigenous Business Longitudinal Administrative Data Environment (I-BLADE). The I-BLADE will allow practitioners to evaluate the impact, challenges and opportunities of the Indigenous Procurement Policy (IPP) from the perspective of suppliers and procurers. In its first stage of development, the I-BLADE integrated multiple Indigenous business registries into longitudinal Australian Tax Office business activity data. Over a **projected timeline** of three to ten years (subject to grant funding), further data will be integrated into I-BLADE and new measures constructed to develop a more representative snapshot of the sector, including procurement information and any flow-on effects it may have for employment, education and health outcomes. A baseline of what the sector looked like both prior to and post the IPP will be established to help measure its impact over time. Qualitative research will also be conducted with Indigenous businesses, procurers and other stakeholders to assess the impact and accessibility of the IPP, and better understand the Indigenous economy at a community level.

Preliminary findings:

- The Indigenous business sector is growing, with 4.8 billion in revenue per year.
- The businesses included in the dataset are on average larger than non-Indigenous businesses, which suggests that they are self-selecting to be on business registries because they want to be visible for the purposes of procurement.
- Businesses that stand to benefit the most from procurement tend to be larger. This means that we need to expand the coverage of the sector.

2.1.2 Cross-sector collaboration and intermediation

Youth unemployment and social procurement in the construction industry

Martin Loosemore, University of Technology, Sydney.
Funded by the Australian Research Council Linkage grant (LP170100670)
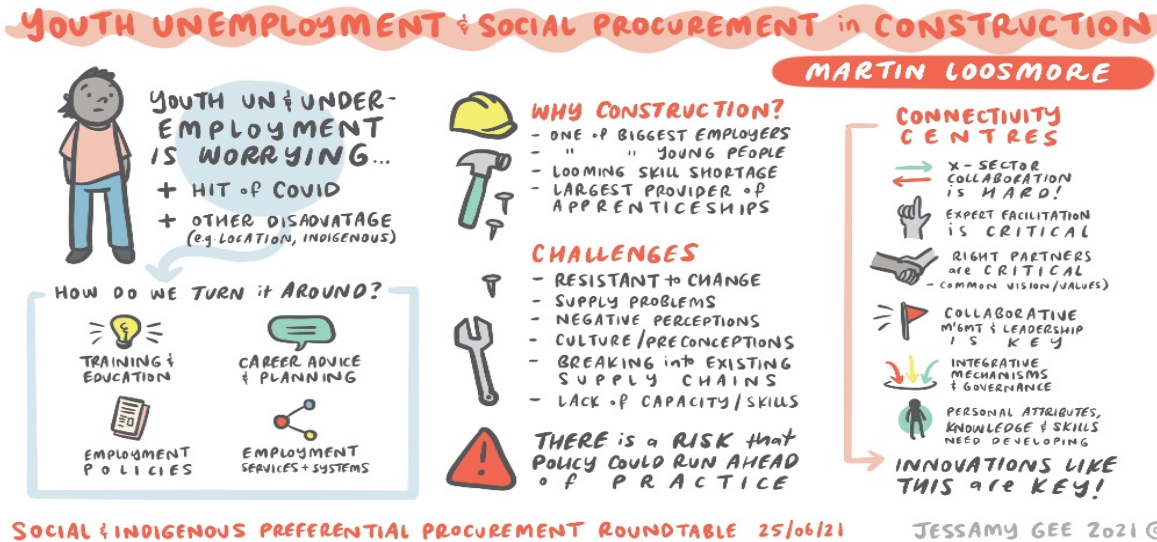

This project, now in its third year, examines the role of Connectivity Centres as a mechanism for addressing unemployment among young people. Connectivity Centres work collaboratively with providers in supply chains to match job seekers with employment and training opportunities. In Australia, the construction industry is a major focus of social procurement policy. In practice, social procurement has been shown to be difficult to implement in the construction industry. Cross-sector collaboration is critical to the success of social procurement, but it is impeded by cultural disincentives, competition, and a lack of knowledge and experience in the sector. There is a real risk that without effective collaboration, practices may lag social procurement policy and potentially place already vulnerable people in greater harm. Innovations like Connectivity Centres can help mitigate the risks involved in social procurement and maximise opportunities for businesses and the for-benefit cohort.

Preliminary findings:

- Connectivity Centres help young people and others who experience structural disadvantage to navigate employment opportunities.
- However, Connectivity Centres are challenging to implement:
  - Effective collaboration requires expert facilitation between partners who are culturally aligned and understand how different sectors operate.
  - Collaborating organisations must be willing to share resources, systems and information and place the jobseeker at the heart of the collaborative process.
  - Building relationships between organisations takes time and dedicated management, leadership and support systems.

Intermediation and Field Building in Social Procurement

Chris Burnett, Swinburne University of Technology

INTERMEDIATION & FIELD BUILDING in SOCIAL PROCUREMENT — CHRIS BURNETT — SOCIAL & INDIGENOUS PREFERENTIAL PROCUREMENT ROUNDTABLE 25/06/21 — JESSAMY GEE 2021 ©
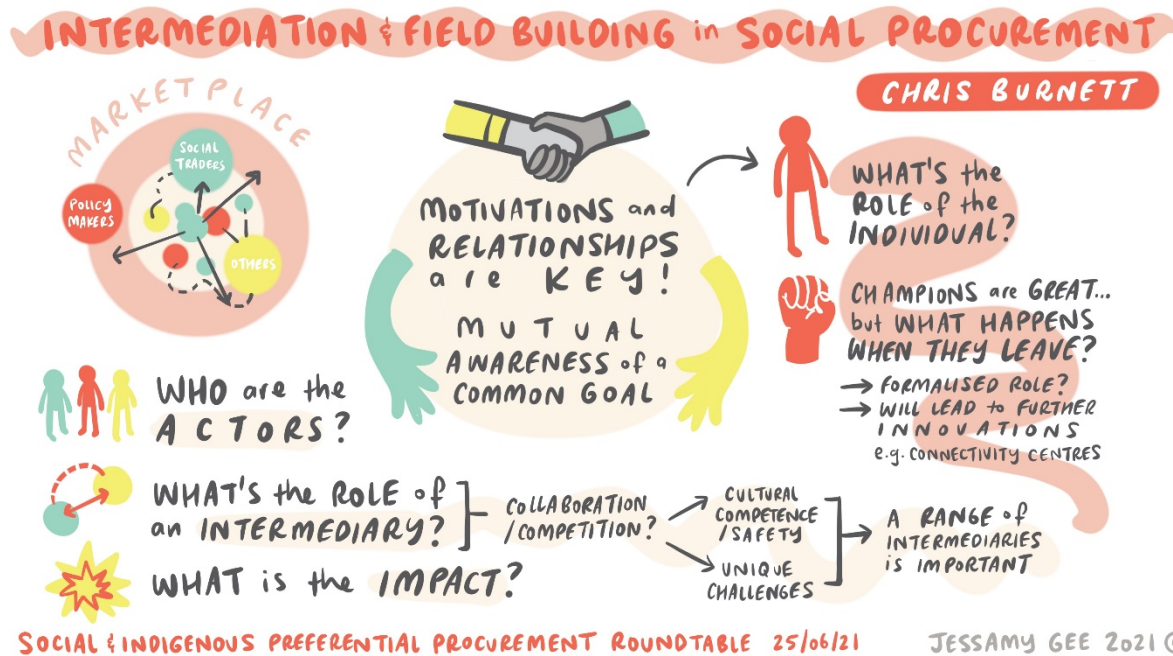
This co-funded PhD project examines the role that Social Traders is playing in facilitating social procurement activity in Victoria. Social Traders is an intermediary organisation that operates across different levels to advocate for policy change, broker links between buyers and suppliers, and improve the capacity of those organisations to deliver social impact. The research applies 'new institutional theory' to examine how Social Traders is building a marketplace of organisations that come together and interact in the pursuit of a common goal. Data collection is still underway, but the analysis will draw upon semi-structured interview data from six different stakeholder groups and a secondary descriptive analysis of the data that Social Traders collects.

Preliminary findings:

- Social Traders operates as a 'systemic intermediary' because it is simultaneously working with client organisations on a one-to-one basis, but also constructing an emerging marketplace by linking organisations together.
- The social procurement marketplace is still an emerging 'field'; not all actors are connected, and some are connected by individuals.
- Intermediation happens in the background and is potentially undervalued.
- Social Traders has measured its impact as an organisation by focusing on the profiling of the marketplace, including who the members are, and building capacity through skills development.

2.1.3 Implementation of social procurement

A research program for social procurement implementation

Warren Staples and John Howe, The University of Melbourne
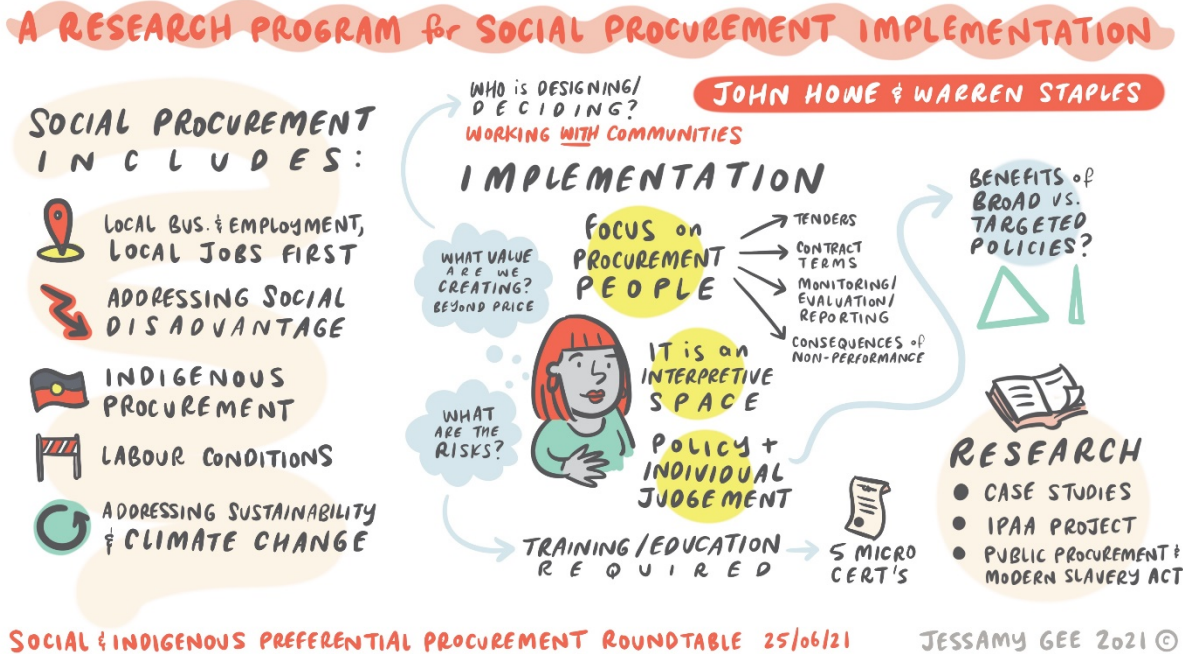
The Melbourne School of Government is developing education and research programs to improve the social impact and effectiveness of social procurement. The **education** program aims to build the capability of procurement professionals. It focuses on the processes that procurement professionals use in their work, including tender criteria and evaluation, and contractual forms, terms and performance outcomes. Standardised education is important because procurement work is complex, and the emerging nature of the policy often requires professionals to make value judgments. The three **research** projects are in their early stages, and involve: a capital works case study, which aims to identify some of the successes, barriers and obstacles of the University of Melbourne's social procurement policy; a comparative study of regional and metro construction projects in Western Australia and Victoria; and a project that examines the Commonwealth's approach to the implementation of the *Modern Slavery Act 2018*.

Making policy reform work: A comparative analysis of social procurement policy

Jo Barraket, Martin Loosemore, Gemma Carey, Emma Lee, Michael Roy, Roksolana Suchowerska, Batool Moussa, Jack Rendall
Funded by the Australian Research Council Discovery grant (DP200101394)

This three-year research project investigates the antecedents, conditions, and relationships that enable the implementation of successful social procurement policy reform. A comparative analysis of Victoria and Scotland will shed light on what is needed to realise social procurement policy goals. The Australian team has partnered with Professor Michael Roy at Glasgow Caledonian University, to add insight from the Scottish perspective and also facilitate effective cross-national collaboration, research, and engagement. Using a combination of mainstream and Indigenous research principles, the research will identify the challenges of policy implementation for government and non-government participants, the key actors and networks that enable its implementation, and the implications of implementation for policy effectiveness. The project is in its third phase, with results from a comparative policy analysis and engagement workshops currently being refined.

*The **comparative policy analysis** involved a desktop review of 19 policies and 13 key informant interviews in Victoria and Scotland. It offers four points of comparison:*

1. Social value is framed differently. Scottish policy emphasises social justice and citizen rights, while Victoria's focuses on social inclusion and the needs of for-benefit groups.
2. There are capability gaps in both jurisdictions. In Scotland, the focus is on the capability of the public sector and in leadership. In Victoria, the focus is on capability gaps in industry
3. From a new public governance perspective, sectors and actors in Scotland are more connected compared to Victoria's relatively fragmented and transactional landscape.
4. Differences in policy context affected policy design and opportunities for change in policy. In Scotland, the policy developed in the context of devolution and the 2008 global financial crisis. In Victoria, the policy developed alongside increased state government investment in infrastructure and the Commonwealth's existing Indigenous Procurement Policy.

Preliminary insights from the engagement workshops and Yarn Ups:

- All stakeholders feel they are educating others on the meaning and processes of social

procurement

- Greater consistency in the social value indicators and taxonomies used is needed to improve clarity and reduce transaction costs
- There is a lack of follow through in the monitoring and evaluation of tenders' social outcomes
- Some Tier 1 suppliers are prioritising the creation of social value inhouse over creating social value through supply chains
- 'Communities of practice' and peer support are highly valued by social procurement champions and those entering the field
- For government buyers, decentralised and distributed forms of procurement make it challenging to adapt new procurement practices in their organisations
- Indigenous businesses and social enterprises experienced a lack of respect and exclusion in 'business as usual' practice, but also some bottom up capacity building through collaborations

2.2 Research gaps

SOCIAL & INDIGENOUS PREFERENTIAL PROCUREMENT ROUNDTABLE 25/06/21   JESSAMY GEE 2021 ©

2.2.1 The 'champions' challenge

Research has shown that social and Indigenous preferential procurement practice is often driven by individuals working within and between organisations, above and beyond any regulatory demands. There is an invisible and unacknowledged labour behind 'boundary spanning', particularly for intrapreneurs and organisations who are motivated by a social purpose. The labour involved in advocating for change and in building the capability needed to implement policy can be discounted by transactional and 'business as usual' practices. **Further research** is needed to examine the effects of this labour, where it is concentrated, and how to ensure procurement for social goals can be systematised beyond champions.

2.2.2 We need a shared language

Greater clarity and consistency are needed in the language used among social and Indigenous preferential procurement practitioners and policy experts. The current lack of a shared language may deter decision-makers from engaging with procurement for social goals. Different ways of talking

about or making sense of these activities can also make it difficult to operationalise social value and can contribute to the siloing of perspectives across sectors, organisations, and even government agencies. **Research** that canvasses local and international uses of language across for-benefit goals, industries, and jurisdictions could assist in developing a shared way of talking about social procurement.

2.2.3 What motivates businesses?

Organisations of different types, whether they be buyers, suppliers or both, are positioned differently and answer to different compliance obligations, pressures and tensions that affect their motivations and practices. Research has shown that in Australia, much of the pressure to engage in social procurement falls on large and well-established businesses, and businesses in particular industries that lend themselves to procurement for social goals. The drivers of smaller buyers are less well-understood, as are the specific motivations of for-benefit suppliers, although early insights suggest that their motivations are broader than individual business development alone. This knowledge gap limits how we can meaningfully engage with businesses to scale the activities and impacts of social and Indigenous preferential procurement. **Research** that unpacks the motivations of busineseses and business people is needed to better target engagement with procurement for social goals.

2.2.4 Developing the supply chain

Research has shown that for-benefit suppliers are increasingly willing to engage in social and Indigenous preferential procurement themselves. Intermediaries are also observing 'ripple effects' from public policy, where organisations take up new or additional procurement activities beyond policy compliance. **Further research** is needed to understand how and under what conditions social and Indigenous preferential procurement is amplified.

2.2.5 How is social value understood?

Defining and operationalising social value in social and Indigenous preferential procurement is both immature and based on methodologies that limit the kinds of knowledge from which we derive understanding. This constrains what we know about the impacts of procurement for social goals. The use of narrow or traditional evaluation lenses also undermines the potential to increase these impacts through learning from the diversity in the system. **Significantly further research** is needed to: (1) understand and implement fit-for purpose measures of social value created through procurement for social goals; and (2) unpack differences in understandings of social value, particularly between how procurers and for-benefit suppliers (and their communities) understand success.

2.2.6 Balancing innovation and scale

Procurement is unarguably a major financial lever through which to realise social value. While supporting the development of suppliers to meet the growing market opportunities created by procurement for social goals is important, we need to consider the trade-offs in impact that may occur where small and diverse organisations experience mission-drift or substantially professionalise as they respond to such opportunities. **Research** will be needed to understand the net positive social impacts of social and Indigenous preferential procurement on the individals and communities for-benefit suppliers serve, and what social innovations may be lost or gained through these practices.

2.3 Knowledge and practice needs

2.3.1 Building relational models

We need to move towards a more relational model that involves people coming together, having discussions, building relationships, and being open about giving each other feedback. A relational as opposed to a transactional model can bring about better social outcomes, and increase efficiencies in procurement processes. This would involve changing the system itself by setting a standard for working together in modern procurement more broadly, not just a standard for doing business with for-benefit suppliers.

2.3.2 Improving procurement practices

Investment in change frameworks is needed to bring about a more strategic approach in procurement practice. The key to this is capability building among buyers. For example, suppliers can be informed more proactively and debriefed to help them understand where they can improve. The relative lack of social procurement and Indigenous preferential procurement targets among organisations, particularly those outside the public sector, limits their capacity to monitor, evaluate and learn about what they are doing. Examples of 'black cladding' and 'social washing' are also occurring, partly due to a lack of public accountability, monitoring and the challenges of supply. Procurement practitioners want to do things differently, but there are some constraints and inherent pressures in the economic landscape; they are working with less capability and faster than they should be, which is pushing them towards a transactional approach.

2.3.3 Addressing the siloing of perspectives

There is a tendency among intermediaries, organisations and government agencies to operate in silos. Stakeholder engagement platforms provide rich information, including tools and systems that are of value to members, such as industry up-skilling, briefing, and networking. Opening up these platforms and sharing capability-building resources will help encourage organisations not already involved to consider procurement for social goals. It will also help build 'communities of practice' that will improve confidence within the industry, and how social value is created within communities.

2.3.4 Centring the social in procurement education

As social and Indigenous preferential procurement grows, there is an increasing need for accredited and non-accredited training and education for all actors in the procurement ecosystem. Procurement professionals who are increasingly required to balance strategic and operational goals across financial, social, and economic domains are in particular need of developmental opportunities. Adult education providers, intermediaries, employers and governments need to ensure that these opportunities exist, are fit for purpose, and are financially and geographically accessible.