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| **Is your social procurement as innovative as you think?** This is the eighteenth factsheet about recent international peer-reviewed social procurement research. This factsheet provides some basic insights into the principles of social innovation – what it means, why it’s challenging and how to measure and prove it.This factsheet summarises a small section of a book published at UTS on innovation in the construction industry. The full reference to this book is provided in the footnote of this factsheet where more detail can be found.Please feel free to distribute this factsheet to anyone who may be interested.Distinguished Professor Martin LoosemoreUniversity of Technology Sydney<https://profiles.uts.edu.au/Martin.Loosemore> |
| **Why the study*** Social innovation lies at the core of what government is trying to achieve with their social procurement policies.
* By incentivizing new partnerships between government, private, not-for-profit and other civil society organisations, the government is looking for its supply chains to come up with innovative ideas to tackle the increasingly complex social challenges society faces. This can make the difference between losing or winning a tender.
* But how do we know firms are truly innovating?
* It’s the easiest thing for an organization responding to social procurement requirements to claim it is being innovative, but it’s much more difficult to produce meaningful evidence to back up these claims.
* There is nothing more damaging than being caught misrepresenting, exaggerating or distorting the facts.

**Aim*** We wrote a book on innovation in the construction industry to provide private businesses, governments and other organisations working in the industry promote, measure and communicate innovation in their organisations.
* In addition to looking at technological and economic innovation, we also explored the concept of social innovation.

**What we did** * We interviewed over 100 recognised innovators from across the Australian construction industry including leaders in the not-for-profit sector and government policy-makers. We supplemented our findings with a comprehensive literature review of internationally peer reviewed research into construction innovation and innovation policy reform from around the world.

**What we found** * In its simple terms innovation is the process of bringing new creative ideas to reality in the form of new products, services or business processes that create economic wealth or social value.
* So if you are going to legitimately claim that your idea is innovative, you need to be able to prove that it meets the following criteria:
* It creates something new (it must be novel in an incremental or radical/transformative way);
* It creates something which is used (it must be adopted in practice);
* It creates something of value (it addresses a need and/or problem and produces sustainable economic, social, cultural, material or intellectual benefits to business and/or society);
* It improves things (it is more effective or efficient than preexisting alternatives).
* Although creating economic and social value is not mutually exclusive, a social innovation must be specifically aimed at addressing a social problem and strengthening civil society.
* The success of a social innovation is measured by the social impact it produces rather than the economic benefits derived by businesses owners, employees and shareholders.
* In the competitive context of responding to social procurement requirements when tendering for government construction contracts, collecting the evidence to prove that your idea is legitimately innovative and then communicating that to government stakeholders is essential.
* However, it is much easier said than done. In contrast to technical and economic innovations where monetary value is easy to measure, measuring and communicating the type of value created by social innovations (social value) is challenging because of poorly designed programs with no underlying theory of change, unreliable data, variable skills and methodologies for measuring social value, a lack of internationally accepted processes and protocols and independent external validation (see Fact Sheets 9 and 17).
* It is also important to remember that the process of innovation is a venture into the unknown and it may take many years for any results to eventuate. Innovation is a messy, uncontrollable and unpredictable process which involves many feedback loops and setbacks. Indeed, truly disruptive innovations are often worse than existing incumbent products and services in the early stages of development.
* Therefore, relying on short-term measures of immediate returns to judge innovation success can be very misleading. To not invest in an idea simply because its value cannot be measured immediately, would have meant than many of the world’s most impactful innovations would never have been realised.
* Innovation is also a “process” not a one-off event and most good ideas build incrementally on each other over a period of time. Therefore different measures of innovation success are needed at different times in the evolution of a new idea.
* We also tend to over-rely on ‘outputs’ when measuring innovation success. However, only measuring the ‘output’ of an innovation (in terms of social impact, profit or productivity for example) is likely to miss important ‘input’ measures which may also provide important evidence of innovation activity (especially in the short-term before any significant outputs are produced). For this reason, many of the world’s most innovative companies have developed specific business KPIs around innovation inputs (such as investments in R&D and even failure rates), as well as outputs.
* Another problem in measuring innovation success is that many organisations fail to define what success means for their organisation to develop measurable indicators to reflect this.
* The world’s most innovative organisations use a wide range of KPIs that address a range of impacts for a range of key stakeholders. They also have a wider variety of management controls, beyond traditional accounting systems, to measure and monitor them.
* Some social innovators advocate a ‘collective impact’ model which seeks to jointly develop with key stakeholders, commonly agreed social outcomes and indicators and shared tools and systems for measuring and reporting. This approach reflects the collaborative intentions of social policies which require input from a range of stakeholders from multiple sectors (Government, private business, not-for-profit and community). A rare example of an apparently successful ‘collective impact’ program can be found in the UK, in Gloucester Cities urban regeneration employment program. This brought together multiple organizations from across many sectors (job centres, developers and other employers, training organizations, recruitment agencies, learning and skills councils and social funds). This alliance was managed, governed, resourced, supported, coordinated and monitored by Gloucester City Council’s ‘Gloucester Works’ team working under a ‘Gloucester Works’ brand that created a collective ‘identity’ that would override the individual identities of the participating organizations. However, such examples are very rare and in reality, the evidence indicates that ‘collective impact’ initiatives can be challenging, time consuming and expensive because of the need to align many potentially conflicting agendas, and interests. These challenges are exacerbated in the construction industry because of the constantly changing array of organisations involved from one construction project to the next which would require multiple collective impact models.
* Clients play a key role in driving innovation in the construction industry by creating the market conditions, resources and incentives for firms to innovate. Social procurement regulations and policies are an example of clients driving social innovation in the construction industry. However, many policies have been introduced without understanding the capacity of the industry to respond and without putting in place the necessary resources and supports.
* While social procurement policies introduce competitive tensions which can stimulate firms to innovate in winning work, they can also hamper innovation by preventing the sharing of ideas, knowledge and experience on which most major innovations are built. Currently, it’s difficult to differentiate one social procurement initiative from the next. Most rely on the same ingredients and broadly the same partnerships.

**What this means*** To drive genuine innovation in maximising the potentially huge impact social impacts of social procurement we need to develop better methodologies and tools to measure social innovation as well as social impact.
* Until organisations can prove conclusively that their social innovation initiative is new, adopted in practice, creates social value and is more effective or efficient than existing alternatives, the proclamations of many firms which claim they are innovators should be treated with a healthy degree of scepticism.
* We need strong ‘Communities of Practice’ which provide a safe space for thought-leaders to collaborate and genuinely share their knowledge, experiences, ideas and initiatives for the wider good of society.
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