Social procurement in UK construction projects

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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.

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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 publicly 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

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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
capacity amongst social purpose businesses to articulate their social value added” (pp. iii). Later work by Burkett (2010) and Newman and Burkett (2012) argued that an effective social procurement strategy should have four key dimensions:

1. A policy focus—developing and implementing social procurement policy which include commitments to making a social impact, communicating why it’s important to the business, business partners and to society; commitments to spending targets on social enterprises and requirements for relevant parts of the business to consider social value in procurement decisions.

2. A contract focus—which involves incorporating social value clauses and requirements into tender documents and contracts with clear criteria and weightings.

3. A supplier focus—which involves engaging with organisations such as social enterprises that can deliver social value into the community at the same time as offering services and products to various parts of the business.

4. A market development focus—where sufficient expertise does not exist in existing supply chains, developing this capability through JVs, partnerships, training, finance and by stimulating contracts for these enterprises through supply chains and related businesses.

Newman and Burkett (2012) argue that it is critical that these dimensions be coordinated and integrated horizontally and vertically across all organisational functions and across all business levels from strategic to operational. Additionally, in the construction industry, there is the added challenge of developing a project dimension to social procurement strategy which considers the creation of social value over the life-cycle of a project. Project managers in the construction industry are typically given significant responsibility for resourcing their projects and a common problem in many project-based organisations is that central policies and initiatives fail to filter down to the project level and get transferred across projects (Loosemore, 2014; Widen, 2006).

While there is at present no specific research on social procurement in the construction industry, there is other related research which suggests the industry is not well equipped to meet the new requirements of social procurement initiatives outlined above. For example, Close and Loosemore (2014) found that the community was widely seen as a liability rather than an asset in construction project delivery. The integration of any social enterprise into the supply chain which is focussed on engaging with these communities is likely to be seen sceptically as slowing project progress or adding costs. Furthermore, as Ness (2010) notes, while on the surface there may appear to be concern for social issues in many construction firms, there is an overwhelming ‘enterprise culture’ in the construction industry which drives project behaviour and a focus on the bottom line. This is supported by Murray et al. (2011) and Loosemore and Phua (2011) who found that, in reality, many corporate social responsibility (CSR) initiatives at the project level do not live up to the hype and claims which surround them. Furthermore, while significant progress has been made in some leading firms in the environmental arena on their projects, social issues are normally relegated to a distant third priority, a long way behind economic and then environmental objectives. Indeed, Glass et al. (2011) and Glass (2012) also show that the construction industry is lagging behind other industries in understanding and reporting these impacts and in its adoption of responsible sourcing strategies. Inevitably, these inherent limitations in the construction industry’s existing experience and capabilities means that in delivering their future projects, construction firms will need to draw on the expertise and experience of a new breed of firms called social enterprises which specialise in providing social value into the community.

3. Integrating social enterprises into construction project supply chains

While there has been considerable debate about the defining characteristic of social enterprise, in its simplest terms, it is the blending of a commitment to resolve social issues with commercial enterprise (Doherty et al., 2014). A good example is a social enterprise working in construction projects is Blue Sky http://www.blueskydevelopment.co.uk/, which focuses on offender rehabilitation by tendering for commercial contracts in grounds maintenance, painting, landfill, tree planning, recycling and some non-construction-related work. It then delivers the contracts by employing ex-offenders. Since 2005, Blue Sky has employed 950 ex-offenders and only 15% have re-offended, a quarter of the national average. A total of 48% have moved into sustained employment, 51% have left with accredited qualifications and 60% have left with an improved accommodation situation. The potential social value add for construction firms engaging social enterprises like this is clearly significant given that re-offending costs the UK £13 billion each year and new prisons are very costly to build. Social enterprises take many forms and operate in many sectors. However, recent research in the UK (Villeneuve-Smith and Chung, 2013), in Australia (Barraket et al., 2010) and in the US (Clark and Ucak, 2006) have shown that social enterprises are very poorly represented in the construction sector and that they tend to be very small organisations operating at the bottom of the supply chain on smaller projects and tasks.

In understanding how the construction industry could integrate social enterprises more effectively into its construction projects, recent research by Barraket et al. (2013) in the field of social enterprise is useful. Their work indicates that there are a number of ways in which organisations can engage with social enterprises through their social procurement project strategies. These include: indirect subcontracting through social clauses; set-asides in tenders; and purchasing agreements. JVs and MOUs. However, it is also important to note that researchers have also identified many barriers for social enterprises in engaging with mainstream commerce. Many of these barriers lie in the ‘formal’ and ‘informal’ cultures, norms, structures, rules and procedures which operate ‘under-the-surface’ and are more difficult to identify and resolve. Many barriers are also internal to the social enterprises themselves. For example, Kernot and McNeill’s (2011) analysis of thirty-three successful social enterprises in Australia reveal many day-to-day
challenges which included: generating finance to grow, overcoming natural resistance to change; overcoming negative perceptions of social enterprises; lack of resources to compete with mainstream businesses; recruitment problems, complex staffing needs and HR support issues; challenges in establishing long-term partnerships seen as crucial for success; and demonstrating and reporting social impact. However, there are as yet no insights into industries like construction and it is not known if there are sector-specific challenges which may exist.

4. Method

To explore these challenges, interviews were undertaken with the leaders of twelve social enterprises operating in the construction industry were undertaken. The aim of these interviews was to explore the drivers of social enterprise in the construction sector and the external and internal challenges which social enterprises experience in operating in the construction sector. The social enterprises were all based in the UK and were chosen from a number of well-known social enterprise directories whose definition of social enterprise aligned with that provided above. This provided a degree of consistency and assurance in the nature of social enterprises we selected for analysis. These directories include the Social Enterprise UK ‘Buy Social’ Directory www.buysocialdirectory.org.uk, the ‘Social Enterprise Mark’ directory http://www.socialenterprise.org.uk/directory-certified-social-enterprises/, the Social Firms UK ‘Just Buy’ Directory http://www.justbuy.org.uk/?page_id=640, BuySe.co.uk directory http://www.buyse.co.uk/ and the Wates directory of approved social enterprise suppliers http://www.socialenterprise.org.uk/uploads/editor/files/Wates_Social_Enterprise_Brokerage_Approved_Suppliers.pdf. Semi-structured interviews were chosen to collect data rather than a survey for several reasons. First, given the complete lack of any previous research into social procurement in construction projects, this research was very much exploratory in nature and as is normal in such research, the intention was to start developing some qualitative insights which could form the basis of future quantitative theory-testing research. Second, the population of enterprises working in the construction industry is currently very small and when split into different product/service areas, is unable to provide a representative sample in any area (whether categorised by trade, beneficiary, age or stage of development). Third, inspection of the directories listed above indicates that many social enterprises listed under construction-related fields could arguably not be regarded as being construction-focussed. For example, the numerous social enterprises listed that sell stationary also operate in many other sectors and are unlikely to provide construction project-specific insights of any value to this research. Fourth, given the very small-scale nature of most social enterprises, the response rate to a survey is likely to be quite low, further reducing the size of a sample for reliable quantitative analysis. In contrast, semi-structured interviews suited the immature nature of the field and exploratory nature and aims of the research which were to begin to understand and document and compare social enterprise representative’s experiences, views and opinions around existing procurement systems used in construction projects and the barriers and challenges they pose to social enterprises. It is widely accepted that qualitative data derived from methods such as interviews provide deeper insights into these types of issues than quantitative data derived from surveys, enabling the researcher to pursue unexpected leads around several general but targeted questions (Silverman, 2000). Respondents selected for interview were senior representatives nominated by their organisation as having worked on construction projects, resulting in an interview sample of thirteen people as shown in Table 1.

In keeping with good interview design, questions moved from general to specific and were open-ended, neutral and designed to yield as much information about the challenges of working in construction projects as possible (Legard et al., 2003). The interviews typically lasted for one hour and were guided by three simple questions listed below. The initial question was designed to gather background data about the selected social enterprises and to put respondents at ease and to build up confidence and rapport with the interviewer. Later questions were designed to start a discussion about challenges and barriers.

1. Brief background of the business (history and nature of the business, social/environmental need being addressed, how the need is being addressed, how revenue is generated, proportion of business derived from construction industry)?
2. Drivers of social enterprise in the construction sector?
3. External risks associated with the construction sector?
4. Internal risks in running a social enterprise in the construction sector?

To minimise recall error, the interview questions were sent to the respondents at least one week before the interview to allow them to discuss answers internally and recall their experiences of working in the construction industry. To inform the interviews, data was also collected through documentary analysis of publically available data (websites, on-line documents, etc.). Post-interview, documentary data voluntarily supplied by respondents were also analysed to supplement the interview data information about their social enterprises’ business strategies and activities.

This combination of data were analysed using narrative analysis after the transcripts were presented back to respondents to confirm their validity (Angen, 2000). Narrative methods are based on the idea that knowledge is held in stories (written and verbal), conversations (formal and informal), photos and other artefacts that can be relayed, stored and retrieved (Reissman, 2008; Fry, 2002). To understand any issue from the perspective of any respondent requires collection and analysis of these narratives. Although there is some dispute among researchers who conduct narrative analysis about whether the product on narrative analysis should also be narrative (Clandinin and Connelly, 2000), in presenting the results of this research, it was decided to summarise the narrative of the discussions rather than reduce the data to quantitative counts of variables. There are several reasons for this. First, as Meisel and Karlawish (2011) argues that the power of narrative is in translating respondent accounts into data that people can
5. Results and discussion

The results of the interviews and documentary analysis are presented below by listing the common themes that emerged in each of the areas of analysis: drivers of growth; external challenges; internal challenges. These are then discussed in relation to the existing literature.

5.1. Drivers of growth

Table 2 summarises the main drivers of growth which were identified for social enterprises in engaging with construction projects.

The results around drivers of growth support Loosemore and Phua’s (2011: 13) observation that any organisation’s operations are “contingent upon a range of contextual factors that are present at the transnational (supra), country (macro), industry, organisational (meso) and even individual (micro) level”. While Loosemore and Phua’s (2011) analysis was based on the CSR activities of ‘for-profit’ firms in the construction sector, the results of this research show the potential value of a supra-, macro-, meso- and micro-analytical framework in conceptualising the social procurement debate at a construction project level. For example, supra-level considerations in the data pointed to the influence of international trends and guidance and legislation to encourage construction firms to engage with social enterprises in procuring their projects. However, only one respondent mentioned the influence of international legislation, and further research is needed to explore the reach of social procurement trends elsewhere in the world, given that many commentators point to an inexorable drift towards the greater involvement of firms in welfare provision around the world (Tachibanaki, 2003; Kickul and Lyons, 2012).

Table 2 summarises the main drivers of growth which were identified for social enterprises in engaging with construction projects.

<table>
<thead>
<tr>
<th>Case study</th>
<th>Respondent Description of activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Criminal Justice Lead</td>
</tr>
<tr>
<td>2</td>
<td>Director</td>
</tr>
<tr>
<td>3</td>
<td>Managing Director</td>
</tr>
<tr>
<td>4</td>
<td>Managing Director</td>
</tr>
<tr>
<td>5</td>
<td>Operations Manager</td>
</tr>
<tr>
<td>6</td>
<td>Director</td>
</tr>
<tr>
<td>7</td>
<td>Sales Executive</td>
</tr>
<tr>
<td>8</td>
<td>Managing Director</td>
</tr>
<tr>
<td>9</td>
<td>Managing Director</td>
</tr>
<tr>
<td>10</td>
<td>Executive Director and Research Associate</td>
</tr>
<tr>
<td>11</td>
<td>Director</td>
</tr>
</tbody>
</table>

comprehend. Second, as stated above, we could not test the relationship between any independent and dependent variables in this research. Third, we wanted the results to retain the full richness of insight contained in the narratives we collected from these highly experienced respondents, many of whom had started the social enterprises from nothing. This provides the potential for a secondary analysis of our data by other researchers who might notice patterns that might not be revealed in our analysis and reported here.
Macro-level considerations featured much more strongly in the data and acknowledged the importance of political–economic factors and on national regulatory, legal and institutional arrangements. However, it also pointed to the potentially mediating effect of the wider economic context in which these initiatives take place.

“The UK’s Public Services (Social Value) Act 2012, has been a very powerful piece of legislation for us to leverage work, although currently it still lacks the teeth to hold procurement practices to account”.

“The industry is changing and should be encouraged to do so. More-and-more builders want to buy-into what we do...”

“The vast majority of large construction firms now have a strong CSR function. This has been an opportunity for us to show that engaging with a social enterprise can be very powerful way of demonstrating that they are engaging with communities and with the concept of social value”.

“Most social enterprises are small and many projects are too large to tender for. One factor in our success has been the willingness of our clients to unbundle facilities and estate management services into four smaller contracts”.

Finally, at a micro-level, the data also pointed to the importance of individual influences on social procurement trends in construction.

“There is a new young breed of project managers in the industry coming through who do want to do things differently”.

“We have encountered tokenism, empty promises and rhetoric and have not been taken seriously as part of their supply chain. We are confident, however, that changing social expectations will lead to new opportunities for us to work with the construction industry as increasing emphasis is placed by all political parties on working to tackle the housing crisis in the UK”.

<table>
<thead>
<tr>
<th>Driver</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Culture change in the construction industry</td>
<td>Emergence of social procurement in construction client-base (social criteria becoming more important in tenders) Growing importance of CSR in construction businesses Lack of previous engagement with the social enterprise sector. Many new opportunities to engage</td>
</tr>
<tr>
<td>New social legislation and regulation</td>
<td>New legislation such as the UK’s Social Value Act and EU Procurement Directives driving changes in client and organisational behaviour Increasing reporting requirements on large firms to measure and report social and environmental value and impacts of activities</td>
</tr>
<tr>
<td>Potential impact of construction on society and environment</td>
<td>Enormous size, scope and resources produced and consumed by the construction sector The multiplier effect of the construction industry on the economy, society and environment</td>
</tr>
<tr>
<td>Changing social expectations</td>
<td>Increasing social/environmental awareness and consciousness in society Increasing standards of corporate behaviour expected by society Increasing scrutiny of the construction industry by public and pressure groups</td>
</tr>
<tr>
<td>Political trends</td>
<td>Outsourcing of welfare to private sector Smaller government—reductions in size and capacity of public sector Austerity—reductions in grants and support for welfare/charities driving entrepreneurship in welfare provision Increasing political/practical/financial support for social enterprise sector</td>
</tr>
<tr>
<td>Changing public procurement practices</td>
<td>Movement to performance-based procurement Increasing popularity of social procurement Movement to value rather than price</td>
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“Most of our clients are interested to see our social good. They appreciate we have tried to quantify our social impact. They like to see that what they are doing is having a social impact”.

5.2. External challenges

Table 3 summarises the major external challenges that were identified by respondents in engaging with the construction sector.

Our results align with Newth and Woods (2014) research, which suggests that resistance to implementing a social procurement policy is likely to come from four main areas. Some selective quotes are provided to support each area:

1. Organisational—governance, risk appetite, resources and culture.

“The construction sector has not been the most enlightened and forward-thinking group of people. They have been doing things the same way for a long time and it’s been hard to get them to adapt their practices to do something different”.


“The construction industry is extremely competitive and the margins are small. Selling a social enterprise into this industry is not like selling fair trade coffee. They won’t buy our services for the good of the world. It’s obvious they will have to think about cost. It’s not that they don’t value the good work you do, but you have to be able to do good work at a competitive price and deliver it reliably”.

3. Formal institutions—contracts, systems and practices

“The construction sector is heavily regulated... Prequalification processes, tender registration, quality assurance and health and safety requirements can be prohibitive and daunting and it takes a while to become familiar with these special requirements”.

4. Informal institutions—organisational habits, norms, customs, routines and power structures

“The construction sector has its unique ways of working. Social enterprises that have spun-out of construction firms have a real advantage over social enterprises which don’t have a construction background. Most social enterprises won’t have the construction industry savvy and have to learn on the job”.

Research shows that potential resistance is likely to be compounded by a lack of knowledge about the potential trade-offs with other construction project goals (such as project cost, time, safety and quality) when introducing social enterprises into a supply chain (LePage, 2014). While there is

Table 3
External challenges in engaging with construction.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
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<tbody>
<tr>
<td>Negative perceptions of social enterprises</td>
<td>Lack of trust. Not being taken seriously by the construction sector Perceptions that social enterprises are charities and deliver low-quality services Perceptions that larger social enterprises can’t handle large work packages. Social enterprises tend to get given the smaller, lower-risk packages which prevents them achieving scale</td>
</tr>
<tr>
<td>Rhetoric of CSR in the construction industry</td>
<td>CSR being tokenistic and compliance-driven CSR fatigue or cynicism in construction sector creating a compliance mentality and tokenistic engagement with social enterprises Large construction companies lack connection and empathy with the community. They come and they go. They don’t need to stay or leave a legacy</td>
</tr>
<tr>
<td>Resistance to change</td>
<td>Unwillingness or inability to dislocate established supply chain relationships and procurement practices Long-established recruitment methods, sources and networks (old boys’ network). The industry is very close-knit. Hard to break into existing recruitment and supplier networks</td>
</tr>
<tr>
<td>Existing procurement practices</td>
<td>Complex and bureaucratic procurement/tendering procedures which place an unfair administrative cost burden on social enterprises Inconsistent procurement/tendering processes between different clients Large size of typical work packages on projects are beyond the capacity of many social enterprises. Preventing them from breaking into existing supply chains and competing with incumbents Narrow conceptions of value in the construction sector (overly focussed on price rather than value) Lack of experience of social procurement</td>
</tr>
<tr>
<td>Lack of engagement between social enterprises and construction</td>
<td>A lack of experience, poor understanding and imagination of how the two sectors can mutually benefit each other Clients who have had bad experiences of social enterprises</td>
</tr>
<tr>
<td>Regulations</td>
<td>The newness of the social enterprise concept means that it is not a known concept in the construction industry/market Highly regulated nature of construction activity making social enterprises seem high-risk</td>
</tr>
<tr>
<td>Client silos</td>
<td>Disconnect between well-intentioned Head Office initiatives and site priorities</td>
</tr>
<tr>
<td>Fragmented nature of the construction industry</td>
<td>Project-based work leads to short-term thinking and short-term contracts which prevent stable work flows and employment opportunities Dealing with the tail end of the supply chain where there is generally little or no knowledge of social enterprise Industry fragmentation makes it hard to work across different organisations in a coordinated way</td>
</tr>
<tr>
<td>Construction industry culture</td>
<td>Commercial, macho, hard-nosed mindsets (social is intangible, soft and fluffy) Preconceived ideas about the ideal construction worker (able-bodied males) Ingrained stigmas associated with disadvantaged groups which social enterprises employ</td>
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</tbody>
</table>
little research on what types of trade-offs social enterprises might involve, the highly competitive and price-focused nature of construction means that procurement professionals are unlikely to change existing suppliers and subcontractors for smaller social enterprises with potentially higher prices, lower reliability and lower service standards than large companies (Richard and Loosemore, 2015).

“There is a perception problem driven by a poor understanding of what social enterprises do and how they operate. We are not seen as professional. A major challenge is convincing clients that the quality and value of what we deliver will be exactly the same as any other contractor. People don’t yet have confidence in us”.

Our results also align with Erridge (2007) who argued that in most industries the concept of ‘value’ is still dominated by market-based language (value for money). This is certainly supported by Richard and Loosemore’s (2015) research on narrow conceptions of value in the construction sector, which suggests that there is likely to be an assumption (even if not backed by empirical evidence) that the pursuit of socio-economic goals comes in procurement decisions will come with increased risk, cost, reduced transparency and possible illegality around probity and open competition.

“The industry needs to shift its focus away from only price and learn to better value and appreciate the social value which social enterprises can bring. The industry knows monetary value but not social value”.

“People in the construction industry needs to “think more creatively and commercially, beyond price, about the way that social enterprises can add value”.

“They need to work with social enterprises to understand the way we operate and the new forms of value we can add to their businesses”.

However, other research shows that many of these perceptions are misinformed. Take the issue of reliability, for example. Rumbold’s (2014) research into the comparative survival rates of the top 100 social enterprises and top 100 business enterprises over the period 1984 to 2014, shows that there is no significant difference in bankruptcies. Indeed, when trading charities are included, there is evidence which indicates that they are more resilient than mainstream for-profit businesses with 41% of social enterprises surviving compared to 33% of traditional businesses.

Another potential challenge which emerged from the data was that the field of social procurement is in its infancy and that many construction firms will naturally hold back until the hard (and costly) lessons have been learnt by the industry’s first movers. At the moment, the data reported here shows that the level of engagement with the social procurement agenda is very limited in the construction sector and that the first movers are few in number and very cautious. Indeed, far more cautious than they publically claim. The most advanced firms are only tinkering with social procurement in a limited number of business areas with very few having developed business-wide social procurement policies.

“We have been disappointed with the construction companies that we have encountered so far in terms of developing any working relationship. We targeted two or three large firms on the basis that they could give us a crumb of their contracts and that it would be good for their corporate responsibility reputations and reporting. There appears to be a lot of rhetoric and the fantastic opportunities that have been on offer have turned out to be miniscule and almost an insult to us as a business, albeit one that is very small”.

“Most people don’t understand us. They often have negative perceptions of social enterprises and think we are a charity. They question the standard of our work and they don’t understand that we are a normal business with all the accreditations. The only difference is that we are giving our profits back to society”.

This is also the case in other industry sectors where various solutions have been proposed for the sorts of challenges we have revealed in this research. Bonwick’s (2014) suggested strategies include:

- More visible supplier networks
- More research on best practice in engaging social enterprises in practice
- Better networking opportunities for social enterprises
- Better directories of social enterprise suppliers
- Better training for those involved in the social procurement process
- Better communicating the benefits of social procurement to business
- Better funding of intermediaries to assist the development of social enterprises
- Better incentives for business to engage with social enterprises
- Promoting more partnerships between business and the social enterprise sector
- Encouraging and supporting independent certification of social enterprises

LePage (2014) also highlights the importance of leadership in arguing that little will change unless leading construction firms show stronger leadership to change procurement practices in their organisations to address social issues, to develop better policy, practice and internal capabilities and skills to support it and to create better social impact measurement tools to quantify outcomes and impacts. Davies and Schon’s (2013) research also suggests that construction firms should be forging stronger relationships and better communications with the social enterprise sector and educating them about the way that the industry and their organisation procurement systems work. Conversely,
they should be taking more time to understand how social enterprises work. Another common problem identified by Davies and Schoon (2013) is the potential mismatch between the priorities of social enterprise, which tend to place social goals above economic imperatives, and those of their clients which tend to the opposite. This can be overcome by working collaboratively with social enterprises to better monetise social value and by ensuring that procurement officers do not overly focus on price in constructing supply chains for projects.

Changes to traditional procurement practices are also required. For example, large work packages on construction projects which are beyond the capacity of small social enterprises could be unbundled and construction firms should avoid common dubious employment practices such as retentions and delayed payments (Brand and Davenport, 2012).

“The main challenge is scale. Connection Crew comes from a small-scale industry yet the trade packages in construction are typically large. We can’t respond to requests for a few hundred people for the next month when we only have 80 people on our books”.

“There are many hoops to jump through and procurement systems are complex and burdensome. When your income is only 1% of your turnover and your turnover is only a few hundred thousand pounds, you can’t afford to pay to be on tender lists or tender for many jobs without a guarantee of work”.

Construction firms also need to ensure that social procurement initiatives developed in the head office get implemented on-site. This often fails to happen because of different priorities, unengaged project managers and highly traditional supply chains.

“Being a very new company, there is a huge amount of interest from the big construction companies. However, while the people at the top of the tower are saying yes, it’s much harder to get buy-in from the estimators, quantity surveyors and site people who have to implement projects. They are driven by different objectives and often haven’t been involved in higher decisions or educated about what we do”.

The results also indicate that better networks, partnerships and alliances between large firms and social enterprises are needed to support the sector’s development and enable social enterprises to break into existing and well-established construction project supply chains. Finally, negative perceptions of social enterprises in the construction sector, particularly at a project level, need to change by working with and supporting social enterprises and by better education within clients, companies and supply chains about their potential benefits.

“We have had to become a bit choosy in who we work with. Trust is often missing”.

“There is a will to engage in the construction sector in the best companies but building a solid trusting relationship is hard”.

5.3. Internal challenges

Table 4 summarises the internal challenges respondents faced in building their social enterprises in the construction sector:

This research shows that there are two sides to the coin and that social enterprises working in the construction industry also need to adapt and change if they are to engage more effectively with the construction sector. In particular, since many social enterprises are founded by people from outside the construction industry, they can often be unaware of the many unique organisational, procedural, regulatory and cultural barriers that they will encounter which are peculiar to construction projects.

“The construction sector has its unique ways of working. Social enterprises that have spun-out of construction firms have a real advantage over social enterprises which don’t have a construction background. Most social enterprises won’t have the construction industry savvy and have to learn on the job”.

“We were also very naive in thinking that facilities and estate management services would be a simple business to start with, which was one of the reasons we chose it”.

“Pre-qualification processes, tender registration, quality assurance and health and safety requirements can be prohibitive and daunting and it takes a while to become familiar with these special requirements”.

The results also indicate that social enterprises need to be focussed on being highly commercial so that they can compete on the same price, quality and reliability of service as any other established supplier. This appears key to being taken seriously as valuable contributors to the construction industry.

“Critical to [the social enterprise’s] growth has been its determination to be bluntly commercial. It’s critical to recognize that our clients need something other than to feel-good about employing a social enterprise. Bounce Back seeks to align its objectives with its client’s objectives and to help them win jobs”.

“We have learnt not to wear our heart on our sleeve. The industry is not impressed with such stories. The industry is driven by two main things: price and quality of service. The first question you have to get past before even discussing social enterprise is whether you can do it cheaper and whether you are reliable”.

However, it is also appears critical that social enterprises do not lose sight of their social objectives. This is what differentiates them from project incumbents and what ultimately provides their competitive advantage and value in the construction market.

“It’s important to always remember why the business was set up in the first place. It’s all well and good growing a business but then that can lead you away from those original social objectives. We are very clear that our main objective
is to work with the construction industry to get people into sustainable employment. We are not trading alongside or competing for construction work with other construction companies”.

“People get caught up with the notion of setting up a social enterprise, but its critical to be clear about why you are doing it. It’s remembering the social purpose that gets you through the hard times. Running a social enterprise is not an easy thing to do. If you haven’t got a social purpose then its best to just go and set up a normal business”.

“In a very competitive construction market, it is crucial to keep focussed on the ethos of the company, employing and training local labour from disadvantaged areas helping to create sustainable communities”.

Social enterprises also need to develop stronger partnerships, alliances and joint ventures with construction firms. It is clear from the results that social enterprises will struggle to achieve social change working alone and that they need to work collaboratively and collectively as part of a wider industry ecosystem.

“The industry needs to help the social enterprise sector grow. There need to be more partnerships to build capacity”.

“Partnerships are very important. Success is about open, trusting and transparent relationships at the end of the day... We don’t operate in isolation. We have symbiotic relationships with a broad range of people and organizations externally and internally”.

Partnerships, alliances or joint ventures are also critical in providing back-up resources, advice and a stream of early work opportunities to enable the social enterprise to achieve scale.

“Work in partnership with us to help us grow our business. Everyone would win. For example, a second van would allow us to double the amount of waste timber we recycle”.

“You need a strong partner to help you. We are fortunate that we are part-owned by [owner’s name] and we can ask their advice and assistance with running the business”.

The results also indicate that scale is very important to be able to work in construction projects. Most social enterprises are very small and seem to struggle to compete with established suppliers and subcontractors. However, as Desa and Koch (2014) point out, little is known about what scale actually means in the context of social enterprise and how social entrepreneurs achieve it. It is clear that social enterprises struggle to grow their businesses in many industries.

“We don’t collect from organizations that generate huge quantities of wood waste because it is well beyond our capacity and the business model changes”.

“If firms could be more flexible and appreciate our constraints, then it would benefit us enormously. The problem is that the

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<th>Risk</th>
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<tr>
<td>Size and scope of activities</td>
<td>Narrow revenue base.  Relying on one stream of funding</td>
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<td></td>
<td>Not being large enough to compete with established subcontractors</td>
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<tr>
<td>Not having an effective strategy</td>
<td>Not undertaking upfront planning and research and not developing a good evidence-based business model</td>
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<td></td>
<td>Not understanding the risks of running a social enterprise business</td>
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<td>Lack of focus (doing too much, no differentiation)</td>
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<td></td>
<td>Not being competitive with normal commercial businesses.  Not delivering quality and reliable services at a competitive price</td>
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<td>Taking-on contracts which are beyond capacity to deliver</td>
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<td>Unresolved internal priorities, loyalties and conflicts between commercial and social goals.</td>
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<td>Poor governance</td>
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<td>Communicating value-add</td>
<td>Not being able to measure and communicate social impact</td>
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<td>Educating new potential clients what social enterprises do</td>
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<td>Not being construction sector savvy</td>
<td>Communicating that social enterprises can offer something innovative and different from traditional supplier organisations</td>
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<td>Running a small business</td>
<td>Not understanding the unique characteristics, culture and processes of working in the construction industry</td>
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<td>Cash flows, recruiting quality staff, vulnerability to downturns, etc.—compounded by having to balance profit with a social agenda</td>
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<td>Resourcing</td>
<td>Getting good staff with the right attitude to work through the inevitable ups and downs on starting a social enterprise</td>
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<td>Not being able to offer staff a career path. High staff turnover</td>
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<td>Not being able to secure the necessary finance to establish and buy expensive capital equipment</td>
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<td>Finding placements and jobs for problematic employees during a recession. Particularly with the growing abundance of cheap and highly skilled overseas labour</td>
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<td>Spreading limited resources too thinly</td>
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<td>Partnerships</td>
<td>Not having strong partners who are prepared to share risk and help you grow and survive the inevitable hard times</td>
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<td>Not having the networks to find out about potential projects early enough to plan</td>
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size of our business is too small to respond to the size and needs of the potential market”.

“Social enterprises spend huge amounts of time tendering for very small projects with very bureaucratic processes attached to jobs. The key to minimising this problem is encouraging technological innovation, reducing paperwork and supporting the sector to grow so that social enterprises can complete equally, become more efficient and tender for larger contracts”.

Finally, it is clear from the results that construction-focused social enterprises must become better at measuring, monetising, reporting and communicating the social value they can bring to construction projects. This is a common problem and as McNeill (2011) notes, without data and evidence around social impact, and without a widely accepted standard for how to measure and report it, any form of social innovation is likely to encounter significant resistance to change in any organisation, no matter what industry.

“Social enterprises are poor at communicating that they provide community benefit at no additional cost. This is partly because most social enterprises are not very good at measuring their social impact”.

“We have tried to measure our social impact and NCWRP produces a social outcomes report, although we could do this more effectively and more deeply”.

“Measuring our social impact is a challenge. In the past, we tended to measure this by capturing the stories of our young people. But this is at an individual level and we need to be more rigorous in this area”.

“Measuring and communicating our social value is an ongoing challenge. Some companies love it and others are not interested”.

6. Conclusion

The aim of this paper was to address the paucity of research into construction social procurement by exploring the current barriers to procuring services and products from a social enterprise perspective. Changing societal expectations about projects in industries like construction, which take place within communities, contributing back to those communities, is increasing the importance of social procurement as a project management tool. Through twelve case studies of social enterprises operating in the construction industry, it is clear that many of the challenges identified by this research are also common outside the construction industry. However, the research also shows many construction-specific challenges and by doing this contributes to the literature in mainstream project management, social procurement and construction procurement research. The results indicate that numerous changes to existing procurement practices are needed to encourage the engagement of more social enterprises in construction projects. Clients have a critical leadership role in bringing about these changes. Beyond the relatively few larger firms that are starting to become engaged with the social enterprise sector, there is a very long tail of smaller firms which will resist change unless they are encouraged to do so. No one is expecting a social procurement revolution and social enterprises will never completely replace the multitude of traditional suppliers and subcontractors that supply products and services to the construction industry. However, this research has shown that in meeting new social procurement requirements, many of which are being mandated by legislation such as the UK’s Social Value Act and Australia’s Indigenous Procurement Policy, social enterprises do represent an innovative and as yet untapped opportunity for clients and firms in the construction sector to engage more closely with their communities and to help the environment and the most disadvantaged in society. The challenge is how to integrate new types of business underpinned by what is perceived to be an inherently uncompetitive business model into a highly competitive industry underpinned by strong path dependencies and established relationships with hard-nosed industry incumbents. Similar research is needed in other project-based industries to understand and compare the barriers to social procurement that exist there and the potential role that social enterprises can play in leaving a positive project legacy for future generations.

Conflict of interest

There is no conflict of interest.

References


