

WORKING PAPER

Purchasing with purpose

Tools to develop an organisational strategy for social procurement

Maria Mupanemunda

About this resource

This resource was inspired by a partnership project between the Brotherhood of St Laurence NDIS Local Area Coordination Team, Brotherhood of St Laurence Research and Policy Centre and seven Victorian local governments in the Bayside Peninsula Region. The aim of the partnership is to support organisations in both the public and private sectors in becoming employers of choice for people with disability.

The resource has been developed primarily for organisational procurement teams/departments or specific staff members who may be in charge of purchasing and/or procurement processes and decisions. It contains two tools to assist in developing an organisational strategy for social procurement:

- the Steps towards Social Procurement framework, which offers a four-stage model to help organisations assess their progress towards strategic procurement. It is based on Telgen, Harland and Knight's model (2007) of seven stages towards strategic procurement and modified to reflect Australia's advanced procurement legal and policy context
- a checklist and action list for each of the four phases in developing a social procurement strategy. These draw on some of the considerations for creating social value across local government supply chains as identified in *Social procurement: a guide for Victorian local government* (Department of Planning and Community Development 2010) and *Beyond value for money in procurement – social procurement in Victorian local government* (Department of Environment & Municipal Association of Victoria 2017).

These tools are only two in a suite of social procurement resources. They should be read in conjunction with the discussion paper written as part of this project, titled *Councils as employers of choice: how hiring and procurement decisions can create employment for people with disability*, which offers useful references to other social procurement resources (Mupanemunda 2020).

1. Steps towards Social Procurement framework

To assess progress towards best practice in social procurement, we have developed a four-step framework which draws on Telgen, Harland and Knight’s sustainable procurement model (2007) to reflect Australia’s developed procurement legislative and legal public financial management context. Accordingly, this tool offers an assessment of the different steps towards social procurement (see Figure 1).

Each successive transition requires a greater shift in organisational culture as well as a greater increase in organisational capacity. Both (shift in capacity, shift in culture) necessitate the use of rules, resources and relationships (Barraket, Keast & Furneaux 2016).

Stage 1: Simple procurement

Procurement at the **simple procurement stage** is mostly concerned with sourcing available goods and services of the right quality at the right time. The procurement process is reactive (that is, driven by acquiring the goods, services and works that are needed to function); is internally oriented (that is, the purchase of goods, services and works to satisfy organisational needs); and has a heavy focus on compliance with legislative, regulatory and procedural requirements rather than social value outcomes.

Stage 2: Low-complex procurement

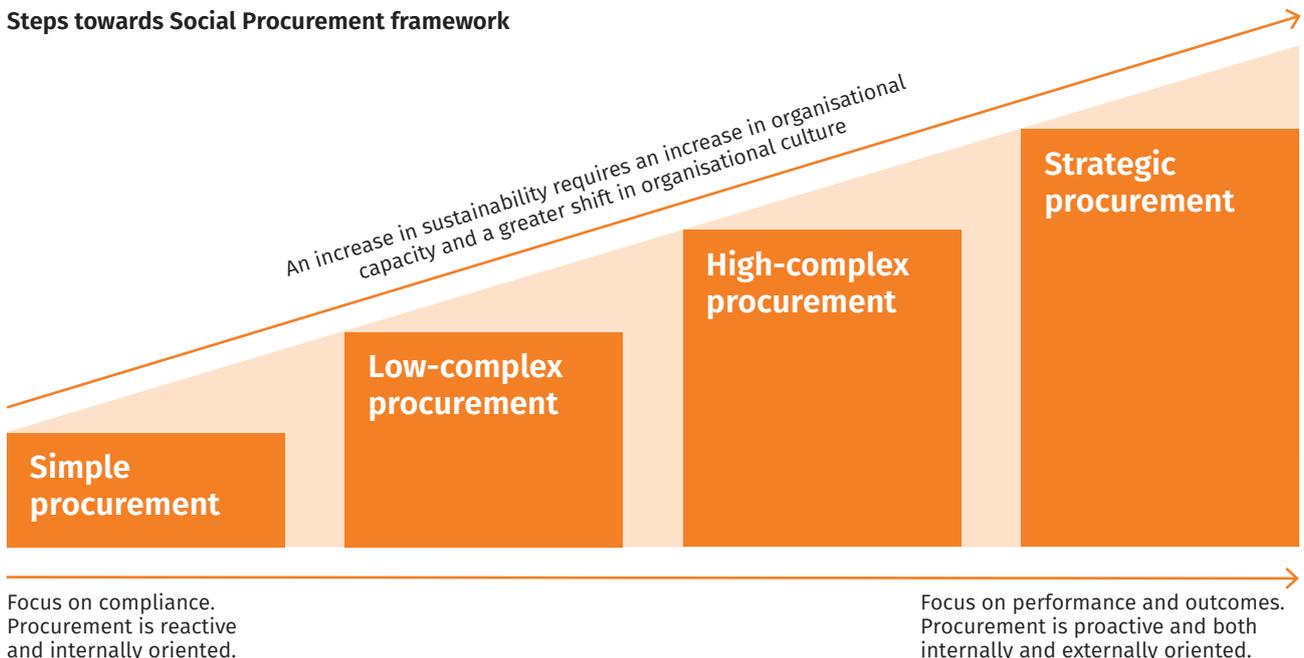
In addition to the goals of the previous level, **low-complex procurement** focuses on ensuring efficiency of procurement budgets. Technologies that help with achieving purchasing efficiency are an essential part of the process. However, procurement decisions are still reactive. Accountability to the public and legislature is a key issue, as is transparency.

Stage 3: High-complex procurement

At this stage procurement is primarily concerned with value for money. It is not only immediate cost which determines purchase but also the whole life value (cost of purchase, upkeep and disposal) of the purchased goods to the organisation and the community in which it operates (Newman & Burkett 2012). However, value for money is still understood primarily in financial terms rather than in terms of long-term social value outcomes. Procurement is proactive rather than reactive; that is, it is concerned with both acquiring the goods, services and works that are needed to function and using the procurement process to achieve other organisational sustainability goals. While some objectives focus on performance and outcomes, the main procurement objectives are still internally focused.

Figure 1

Steps towards Social Procurement framework



Adapted from Telgen, Harland & Knight (2007)

Stage 4: Strategic procurement

At the **strategic procurement stage**, the main function of procurement is to support not just the organisation's goals but also the realisation of broader national and state policy objectives. Achieving value for money fully incorporates decisions that consider long-term sustainability objectives for the organisation as well as the local and broader community. Procurement is both internally and externally focused and is viewed as a mechanism for policy reform and delivery. The procurement process is proactive; that is deliberate, strategic and heavily focused on performance and outcomes. Social value measurement frameworks are in place to allow for the continuous improvement of the procurement process and for innovative ways of linking procurement to sustainability outcomes.

Research shows that on average it takes five years of careful, deliberate planning with strategies that involve the whole organisations, for an institution to start functioning at the Strategic Procurement level (Haie et al. 2019).

Analysing organisational procurement against this framework can be useful to help assess where you are on the path to strategic procurement.

2. Checklist and action list to develop an organisational social procurement strategy

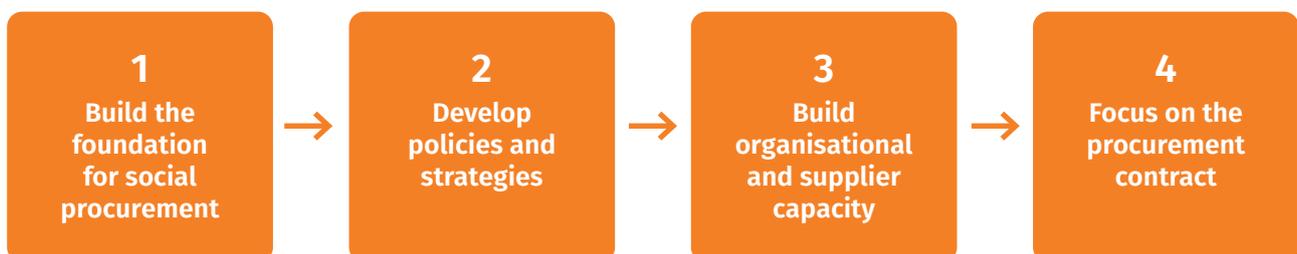
Developing an organisational social procurement strategy requires deliberate planning and adequate time. It involves different considerations along four different phases as illustrated in Figure 2.

Four checklists have been developed to help organisations navigate each phase. Each checklist has a corresponding action list which lists activities procurement staff might consider (see pp. 4–7).

Procurement accounts for a substantial proportion of an organisation's expenditure. It represents a real opportunity to leverage buying power for the achievement of organisational sustainability goals. The tools in *Purchasing with purpose* have been developed to raise awareness of the benefits of social procurement and to encourage organisations to create a procurement policy that takes into account economic, social and environmental considerations.

Figure 2

Developing a social procurement strategy



Checklist for building the foundation for social procurement (Phase 1)

Question	Level of awareness, understanding, engagement, commitment			
	Almost none	Limited	High level	Unclear
How committed is senior management to social procurement? Is this reflected in the organisation's attitudes towards social procurement?				
Are the reasons for implementing social procurement well understood across the organisation?				
To what extent do suppliers understand the organisation's commitment to creating disability employment through its procurement decisions?				
What is the level of awareness among staff of the benefits of social procurement?				
How much engagement is there between disability-focused social benefit suppliers and council procurement and purchasing staff?				
How well do procurement staff understand what the organisation is currently purchasing, from whom and using what methods? I.e. have procurement staff conducted a spend analysis?				
If using collaborative purchasing agreements with other councils, or panel agreements, to what extent are organisational social value objectives clearly communicated to those parties?				
How well do procurement staff understand the possibilities that exist for council to introduce one-off or recurrent purchases with disability-focused social benefit suppliers?				

Action list for building the foundation (Phase 1)

Action	Planning		
	In progress	Completed	
Educate senior management on the strategic importance of social procurement			
Promote social procurement as a viable strategy for addressing access and inclusion issues, particularly employment			
Conduct a spend analysis and identify opportunities for social benefit suppliers to be included in the supply chain			
Analyse the best ways to create social value for the various purchasing models used (centralised, decentralised, panel agreements, etc.)			
Provide a platform for local social benefit suppliers to showcase their businesses and help to educate other community organisations about how purchasing and procurement decisions can create employment opportunities for people with disability			

Checklist for developing policies and strategies (Phase 2)

Question	Level of awareness, understanding, engagement, commitment			
	Almost none	Limited	High level	Unclear
Does the organisation have a social procurement policy? (Yes/No)				
If yes, to what extent are staff and senior leadership aware of this policy?				
Was there senior level engagement in developing this policy?				
To what extent are suppliers aware of the social procurement policy objectives?				
If there is no social procurement policy, to what extent is social value embedded in the current procurement policy?				
To what extent does the social procurement policy complement other organisational sustainability goals?				
What level of understanding do procurement staff have about the ways that social value outcomes are measured across procurement contracts?				
What level of awareness do procurement staff have about the ways that social value measurement ought to influence procurement policy reform?				
How aware are staff of other organisations in the sector that already use their procurement decisions to create social value?				

Action list for developing policies and strategies (Phase 2)

Action	Status		
	Planning	In progress	Completed
Develop a social procurement policy or amend current policies to embed social value into the procurement process			
Apply social value weightings in tender documentation as a way of encouraging suppliers to create social value			

Checklist for using resources to build organisational and supplier capacity (Phase 3)

Question	Level of awareness, understanding, engagement, commitment			
	Almost none	Limited	High level	Unclear
Are procurement staff empowered to carry out social procurement? Have they been given training; and do they have access to resources such as toolkits and guides?				
How much strategic engagement is there between procurement staff and relevant stakeholders including commercial and social benefit suppliers?				
Is the organisation committed to ensuring that the procurement team has access to the most up-to-date relevant technology?				
How much understanding is there of the ways that current procurement software might enhance or inhibit strategic procurement?				
Is there awareness of the ways that the organisation might help local social benefit suppliers build their capacity?				
How well does the organisation understand what capacities need to be developed or nurtured for local disability-focused social benefit suppliers to become council suppliers?				

Phase 3: Action list for using resources to build organisational and supplier capacity

Action	Phase 3: Action list for using resources to build organisational and supplier capacity		
	Planning	In progress	Completed
Provide regular strategic procurement training for purchasing and procurement officers			
Educate staff and suppliers on organisational sustainability issues			
Run social procurement awareness sessions. These should aim to involve local suppliers and social procurement intermediaries and provide information on how to apply for tenders			
Support council purchasing officers in forming relationships with social procurement intermediaries and local social benefit suppliers			
Facilitate partnerships between commercial and social benefit suppliers			

Checklist for focusing on the procurement contract (Phase 4)

Question	Level of awareness, understanding, engagement, commitment			
	Almost none	Limited	High level	Unclear
How well do procurement staff understand the different contractual obligations that can be used to create social value?				
Are procurement staff aware of the time needed to adequately engage with suppliers for the creation of social value, particularly for high value procurement (tenders)?				
Has there been engagement with social procurement intermediaries, such as not-for-profits and social enterprise networking bodies, and who can facilitate connection with social benefit suppliers?				
What level of awareness do procurement staff have of the procurement contracts coming up for re-tender?				
To what extent are procurement staff aware of the opportunities available for engaging with different suppliers who might better deliver on social impact?				
Are purchasing staff aware of the social benefit suppliers they can engage with for low-value procurement (everyday purchasing such as catering)?				
Is a database of local social benefit suppliers available or do procurement staff have to produce one? Do staff have the commitment and capacity to do this?				

Phase 4: Action List for focusing on the procurement contract

Action	Phase 4: Action List for focusing on the procurement contract		
	Planning	In progress	Completed
Ensure purchasing officers are aware of local social benefit suppliers and are considering them in each purchasing decision			
Create (and maintain) a database of local social benefit suppliers			
Explore different contractual requirements such as subcontracting large tenders as a way of involving social benefit suppliers in the supply chain			
Allow enough time to decide which suppliers would be best suited to deliver social value and through which contracting mechanisms			
Make sure that procurement contracts include social value measurements, so these learnings can inform policy reform			

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