THE COLLABORATIVE CHALLENGES OF SOCIAL PROCUREMENT

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Social procurement requires firms in the construction sector to form new collaborative relationships with organisations from government, third and community sectors which are poorly understood. Addressing a gap in social procurement research relating to the challenges of cross-sector collaboration, this paper applies theories of cross-sector collaboration and risk management to a content analysis of five focus groups undertaken with thirty-five stakeholders from the construction, government, not-for-profit, social enterprise, education, and employment sectors. Despite the collaborative underpinnings of social procurement, the results point to a low level of knowledge about what cross-sector collaboration involves and a lack of inclination to collaborate which is underpinned by a lack of collective vision for what the policies can achieve, a focus on downside risk rather than upside opportunity and resentment about the way the risks are being managed. It is concluded that project-based intermediaries such as the one studied here can help to mitigate perceived risks and maximise perceived opportunities for stakeholders involved in the implementation of social procurement policies.

Keywords: collaboration; diversity; social value; procurement; social enterprise; CSR

INTRODUCTION

Social procurement involves the strategic use of procurement to create social value Barraket *et al.,* (2016). Social value can be created in many ways through construction procurement but as Raiden *et al.,* (2019) note, most social procurement initiatives in construction focus on the creation of training and employment opportunities for disadvantaged groups which are normally excluded from the construction labour force. Such people include Indigenous peoples; youth at risk long-term unemployed; refugees and migrants; women; ex-offenders; people at risk of homelessness; and people with a disability. Social procurement has a long history which can be traced back to before the industrial revolution, but its contemporary re-emergence has occurred within the context of new public governance, which incentives innovative cross-sector collaborations between government, third and community sectors (Barraket *et al.,* 2016, McNeill 2017, Loosemore *et al.,* 2019). While the emerging field of construction social procurement research has begun to address the numerous new challenges associated with the implementation of these

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policies (see Farag *et al.,* 2016, Loosemore 2016, Petersen and Kadefors 2016, Denny-Smith and Loosemore 2017, Barraket and Loosemore 2018, Troje and Gluch 2019, Loosemore *et al.,* 2020), the question of how these new cross-sector collaborations work remains unresearched. Existing social procurement research is nearly always undertaken from the perspective of one stakeholder group, failing to reflect the new relational complexities associated with these new hybrid organisational arrangements. Addressing this gap in knowledge, the aim of this paper is to mobilise theories of cross-sector collaboration and risk management to explore the risks and opportunities of social procurement from the multiple perspectives of key stakeholders involved in the implementation of these policies in the construction industry.

LITERATURE REVIEW

Theories of cross-sector collaboration have emerged within several fields but its current pre-eminence in the context of social procurement arises from contemporary public management discourse around principles of New Public Governance (Crispeels, Willems, and Scheerlinck, 2018). The concept of New Public Governance is based on the idea of a 'plural state' where social services which were once considered to be the primary responsibility of government are delivered through new hybrid organisational assemblages between non-profit, business and government organisations (McNeill 2017).

The collaborative underpinnings of social procurement are based on claims of organisational efficiency, effectiveness and economic benefits that flow from cross-sector collaboration where organisations from different sectors share knowledge and resources to develop and implement innovative solutions to increasingly wicked social problems which are beyond the scope of one type of organisation working alone (Keast, 2015). Gray (1989: 5) defines collaboration as '… a process through which parties who see different aspects of a problem can constructively explore their differences and search for solutions that go beyond their limited vision of what is possible'. Collaboration involves a different way of thinking and behaving based on sacrifice for the collective good and strong interpersonal relationships, supported by processes and mechanisms to facilitate transformational change.

In their formative work, Thompson, and Perry (2006) define collaboration as higher-level form relational working which is distinct from cooperation and coordination where people make personal sacrifices and give away part of themselves for the greater collective good. Thompson and Perry (2006), Stout, Bartels and Love (2018) and Flynn (2019) argue that collaboration requires five key enablers: Relational governance (governance that facilitates collaboration and joint decision-making based on sharing of risk and reward and clear rules for working together); Backbone administration (processes and support structures which support collaborative decision-making); Negotiation and compromise (acknowledging and dealing with the tensions between organisational self-interests and collective interests); Mutuality (norms of trust, reciprocity and respect); and Relational competencies (such as communication, professional embeddedness, emotional awareness, personal agency and collective identity).

Loosemore et al's (2020) analysis of an ex-offender employment program which required construction firms to collaborate with organisations from other sectors such as charities, government prisons and education institutions showed that these enablers are unlikely to exist in the construction industry and that cross-sector working is risky and challenging, especially where organisations with no prior record of collaboration

are being required to do so by external imperatives such as social procurement policies.

Current risk management research in construction provides few insights into how to manage these risks. While theories of risk show that it is a complex social and psychological phenomenon that has many dimensions: technical, physical, monetary, cultural, psychological, and social (Linsley *et al.,* 2019), risk management research and practice in construction has been pre-occupied with the technical aspects of risk (Edwards and Bowen 2004, Loosemore *et al.,* 2015). Furthermore, while some construction researchers, have argued for new forms of collaborative risk management involving multiple stakeholders (Bryde and Fearon 2011), construction risks are typically managed in isolation and the enablers of cross-sector collaboration discussed above are likely to be missing from the construction industry due to its fragmented structure and confrontational risk transfer culture (Ogulana *et al.,* 2019, Qu *et al.,* 2015).

METHOD

Recognising the socially constructed nature of risk and employing an interpretivist epistemology, we conducted five focus groups with thirty-five stakeholders from the construction, government, not-for-profit, social enterprise, education, and employment sectors (see Table 1 for sample details).

Table 1 Sample details (focus groups)

Stakeholder group	Participants
Constructors	Subcontractors (formwork, services x2, plumber x2, painting, Groundworks) and principal contractor.
Government	Local, Federal, Statex2, Government Agency
Employment services providers	7 Job Actives, 2 Disability Employment Agencies and 2 representatives of a not-for-profit Aboriginal Support Agency
Educational institutions	Higher education x2, Registered Training Organization x 2, trainers and mentors working in the field with youth.
Social Enterprises	Refugee employment and support, Traffic control, youth charity-based social enterprise, Group Training Organisation, Property Maintenance and Cleaning.

Respondents were purposefully sampled based on their experience of cross-sector working in a unique collaborative initiative called a Connectivity Centre© set up by a major international contractor in Australia to meet its social procurement requirements on a major hospital project with demanding social procurement requirements. In simple terms, the Connectivity Centre © was a physical space located adjacent to a major hospital redevelopment project (about AU$1 billion) to co-locate the variety of organisations involved in helping disadvantaged job seekers from the local project community find sustainable and meaningful work in the project supply chain. The approach rests on facilitating cross-sector collaborative relationships forged over numerous projects between the main contractor, client, employers on the project (including construction subcontractors and consultants), training organisations, employment services providers (called Job Actives), disability employment organisations, Indigenous support agencies, refugee support agencies, charities and community and support services organisations.

Collecting data in the context of the Connectivity Centre© was important in providing a common focus for respondents to articulate and discuss their collaborative experiences in responding to the social procurement requirements. While we

recognise the limitations of single case study research (Yin 2017), as Noor and Baharel (2008, 1603) state, case studies "enable the researcher to gain a holistic view of a certain phenomenon…capturing the emergent and immanent properties of life in organisations and the ebb and flow of organisational activity." This is particularly important in exploring the concepts of risk/opportunity and collaboration which epistemologically require in-depth 'meaning-orientated' methods to explore.

Each focus group lasted approximately three hours and followed a typical focus group format with research questions, background information and aims being circulated in advance. Each focus group was recorded and transcribed, producing approximately one hundred and twenty thousand words of material for analysis. Following Guest (2012) our inductive thematic analysis involved several stages starting with: 'immersion' in the data (repeatedly reading the interview transcripts to obtain a high level of familiarity with the data); categorisation/coding (organising and generating an initial list of items/codes from the data-set, that have a reoccurring pattern as it relates to the theoretical constructs in our literature review); searching for themes (examining how codes combine to form over-reaching themes which are phrases or sentences that identifies what the data means in relation to the research questions); refining themes (continuing to search for data that supported or refuted proposed themes and connections between overlapping themes).

In line with the traditions of thematic research we present our analysis below in narrative form supported by selected quotes. Furthermore, in presenting our results we have sought to present the exact words used by our respondents without our interpretation so that readers can judge for themselves that our interpretation is correct.

FINDINGS

In terms of the perceived risks created by social procurement for key stakeholders involved in the implementation of social procurement policies, our findings indicate that construction's negatively focussed risk transfer culture (Peckiene *et al.,* 2013) is being extended into social procurement and they also reflect concerns in the field of corporate social responsibility in construction about distributive and procedural inter-organisational injustice in this process (Loosemore and Lim 2016).

> "so why are we being asked to step-up and take the costs?" (subcontractor)

> "There are the extra costs of supervising these people and the time involved" (subcontractor)

Subcontractors felt that this risk burden was exacerbated by their small size and by the lack of supply of suitable work-ready candidates to fill required quotas. This they felt would lead to inevitable "gaming" and "exploitation" of the policies to the commoditisation of intended beneficiaries:

> "Not being able to meet targets through lack of supply" (subcontractor)

> "When all the other government projects come on stream then there is going to be a massive supply problem very quickly…we are already seeing it now" (subcontractor)

Our results suggest that the concept of absorptive capacity, employed in the wider innovation literature, may be a useful analytical lens to understand social procurement policy implementation in industries like construction, particularly because it has been found to be related to characteristics like company size which distinguish construction from other industries (Zhou *et al.,* 2018).

The main risks articulated by employment services providers related to the culture and structure of the construction industry, the supply of suitable candidates, and the focus on short-term outputs as a measure of policy success:

> "so dangerous and highly regulated" (Employment Services)

> "They feel that construction is so far away that they are just not able to do it… and they get scared" (Employment Services)

Communication with a fragmented supply chain about future labour requirements was also problematic:

> "The subcontracting model of the industry makes social procurement much more difficult because the numbers of interfaces increase hugely across which Job Actives have to work" (Employment Services)

For education stakeholders' social procurement was described as a 'sugar hit' which caused an over-reliance on temporary project-based employment with non-local employers to address longer-term systemic problems:

> "In three years', time…some big suits will fly in here. cut the ribbon...and then the jobs will be gone…so we need to make sure that at the end of every job that we start to connect people working on these projects are starting to transfer into local governments and local businesses which depends on them being given transferable skills not just skills for this job that they need to meet their compliance requirements" (Education provider).

For social enterprises the risks of social procurement policies largely revolved around: mandatory nature of policies; policy instability; increased competition; and learning to work with the private sector:

> "It's all very good for the government to tell companies they have to do this but if we then place a candidate and they have a negative experience then that creates a big risk" (Social enterprise)

> "These new contracts represent a big risk to us, the policies are subject to political changes" (Social enterprise)

Collaboration with the construction supply chain and between themselves in tendering for work was also seen as problematic. Reasons included: industry payment regimes; size of contracts; unionism; project-based structure; negative perceptions of social enterprises; its cut-throat culture; the pressures and risks of working on site; and the unique skills needed to work in the industry.

> "…not being able to set foot on a worksite because we don't have an enterprise agreement with them (the union)" (Social enterprise)

> "...a lot of these tier 1 contractors pay on 40-day terms because they are big and bad enough to impose that…but we pay out wages on a weekly basis" (Social enterprise)

> "...we struggled for a while in trying to understand the difference in culture with the private sector…they are very competitive and cutthroat.... they don't believe that our people can do the job" (Social enterprise)

These results add a collaborative and construction-specific lens to the vast body of literature on the challenges of running and scaling a social enterprise (see for example Social Venture Australia 2016) and to the limited body of research on social enterprise in construction (Loosemore 2015, Barraket and Loosemore 2018). In particular, the identification of unions as a source of resistance is new and somewhat counter-intuitive given the social justice nature of their mission and adds a potentially interesting industrial relations dimension to the social procurement debate.

When asked about opportunities offered by these new social procurement opportunities, our findings supported the warnings of Barraket and Weissman (2009) about potential distortions to markets since larger subcontractors perceived an opportunity to exclude smaller risk-averse companies from public sector projects because of the costs of complying with these policies:

> "There will competitors that will drop out because of this policy…they won't be able to comply and they will stop tendering for government work…there are lots of companies that cant set the bar that we will set" (Subcontractor).

Interestingly, the opportunity to address skills shortages widely identified as a risk for the industry (Infrastructure Australia 2021), was not seen as an opportunity, largely because the people targeted by social procurement were not seen as skilled - especially in the areas of licensed trades (plumbing and electrical services), which are facing particularly acute shortages. This supports previous research by Loosemore *et al.,* 2020a) who showed that subcontractors perceive the people being targeted by social procurement as a risk to productivity, safety, and quality rather than an asset.

Social enterprises opportunities included the chance to change negative stereotypes of social enterprises highlighted in previous research and address challenges of building scale (see Raiden *et al.,* 2019, Loosemore 2015):

> "We see these new regulations as an opportunity to be able to grow and diversify our service offerings" (Social enterprise)

> "it provides us with an opportunity to challenge and break those perceptions (of social enterprises and their clients" (Social enterprise)

For government stakeholders there was little concern for how private firms required to comply with these contractual requirements addressed their new responsibilities, and a sense that social procurement was an opportunity to transfer the risk of welfare to the private sector at little cost:

> "we don't care what companies do to deliver on the social outcomes" (Government).

Our results tend to support cynicism in some quarters about the motives of these policies (Macmillan 2013) and signal a warning for policy makers about the risks of not following the basic principles of effective risks management which state that risk should only be given to parties who have the necessary resources, information, and willingness to manage them, and which can charge an appropriate premium to do so (Abrahamson 1983).

Reflecting the commercialised and privatised nature of the employment network in Australia and the low level of interaction with this system by employers across all industries (Commonwealth of Australia 2019), Job Actives saw potentially large opportunities for their businesses and their clients, but curtailed by a low understanding of the industry, poor networks, and a sense the industry is not taking its new responsibilities seriously:

> "We have definitely seen this as an opportunity and still do…but there are many barriers, and we are already starting to see some social procurement fatigue" (Employment services).

> "The reality is that many of these companies are not taking it seriously...... these companies have no intention to create permanent jobs and because they are on projects its hard for them to do it…these projects only last for a while" (Employment services).

CONCLUSION

Set within the emerging policy debate about the role of social procurement to create positive social value through major industries like construction, and the lack of research in this area, the aim of this paper was to investigate the risks and opportunities of social procurement in the construction industry from the multiple perspectives of key stakeholders involved in the implementation of these policies. Our results contribute numerous new insights to the social procurement debate from a variety of new stakeholder perspectives. First, results point to a low level of policy awareness, scepticism, and perceptions of policy unfairness, highlighting a need for more research into what can help to foster greater policy engagement in this area.

Second, despite the collaborative foundations of social procurement policies, our research highlights a lack of collaborative intent among key stakeholders involved in implementing these new policies in construction. Our results point to little sense of a collective vision and imagination for what these policies might be able to achieve between the organisations needed to collectively implement them, highlighting a need for more research into the enabling conditions, attributes and competencies which are needed to facilitate cross-sector collaboration.

Our results also contribute a new risk management lens to the social procurement debate revealing the highly negative light in which these policies are seen in the construction sector and the perceptions of unfairness as to the way these policies are being rolled out. Worryingly, our research suggests that this will inevitably lead to opportunistic and gaming behaviours to the detriment of the vulnerable people these policies are meant to help. Overall, our findings show that the risks and opportunities presented by new social procurement policies vary from one stakeholder to the next and need to be better understood and then managed effectively if these policies are to be effectively implemented.

In terms of future research, our findings highlight the need for more research into the role of innovative project-based intermediaries like the Connectivity Centre ©. The Connectivity Centre © was widely seen by our respondents as critical to facilitating cross-sector collaboration and in mitigating collective risks and maximising collective opportunities for stakeholders involved in implementing these new policies. Such research would contribute to the very limited research into the role of intermediaries in supporting social procurement, especially in dynamic environments like the construction industry.

Finally, in recognising the inherent limitations of our single case study approach, we recommend that more research be undertaken into social procurement policy implementation in other geographical, sectoral, procurement, design, and regulatory environments to explore how the risks and opportunities of social procurement may vary between construction industry sectors and between countries.

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