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The State of Social Procurement in Australia and New Zealand 2021

Survey findings: 2021

Inside the report:

- Current social procurement practices
- Major drivers behind social value initiatives
- Challenges that organisations face
- A look at the future
- Recommendations

Partners

ākina

SOCIAL TRADERS



After 37 years of leading recruitment services in Australia, IPA's recent unification with genU has uniquely positioned the company in the social procurement space, a certified social enterprise. At IPA, we feel it's our responsibility to start the conversation about social impact in our industry. Recruitment is an essential service that exists to empower people's lives through employment. Social procurement is our corporate social responsibility. As a national organisation, how do we raise awareness, educate, and lead the way to create greater social change? The answer to that question has been our decision to commission this research document. With hard-hitting data evaluating the social procurement industry in Australia and New Zealand, IPA can help propel messages of social impact throughout Australia to ultimately deliver true and tangible social change.

Nikki Noack

Director, Major Accounts at IPA

At Social Traders we believe that now is the time to rethink how we can make a significant and positive impact on our economy and communities. This important research allows us to reflect on the practices of social procurement across Australia and New Zealand to date. It also serves to identify the key opportunities that lie ahead, so that we can further embed social procurement as a 'business as usual' practice, generating sustainable social impact.

Mike McKinstry

CEO at Social Traders

CIPS, as the global professional body for the procurement and supply profession, is using its global standard, network, education, expertise and charter for public good to ensure that procurement and supply chain management professionals have the capabilities and responsibility to deliver sustainability goals for their organisations. Our collaboration with IPA, Ākina Foundation and Social Traders on this valuable research into the state of social procurement in our region is a gamechanger. Allowing us to understand the opportunities and address the challenges by working together we can share knowledge, drive innovation, and ultimately equip procurement and supply chain professionals to drive social impact into the future.

Sharon Morris

General Manager – Australia and New Zealand at CIPS

Ākina is proud to partner with IPA, CIPS and Social Traders and to be part of this important research for Aotearoa New Zealand and Australia. Social procurement is at a critical juncture where there is a need to move from words to action and from willingness to meaningful change. This research adds another piece of the puzzle; it also gives a number of opportunities to deliver and grow positive impact. We look forward to continuing to work with our partners and organisations across Aotearoa New Zealand and Australia to change procurement, for good.

Dr Sean Barnes

Director – Social Procurement at Ākina Foundation

About the report

The State of Social Procurement in Australia & New Zealand 2021 report is the first in-depth analysis of the breadth and scope of social procurement in Australia and New Zealand conducted by the Centre for Social Impact Swinburne, in partnership with IPA Personnel, the Chartered Institute of Procurement and Supply (CIPS), Social Traders and Ākina Foundation.

Following a survey of procurement professionals in the private, public, and social economy organisations, the report shows:

- The sectors where social procurement is active and growing across the ANZ region
- Where spending targets and impact goals are measured, and where improvements can be made
- The most common impacts of social procurement such as inclusion and diversity at a local and regional level
- The major drivers of change such as legislation or reputation management
- The challenges faced by organisations both internally and externally to implement social procurement strategies
- Whether recent world events had increased or decreased commitment to social procurement goals

Social procurement is the conscious commitment to generate social value outcomes amongst local communities and economies and to benefit the environment and disadvantaged groups through the purchase of goods and services by organisations.

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The survey was conducted over a five-week period from 10 November to 12 December 2020 and was completed by 179 procurement and supply chain management professionals across Australia and New Zealand. 47% of respondents came from the private sector, 41% from the public sector and 12% from social economy organisations which included not-for-profits, co-operatives, mutuals and social enterprises. 54% of respondents operated from Australia, 22% from New Zealand, and 24% in both Australia & New Zealand. 64% from large corporates, 20% from medium sized organisations and 16% from small enterprises.

There were 16 industries represented, with the most dominant:



Exactly half of the respondents bought goods and services from Australia, 11% from New Zealand, 39% from both and were a mix of managers (40%), operations (18%), social procurement leads (15%), directors (13%) and senior executives (12%). The average annual procurement spend of the organisations that responded was \$496.2 million AUD.

The current state of social procurement

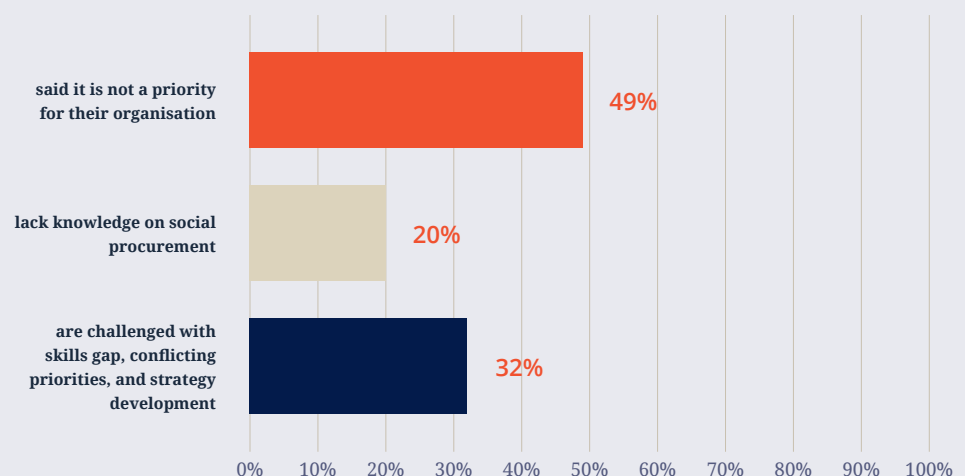


74%
of organisations
engaged in social
procurement



66%
did not have specific
spend targets

With the 26% currently not engaged in social procurement:



The drive to social procurement strategies in organisations and businesses is varied and depending on the sector and size of the organisation but the good news is – it is gaining traction.

Consumer-driven ethical choices, organisational ambition to improve reputation and policy decisions, state and federal government-sponsored regulation inevitably means more is on its way and organisations and businesses should be prepared. The survey found that government agencies were more likely to engage in social procurement compared to private sector businesses.

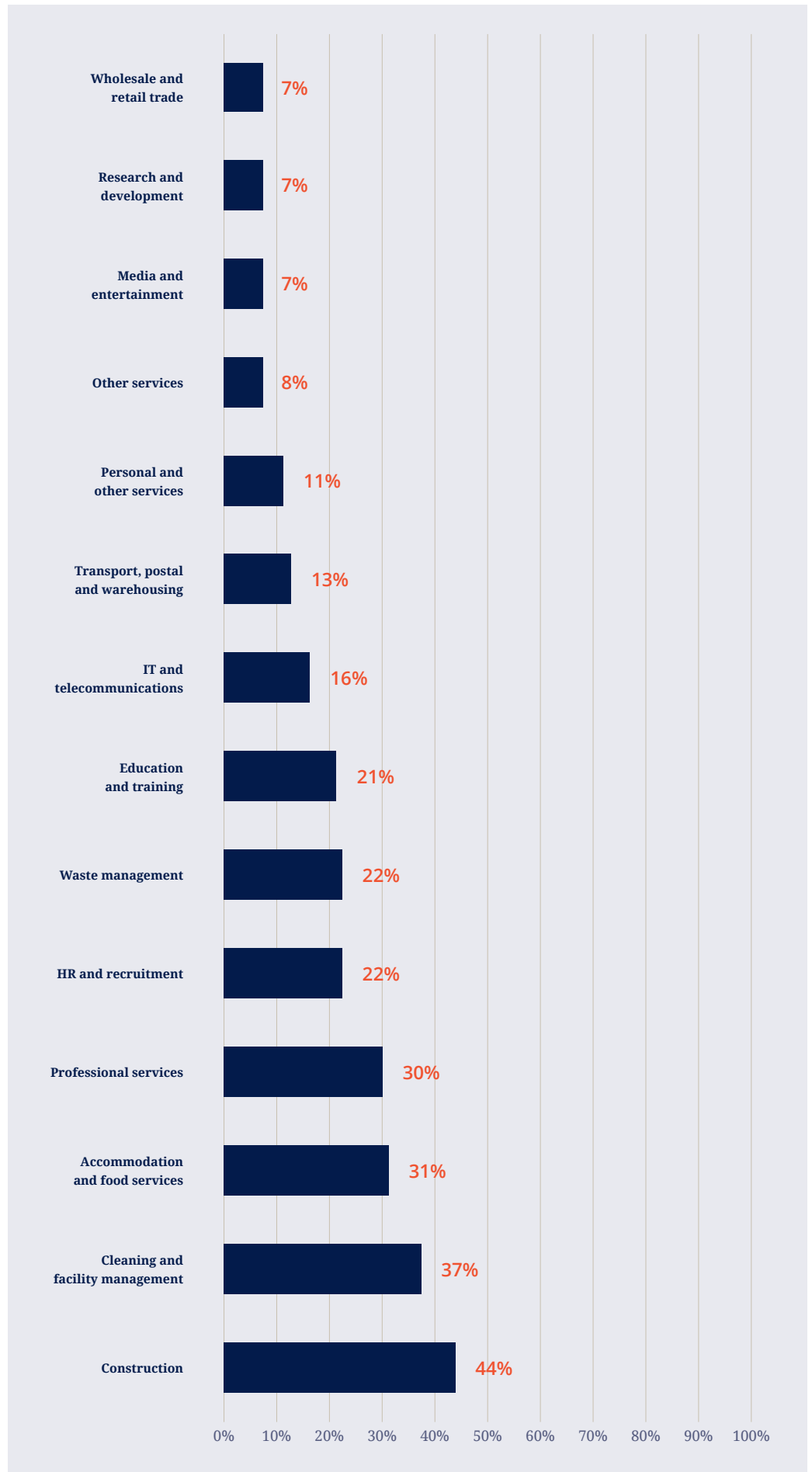
Some of the most common goals of social procurement activities include the need for a diverse and inclusive supplier base, and supporting local people in employment, including small businesses and Indigenous, Māori and Pasifika enterprises. Challenges both internal and external included a lack of expertise in the field of social procurement, resource issues, conflicting organisational objectives and a lack of suitable suppliers or their capacity to deliver on a larger scale. All this against the backdrop of a worldwide pandemic.

The proportion of overall procurement spend	Percentage of organisations
NA	3%
We don't track this	36%
We spend under 0.5%	17%
We spend 0.5% to under 1%	15%
We spend 1% - under 3%	15%
We spend 3% or more	13%

Among those organisations that did track their spend, 19% said they had met their social procurement targets, 10% had exceeded their targets and 5% failed to meet their goals.

What did social value aware organisations buy?

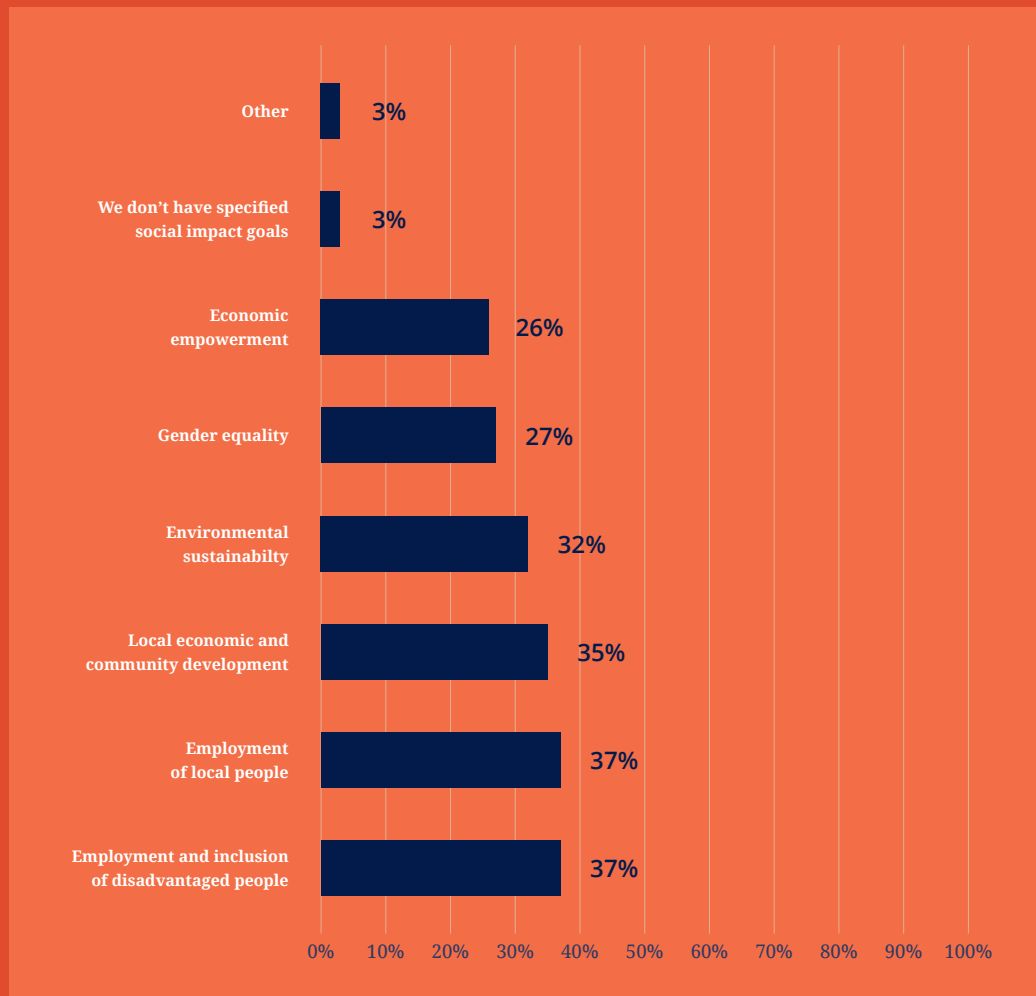
To understand which goods and services were currently benefitting from social procurement policies, respondents were asked to specify where their social value spend was going. The top services were construction, cleaning and facilities management and accommodation and food services.



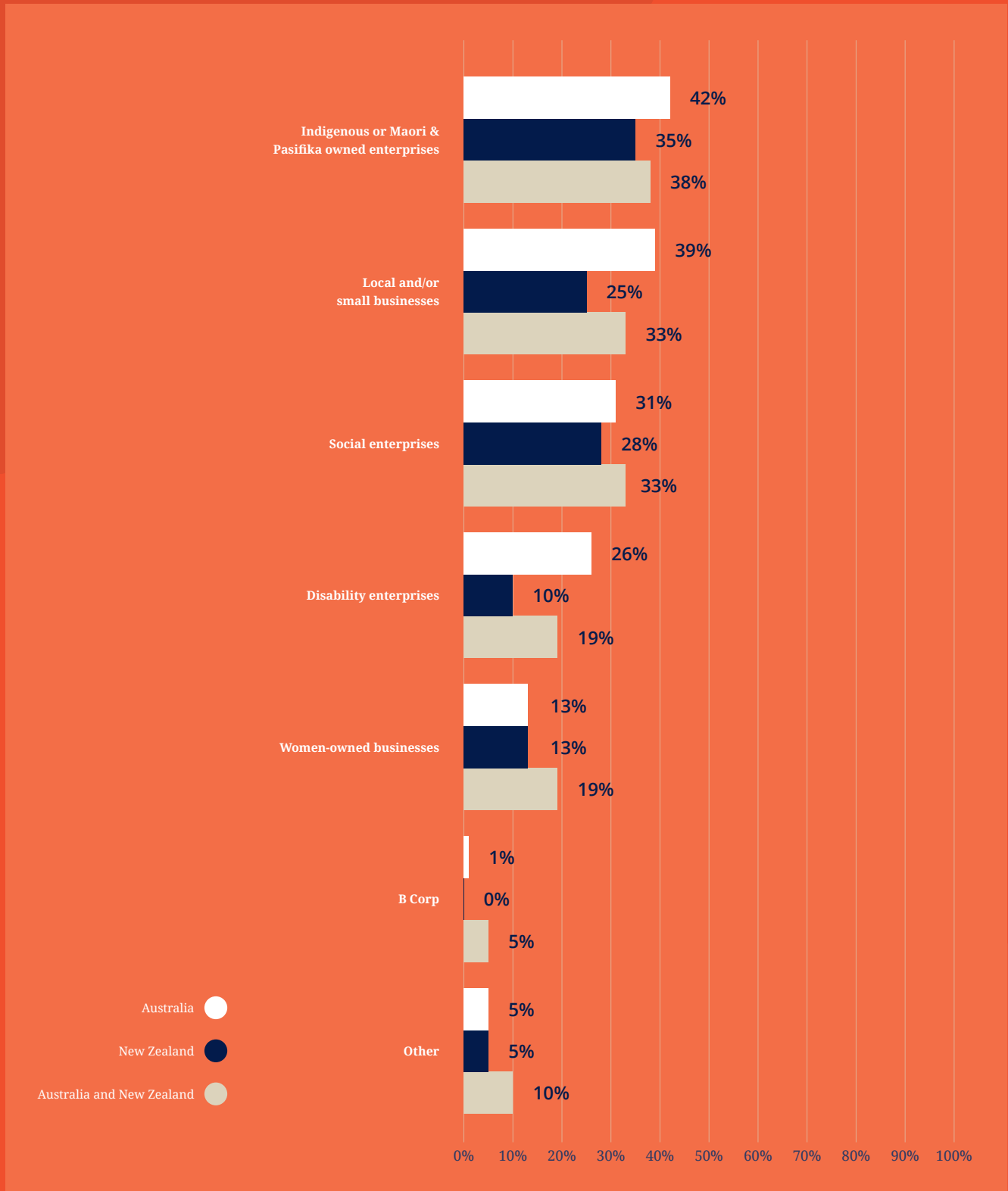
Which social impact did organisations target through their activities?

The world is being challenged by many social, economic, and environmental inequalities and we were curious to understand what organisations in all the sectors were hoping to achieve through their social value activities.

The top social impacts were the employment of disadvantaged and/or local people and local community and economic development. The inclusion of disadvantaged people was a significantly greater priority for Australian organisations compared to New Zealand, potentially because of the stronger policy focus in Australia targeting indigenous peoples and social enterprises.



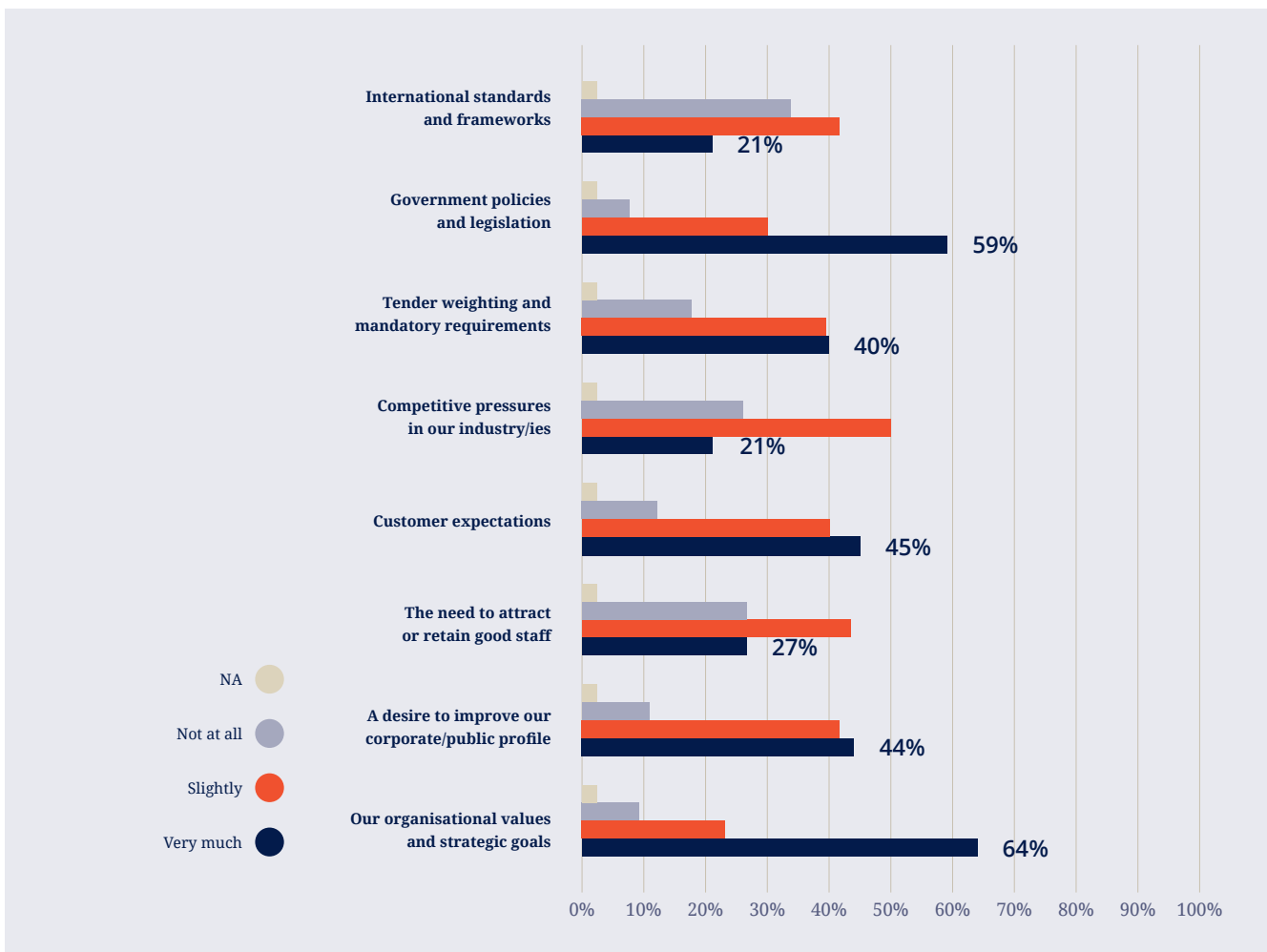
46% of the organisations that socially procure chose a particular supplier group, with the most targeted being Indigenous or Māori and Pasifika owned businesses (40%), local and/or small businesses (35%), and social enterprises (31%). There were no significant differences in supplier targets between Australian and New Zealand respondents but larger corporates were more likely to prioritise Indigenous or Māori and Pasifika owned business and local and/or small businesses compared to smaller organisations.



What drives organisations to do social procurement?

To understand what businesses can do to improve social outcomes through their procurement activities, we wanted to gain insight into what drivers and motivations there are and how they can be replicated for more businesses and enterprises.

By far the most important factor in developing social procurement strategies was the organisational value system – agreed 64% of respondents. The role of government also played a part and scored highly amongst the 59% who said that laws compelling them to act were a decisive trigger. Customer expectations and desire to improve corporate or public profile were also important drivers – more so for organisations in the private sector.

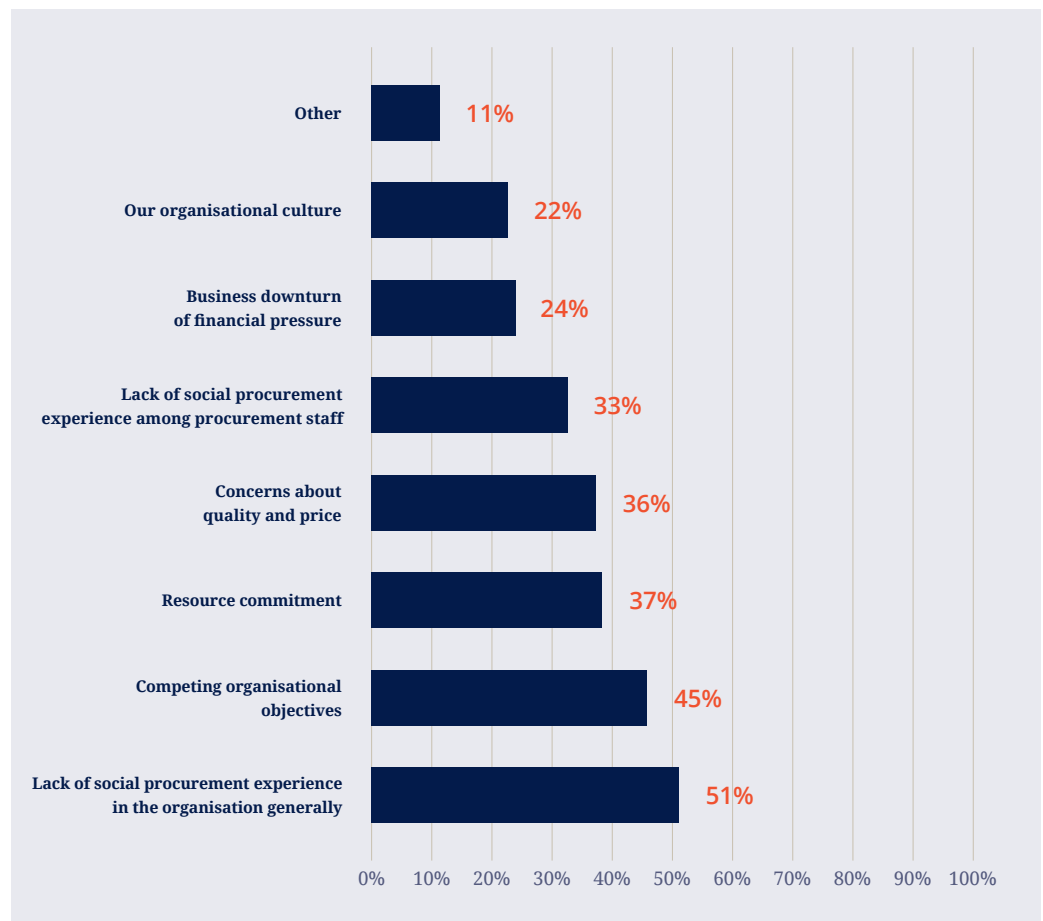


Facing challenges

When identifying barriers to effective implementation of social procurement strategies we set the task to distinguish those that were generated within the organisation itself versus the challenges presented by the environment in which the organisation operates.

From an internal perspective, lack of knowledge and experience (51%), competing organisational objectives (45%) and resource commitments (37%) were the main hurdles.

Looking at the external environment, the key challenges are mostly related to the supply base with 53% of organisation saying the lack of relevant suppliers to meet their social procurement needs was a major issue. The same number of respondents – with majority being from larger organisations – also stated that not having suppliers with the capacity to deliver at scale was also a big challenge. For 35% of respondents the supplier's inability to measure the social impacts of the organisation was a challenge. It is also worth noticing that competing regulatory requirements and lack of skilled workforce were identified as barriers.



Can intermediaries help organisations struggling to create their own initiatives?

Intermediary organisations can be the conduit between buyers and suppliers who can't find each other or don't know how to work together. This is especially true in the Australian and New Zealand markets where most businesses are small to medium size often with limited resources to promote their products and services. Intermediaries often operate as advocates of legitimacy, providing formal accreditation for social enterprises and Indigenous/Maori/Pasifika businesses which gives buying organisations greater assurance.

Among Australian-based organisations that participated in the survey, 52% were members of Supply Nation, 40% were affiliated with state-based Aboriginal or Indigenous chambers of commerce, and 30% were members of Social Traders.

Among New Zealand-based organisations, 33% had an affiliation with the Ākina Foundation and 25% with Amotai. Organisations operating in both Australia and New Zealand were most frequently members of Supply Nation (38%) and Social Traders (29%).

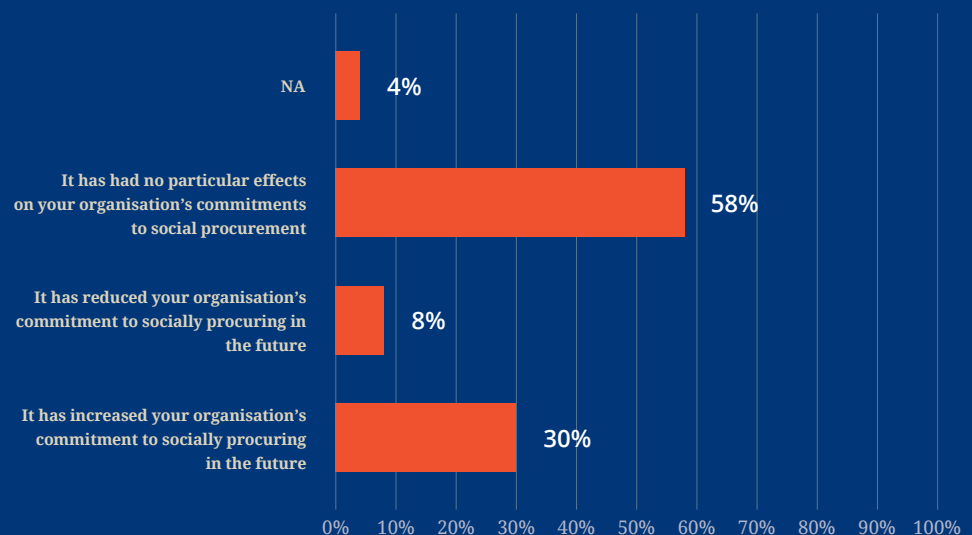
What organisations can do

The survey clearly showed that the appetite amongst businesses for increased social value was increasing to support community, environmental and economic goals. The findings also highlighted the challenges companies are facing and must overcome to realise their own social procurement goals:

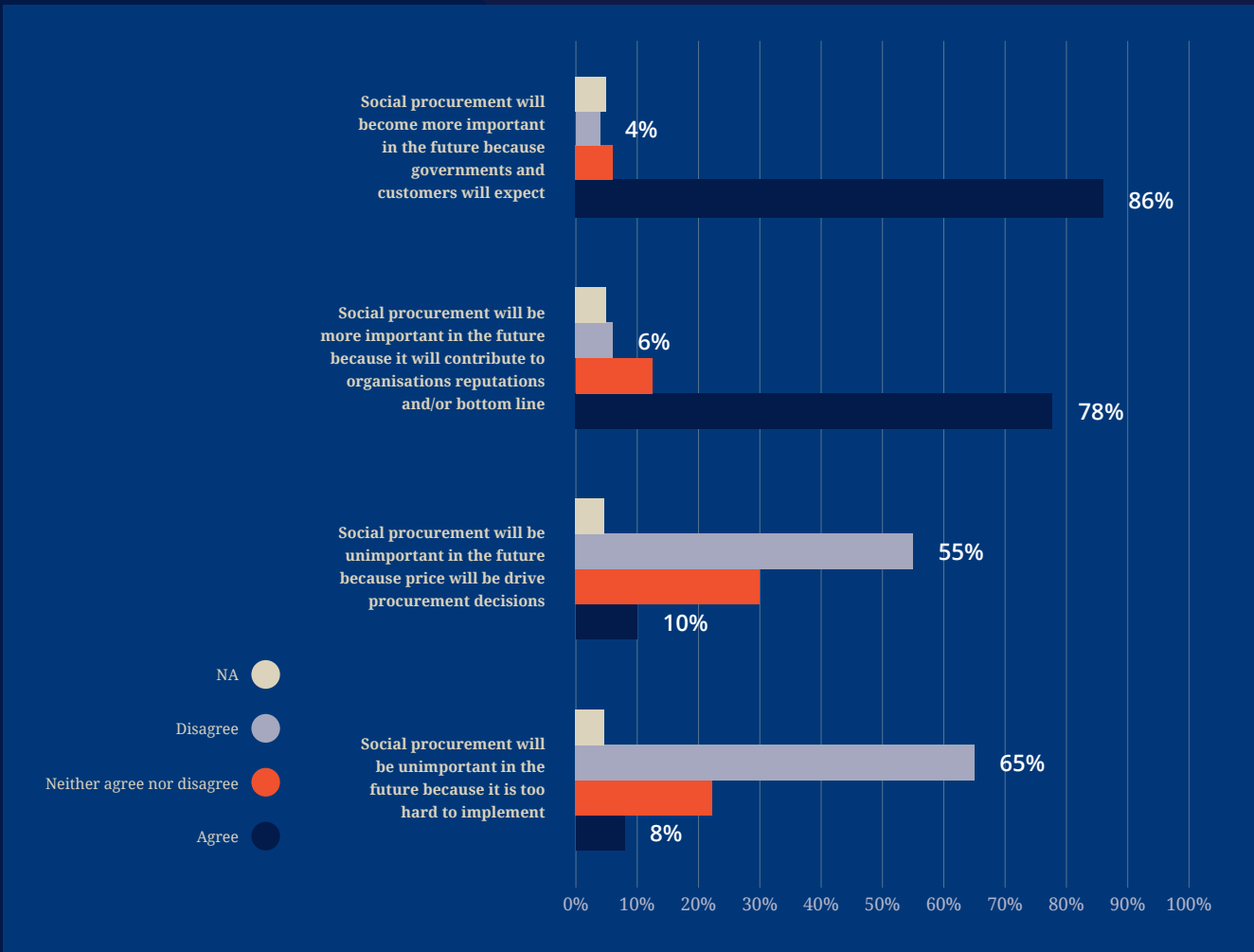
- Track spend and social outcome goals. What is not measured is not actioned
- Support impact-led suppliers. This can be creating simpler processes, understanding cultural and ethnic differences to improve communication, or be as transparent as possible about challenges and opportunities to encourage them to bid for the work
- Train your staff so they understand and are empowered to implement effective social procurement strategies
- Leverage digital technologies and process improvements to integrate social value goals with your wider procurement objectives
- Work with different levels of governments to increase awareness across sectors of social procurement opportunities, expectations, and requirements

▶ *The future of social procurement*

An interesting statistic came out when participants were asked to comment on the impact of the pandemic on their social procurement efforts. For the most part (58%) organisations reported that Covid-19 didn't affect their social procurement commitments, with 30% actually increasing their commitment to socially procure and only 8% having to reduce their future commitments as a direct result of the pandemic.



Nearly all the respondents to the survey (86%) agreed that social procurement will become even more important especially when driven by Government legislation and consumer preferences leading the way towards change. Another 78% said that it will become more vital to the success of organisations whose goal is to improve its own reputation and increase profits. Investors are increasingly searching for ethical companies to invest in and individuals want to work for organisations that drive and embrace initiatives to support communities and the environment. The 8% of respondents who thought that social procurement was ‘too difficult’ are likely to be left far behind in the coming years.





In summary

In Australia, more social procurement efforts are being encouraged by the Indigenous Procurement Policy (2020), and the Victorian Social Procurement Framework initiated in 2017. In New Zealand, commitments to increased social value through procurement are embedded in the Government's Procurement Rules (Broader Outcomes) and there are multiple initiatives happening across the wider public, private and community sectors.

- The report finds positive sentiment for social procurement across sectors, with participating organisations largely predicting social procurement will grow in significance into the future
- More work needs to be done to set specific targets and areas of impact; this will enable greater focus on social procurement plans and allow tracking of outcomes
- Both organisations and their suppliers should place more emphasis in measuring the real impact of their activities
- Organisations should invest in developing and training their procurement staff to ensure adequate knowledge and expertise are at the foundation of social procurement strategies
- Government(s), private sector and intermediaries should work together to support the development of 'for benefit' suppliers – in respect to both capability and capacity
- Greater awareness will support better understanding of social procurement opportunities, expectations and requirements

Procurement professionals can play a significant role in creating social value for local communities, the environment and minority groups through the adoption of targeted strategies and by supporting the development of diverse suppliers within their supply chains. This aspiration is best placed in the hands of skilled and trained professionals who can incorporate social outcome goals into procurement strategies and operations, seamlessly and with the most impact on the communities they want to help.



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in Australia and New Zealand 2021***

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