

TRENDS & INSIGHTS

**Targets and Motivations
for Social Procurement**

Sponsored by IPA
Issue 01, September 2023

Introduction from CEO

Social enterprise procurement is catching on.

In the last five years, Social Traders business and government members spent \$607 million with certified social enterprises. And that number is growing at an average of 55% year on year. That's the fastest and largest social enterprise procurement growth anywhere in the world!

But it's only the beginning. Our role at Social Traders is to drive social procurement growth. We work hand in hand with our business and government members to change procurement practices, and advocate for more people to join the pioneers already leading the way.

Over 70% of our members are increasing their social procurement spend year on year – through innovation, determination and driving internal change. A big part of our work is spreading best practice.

Social Traders has unique access to data and insights from our 140 business and government members, showing what works and which industries are leading the charge. We want to share the learning to enable the social procurement trailblazers to do more.

One of the strategies that's been key for our leading members is setting targets to drive behaviour change. That's why our first Trends and Insights Report is all about targets and how they're being used most effectively.

The report was produced by our Impact and Insights Team and supported by our sponsors over at IPA. We hope it helps businesses and governments around the country take the next step on their social procurement journey.

Let's make social procurement business as usual. So together we can build a fairer and more equitable Australia. For all of us.

Tara Anderson



Chief Executive Officer
Social Traders



IPA and Social Traders partnership

IPA is proud to be part of a vibrant and valuable social enterprise community in Australia.

Supporting the 2023 Trends and Insights report is a welcome and further step in our shared mission to promote purpose-led and impactful businesses. We congratulate the Social Traders team on their work.

We can all help scale social procurement by sharing, and acting on, what we learn as social entrepreneurs, program participants, customers, policymakers, funders, and intermediaries.

Projects such as the Trends and Insights series recognise that 'business for good' is not yet widely understood or implemented. They also signal that this is changing for the better.

It is a journey well worth travelling and we are headed in the right direction.

James Muskett



Head of Sales



Executive summary

Introduction

Social procurement continues to grow in Australia, with business and governments seeking additional avenues to achieve positive social outcomes.

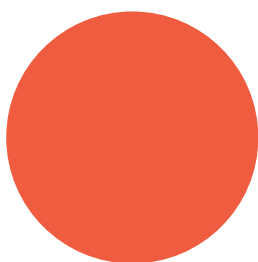
Social Traders has experienced a year-on-year growth of 41% in total business and government membership since 2018, demonstrating an increased interest in social procurement in the Australian landscape. New members most commonly cited “organisational values and sustainability/ESG goals” as the major motivation for membership in FY23.

This report explores how social procurement targets contributed to the overall motivations of Social Traders business and government members, to provide insight on the strategies used to achieve social goals.

In March 2023, Social Traders conducted a survey of its 130+ members to add to the existing data collected from 5+ years of social procurement marketplace monitoring.

Some key findings:

- 63% of respondents have either public or internal social procurement targets, with a further 15% currently developing targets. This figure is growing compared to previous benchmarks
- Setting targets has yielded success, with 74% of respondents which have social procurement targets meeting or exceeding those targets
- Customer expectation/reputation’ is a growing motivation for organisations to set social procurement targets, with 68% of respondents selecting this as a motivation for setting their targets
- Amongst those which do not currently have social procurement targets, internal barriers such as “Lack of resources/knowledge” continues to be a major factor.



Discussion & Findings

Targets and motivations for social procurement

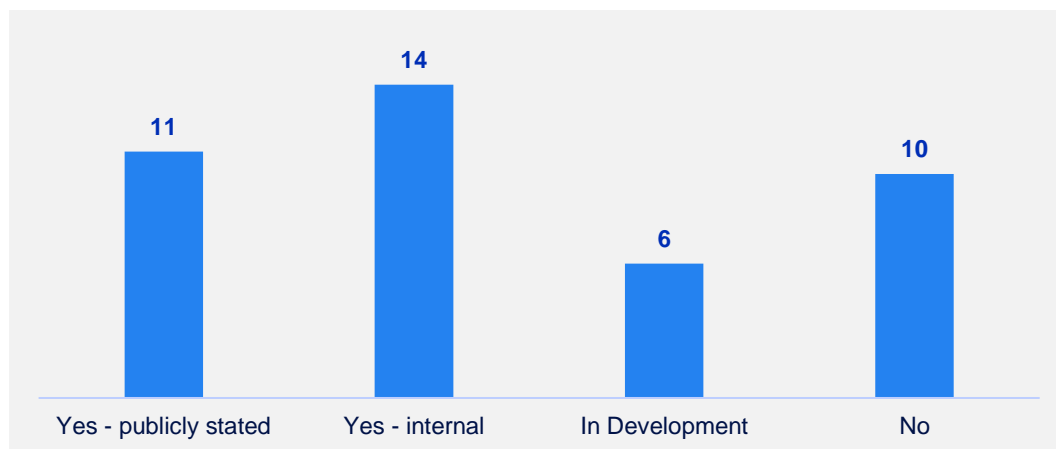
Prior research has demonstrated that establishing targets is more likely to increase social procurement activity¹ and this was the number one recommendation in the 'State of Social Procurement in Australia and New Zealand' report published in 2021².

With this context, Social Traders set out to determine the rate of their members which had social procurement targets, and the success and barriers in implementing these.

The full survey design is in Appendix 2.

How common are social procurement targets?

Encouragingly, 63% of respondents have either public or internal social procurement targets, with a further 15% currently developing targets. Victoria was the state most likely with 71% of respondents having either public or internal targets, leading NSW (62%) and QLD (40%).



This result is a significant change from the State of Social Procurement in Australia and New Zealand survey conducted in 2021 – which found just 36% of 179 procurement professionals and social procurement champions had social procurement targets in their organisations.

¹ J. Barraket & M. Loosemore (2018) Co-creating social value through cross-sector collaboration between social enterprises and the construction industry, *Construction Management and Economics*, 36:7, 394-408, DOI: 10.1080/01446193.2017.1416152

² Barraket, J., Hiruy, K., Walshe, J., and Moussa, B. (2021) *The State of Social Procurement in Australian and New Zealand*, IPA Personnel Services and Chartered Institute of Procurement and Supply online at <https://www.csi.edu.au/stateofsocialprocurement2021>

It should be noted that this survey targeted Social Traders members and thus is a different cohort to the previous study. This survey will need to be repeated over time to conclusively identify trends, but this does suggest a positive change in business and government organisations setting social procurement targets.

What are the barriers?

For those respondents who do not have social procurement targets in their organisations – the following reasons are detailed below:

Not a priority for our organisation	1	10%
Competing business priorities	3	30%
Lack of resources/knowledge	5	50%
Concern over social enterprise capability/capacity	2	20%
Using other methods	2	20%
Sample Size	10	

Q1e: If no, why doesn't your organisation have a social procurement target?

It is clear that some hesitation remains with certain organisations to commit to social procurement targets, these are primarily internal barriers, with 50% of respondents without social procurement targets identifying a lack of organisational knowledge and resources to effectively manage targets.

This mirrors the findings from the State of Social Procurement report, which had “Lack of social procurement experience in the organisation” as the most significant internal barrier to effective social procurement implementation. Whilst this question is target focussed, it does continue the trend of a lack of internal organisational knowledge as a challenge for social procurement.

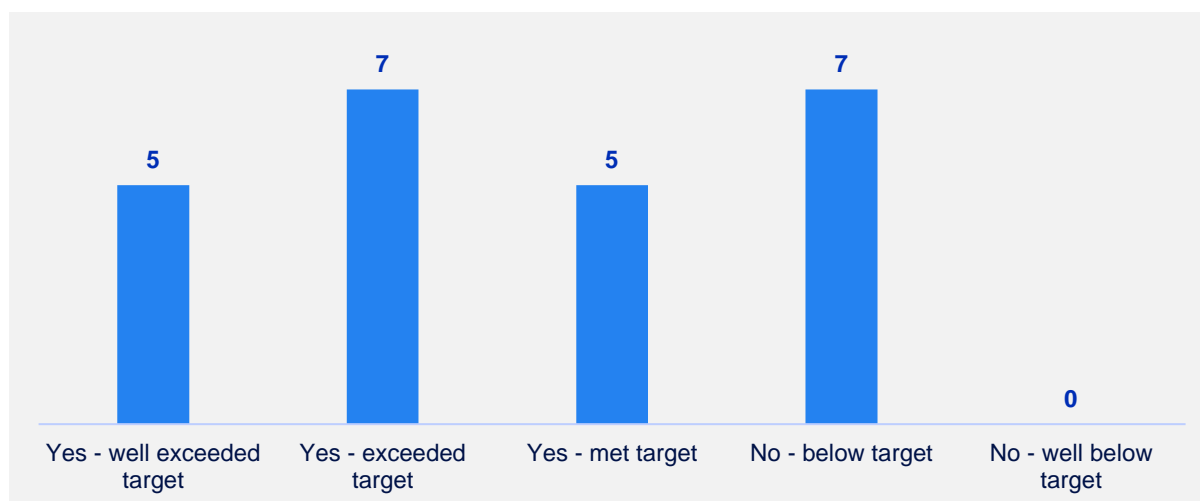
Similarly, “competing organisational objectives” was the second most cited internal barrier, which can align to ‘Competing business priorities’ outlined in this survey.

Other research, identified that the main challenges to social procurement involved identifying appropriate and reliable organisations, with capacity to work on large construction projects³.

³ Reid, S. and Loosemore, M., 2017. Motivations and barriers to social procurement in the Australian construction industry. In: P.W. Chan and C.J. Neilson, eds. Proceeding of the 33rd Annual ARCOM Conference, 4–6 September 2017 Cambridge: Association of Researchers in Construction Management, 643–651.

Success in social procurement

Overcoming any hesitation has yielded excellent results, with 17 of the 23 organisations (74%) which have social procurement targets meeting or exceeding them. Some additional comments provided by these organisations indicated that two organisations had doubled their 2022 targets with another surpassing their social procurement target by over \$6m.



Q1b: If yes, did you meet your target in the most recent period (or if in your first period, are you on-track to meet target?)

The 'State of Social Procurement in Australia and New Zealand' report found a similar outcome, despite the smaller number of organisations with targets, the majority of those with targets either met or exceeded them.

One contributing factor to this is the presence of a working group that actively tracks and discusses social procurement. 75% of organisations which have an active working group met or exceeded their social procurement targets, compared to 43% of those which didn't. This question was intentionally phrased as "a working group that actively discusses social procurement" rather than a "Social procurement working group" because there are many forms organisations can take to discuss social procurement internally. This may occur under the umbrella of an overarching ESG strategy and associated procurement team, a Diversity and Inclusion group, Economic development unit, or a more informal gathering of social procurement champions within the organisation.

Social Traders procurement marketplace tracking identified that 72% of Business and Government members increased their overall social enterprise procurement spend from FY21 to FY22⁴. This is procurement spend with certified social enterprises, submitted to and verified by

⁴ Figure only includes Social Traders business and Government members which submitted social procurement spend for both FY21 and FY22.

Social Traders. This highlights a growing trend not only in social procurement interest, but also capability and capacity of the social enterprises to fulfill procurement contracts.

As social procurement is embedded into organisational culture, and the success of setting goals is realised, the hope is that organisations will continue to set and achieve higher targets. The overall success demonstrated by the organisations meeting and exceeding their social procurement targets suggests an opportunity for loftier goals. It is important that the innovators in social procurement continue to raise the bar and lead by example.

The motivation to set targets

The most common motivation identified for setting social procurement targets was 'Customer expectation/reputation', with 68% of respondents selecting this as a motivation. This is a shift from previous papers such as 'The State of Social Procurement in Australia and New Zealand' which listed organisational values as the most important factor, followed by government policies and legislation, with customer expectations third.

Responding to external targets/mandatory requirements (e.g. Social Procurement Framework)	14	56%
Customer expectation/reputation	17	68%
Competitive industry pressure	5	20%
Other internal motivation	11	44%
Sample Size	25	

Q1a: If yes, what was your motivation for setting a social procurement target?

A paper on social procurement in the Australian construction industry conducted in 2017⁵ found that market factors are the main driver of social procurement in construction – particularly influenced by legislative requirements, such as the Federal Indigenous Procurement Policy (2015).

This result suggests a rise in customer expectation – which respondents of this survey are becoming increasingly aware of. 5 of the 6 ASX200 listed respondents chose this response as a motivating factor, demonstrating this factor is on the radar of market leaders.

⁵ Reid, S. and Loosemore, M., 2017. Motivations and barriers to social procurement in the Australian construction industry. In: P.W. Chan and C.J. Neilson, eds. Proceeding of the 33rd Annual ARCOM Conference, 4–6 September 2017 Cambridge: Association of Researchers in Construction Management, 643–651.

In Victoria, 11 of the 15 (73%) respondents included "responding to mandatory requirements", compared to 3 of 10 (30%) outside of Victoria. This is very likely to be influenced by the Social Procurement Framework established in Victoria in 2018 which outlines Government buyer requirements and recommends approaches for the inclusion of social and sustainable objectives into procurement planning processes⁶. Major construction projects such as the Level Crossing Removal Project has implemented a 3% social procurement target on all spend activity⁷.

The role of social procurement champions within an organisation has been investigated previously, and Loosemore et al (2021) conducting semi structured interviews with 15 identified social procurement champions within the Australian Construction industry. All 15 respondents noted the importance of external regulatory and contractual requirements as a coercive force to normalise social procurement in their organisations and supply chains⁸.

Methods for pursuing social procurement

Social Traders asked 3 key questions to determine how members were pursuing their social procurement goals:

1. Does your organisation have social procurement targets?
2. Does your organisation have a social procurement policy?
3. Does your organisation have an active working group that regularly discusses and tracks social procurement?

The most common tactic was the presence of social procurement targets with 61% of respondents indicating they had targets (either internal or external). Followed by an active working group which regularly discusses social procurement (49%), and finally the presence of a social procurement policy (28%)

Some respondents indicated that they felt there was no need to set social procurement targets, as their organisation either has principles and policies or an internal champion to drive social procurement, although this is not a common occurrence.

The presence of social procurement targets and an active working group naturally compliment each other, 75% of organisations which have an active working group met or exceeded their social procurement targets, compared to 43% of those which didn't. Other organisations which

⁶ <https://www.buyingfor.vic.gov.au/social-procurement-framework-requirements-and-expectations>

⁷ <https://bigbuild.vic.gov.au/library/level-crossing-removal-project/lx/north-western-program-alliance-policies>

⁸ Loosemore, M.; Keast, R.; Barraket, J.; Denny-Smith, G. Champions of Social Procurement in the Australian Construction Industry: Evolving Roles and Motivations. Buildings 2021, 11, 641. <https://doi.org/10.3390/buildings11120641>

relied on internal champions to drive social procurement had less success in both setting and achieving social procurement goals.

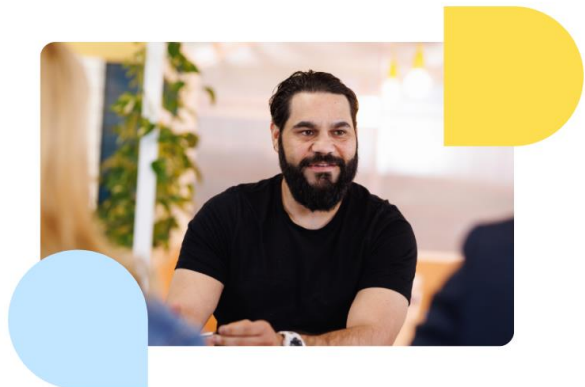
The least common tactic identified was an organisational social procurement policy. Further discussion on this method revealed that many of the respondents without a social procurement policy, had other organisational documents which mention social procurement, without a standalone policy. Most common was a social procurement section within the overall procurement policy, other methods include a social procurement action plan, public expression of intent, ESG reporting, a supplier code of conduct and diverse supplier principles.

This demonstrates that there is no commonly accepted path for an organisation to implement governing documents on social procurement, with many respondents taking different routes. During the last 12 months, multiple buyer members have approached Social Traders for assistance in developing a social procurement policy. Research and evidence is required to guide organisations on how to best implement social procurement strategies into their governing documents and policies.

Mirvac: Best practice example of social procurement targets



Mirvac has set a long-term objective to contribute \$100 million to the social sector by 2030, through procurement from social and Indigenous enterprises. This is a public commitment to use buying power for good. This commitment aligns with Mirvac's comprehensive sustainability strategy, 'This Changes Everything', and falls within the 'Social' pillar of the Environmental, Social, and Governance (ESG) concerns most significant to the group.



In 2019, Mirvac recognised social procurement as a key driver for fostering community and social inclusion and began actively identifying social procurement opportunities. In 2023, they initiated a supplier development program in partnership with Social Traders. The program aims to accelerate the capabilities of several certified social enterprises with the ability to provide goods and services directly to Mirvac. This involves mentoring and training to enhance these enterprises' participation in the procurement market and to understand what a large buyer like Mirvac looks for in suppliers.

Through dedication to social procurement, public targets and transparent tracking Mirvac is well on its way to achieving the lofty \$100m target, reaching the FY25 goal of \$30m 3 years early.

SAP: Best practice example of social procurement targets



Rather than a static monetary figure, SAP has launched an initiative called "5 & 5 by '25," with the goal to direct 5% of its addressable procurement spend to social enterprises and diverse suppliers by 2025.

This initiative encourages organisations globally to partner with SAP in purchasing more goods and services from suppliers committed to positive impact.

The "5 & 5 by '25" initiative specifically acknowledges the role of social enterprise as a catalyst for positive change, through support for the world's most vulnerable individuals and ecosystems.

In addition to this public commitment, SAP is pioneering global social procurement, welcoming organisations of various sizes to share in their commitment. Additionally, SAP is aiding the growth and development of social enterprise suppliers through pro bono consulting programs. This assistance helps social enterprises enhance their operations and become corporate-ready for supply chain integration.

About Social Traders

Established in 2008, Social Traders is the pioneer of social enterprise procurement in Australia. We are the only social enterprise certifier in the country and an intermediary dedicated to connecting businesses and governments with social enterprises. We use our unrivalled sector intelligence to disrupt business as usual and make buying from social enterprises the norm.

Some of Australia's leading brands across all industries are already buying from social enterprises including Australia Post, John Holland, Microsoft, Lendlease, Westpac, Coca Cola Amatil, Microsoft, Transurban and the Victorian Government.



Appendices

Appendix 1: Survey participants

Representatives from 41 of Social Traders members completed this survey. Respondents represent a range of industries, with the most common being 'Construction and Infrastructure' (29%). This is consistent with Social Traders overall membership makeup, of which 30% are in the construction and infrastructure industry.

Five states are represented, with the highest representation in Victoria. This again is consistent with Social Traders membership breakdown.

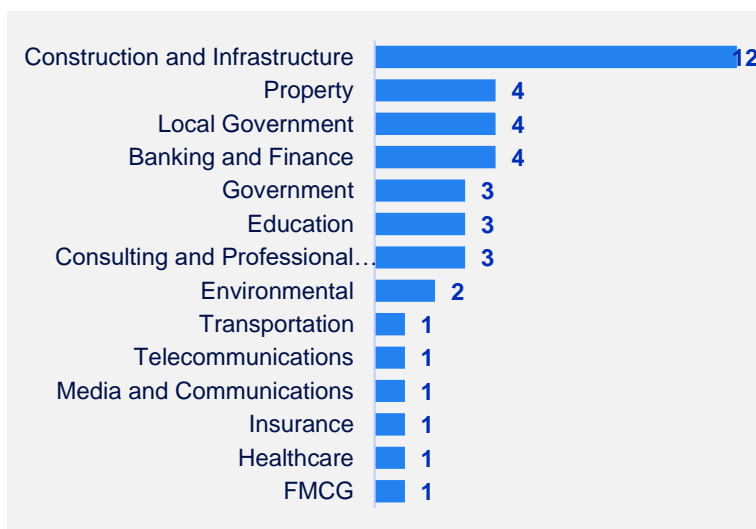


Figure 1: Profile of respondents (industry)

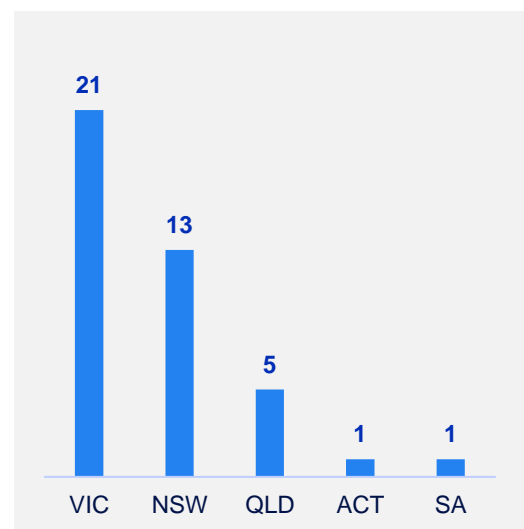
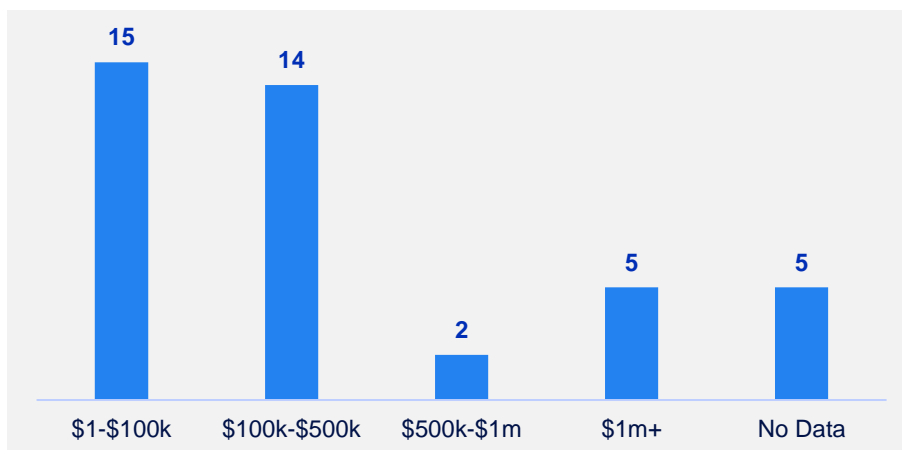


Figure 2: Profile of respondents (state)

Also represented in the responses is a wide range of social procurement activity, as detailed below. The social enterprise procurement spend represented below only includes procurement spend with certified social enterprises. This is submitted to Social Traders annually to verify.



The cohort included in these responses are all actively engaged and pursuing social procurement. Some are at the forefront of social procurement in Australia, whilst others are facing challenges in achieving their social procurement goals.

Appendix 2 – Survey Design

1. Does your organisation have social procurement targets?

- Yes – publicly stated
- Yes – internal
- No
- In Development

Additional Comments:

1i) If no, why doesn't your organisation have a social procurement target?

- Not a priority for our organisation
- Competing business priorities
- Lack of resources/knowledge
- Concern over SE capability/capacity
- Other (please specify)

Additional Comments:

1a) If yes, what is your primary motivation for setting a social procurement target?

- Responding to external targets/mandatory requirements (eg. Social Procurement Framework)
- Customer expectation/reputation
- Competitive industry pressure
- Other internal motivation.

Additional Comments:

1b) If yes, did you meet your target in the most recent period (or if in your first period, are you on-track to meet target?

- Yes – well exceeded target
- Yes – exceeded target
- Yes – met target
- No – below target

- No – well below target

Additional Comments:

1c) If yes, is the target primarily focussed on your organisation or your sub-contractors/supply chain?

- My organisation
- Sub contractors/supply chain

1d) If yes, when did your organisation set your first social procurement target?

- 0-1 year ago
- 1-3 years ago
- 3-5 years ago
- More than years ago

2. Does your organisation have a social procurement policy?

- Yes
- No
- In Development

Additional Comments:

3. Does your organisation have an active working group that regularly discusses and tracks social procurement?

- Yes
- No
- In Development

Additional Comments:

TRENDS & INSIGHTS



ENQUIRIES

info@socialtraders.com.au

www.socialtraders.com.au

Level 27, 150 Lonsdale Street
Melbourne VIC 3000

© Social Traders 2023

Thank you.