

# The case for social value

Procurement is no longer just about delivering on costs but delivering on value – are you ready to take on a whole new relationship with the public?

# What does social value mean to your business?

A robust, resilient and functional world economy requires equally healthy communities as it's the people – the workers and consumers – who keep our supply chains operating. Now it's down to procurement to make those deep investments into a rewarding future.



**Ceri Jones**  
Editor - Supply  
Management

**S**ocial value is often viewed as a relatively new topic for businesses to address, and yet the concept has been present for many years in various guises – for instance, the indigenous inclusion initiatives in Australia and New Zealand, in-country value programmes in the Middle East and public sector service legislation in the UK brought in more than a decade ago.

However, social value is not simply a worthy cause with an added expense; whether it is defined as supplier diversity or public good, it yields very real and measurable positive impacts for businesses and communities. Following a series of extreme global disruptions over the past two years, which have affected all aspects of life, from industry to personal wellbeing, many leaders now see social value as the key to rebuilding the world economy. Because you can't have a robust, resilient business landscape that brings long-term stability without equally healthy workforces, consumers and populations to support that journey.

Just consider the relatively quick shift from expansive global supply chain models to nearer, more localised operations at the outset of the Covid pandemic, and how this restructure uncovered the benefits of factoring local economies and regions into business investment portfolios. We are still in the midst of a financially challenging period; the cost of doing business and cost of living challenges added to high inflation are dampening growth. So then why invest in social value projects now?

Here we explore the benefits of social value investments and how they affect financial buoyancy, investor interests, talent appeal and more. We access core areas of social value, including diversity of suppliers, the different considerations for different business types, and how to help more organisations work with you to enhance stability. We also look at ways to define and measure social value, having those difficult conversations with suppliers to maximise impact, and crucially, embedding change in the culture of an organisation to ensure efforts and their benefits continue to be felt in the long term.



# The business case for social value investments

Social credentials have become a difficult balancing act for organisations, as they aim to work more closely and sensitively with communities they operate in. But can such initiatives also create true stakeholder value?

Words **Lawrie Holmes**

Society is increasingly demanding that business acts as a force for good. It's no longer sufficient for companies to address issues through traditional corporate social responsibility (CSR) activities alone, as CSR remains important but is often limited in both its reach and intentions. By contrast, the social value movement has come to represent far more proactive and, crucially, measurable courses of action.

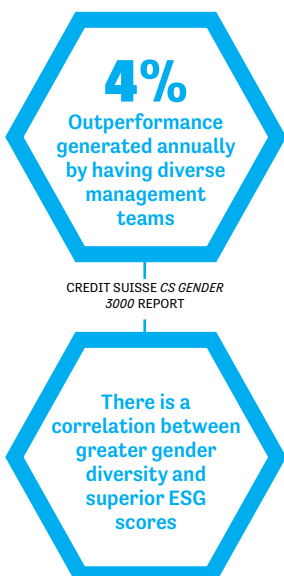
The definition of the trend is open for interpretation, but is generally considered to be “the positive value and outcomes organisations create for the economy, communities, society and the environment,” according to Deloitte UK social value lead, Helen Longfils, or as KPMG puts it, “the tangible benefit to society that results from the interventions that are proactively adopted”.

However, while these positive trends are important, organisations must still report to shareholders and stakeholders in terms of profit and loss. As such, more businesses are questioning how to reframe the perception of value, to present these “tangible benefits” to society in the same light as long-term returns on investment. Or to put it another way, can social value programmes become business value drivers?

## Using social value as business value creation

PwC social value leader and partner, Nancy Park, says: “If companies exist in a well-balanced ecosystem, then customers are more likely to be employed and therefore able to afford their products. The company will have access to the skills they need and a motivated, diverse workforce that brings a range of perspectives and reflects the society they serve or people who purchase from them.”

She added that PwC has witnessed numerous examples of clients implementing circular supply chains, turning waste into resource, making supply chains more reliable, environmentally friendly and lowering operating costs, as waste is moved from an operating expenditure to a revenue source. “This helps tackle the climate emergency as well as making good financial sense. And decoupling growth from emissions is not only important for the environment, but it can be a matter of business continuity and continued investment,” she adds.



**10%**

- the minimum social value weighting for central government

**20%**

The social value suppliers are increasingly asked for by public bodies

But when it comes to hard evidence of how the social elements create tangible value, it is necessary to assess the growing body of research available. For example, the 2019 Credit Suisse *CS Gender 3000* report stated that increased diversity coincided with superior share price performance. “Companies with more diverse management teams have generated sector-adjusted outperformance approaching 4% a year, compared to those displaying below the average,” it states.

In the aftermath of several global supply chain disruptions, the situation does not appear to have changed. A recent example is Deloitte’s 2022 report *The future of financial services in the United States* which considered whether people-centric programmes could create value in the long run, and came to the conclusion that they could. The analysis said: “Firms will need to prepare for the inevitable shocks that arise over the next 10 years. However, if they embody the principles of a higher bottom line – placing people on par with profits, and actions over intent – financial services can lead the way to a more inclusive, educated, sustainable, collaborative, and profitable future.”

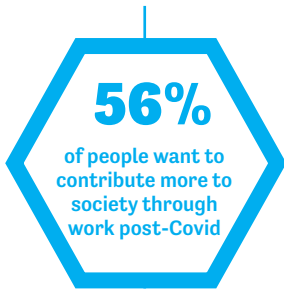
When it comes to actual initiatives, those that combine public and private objectives appear to provide the best possible routes to value creation for the companies participating in them. In Australia, the Public tenant employment programme - an initiative of the Department for Families, Fairness and Housing (DFFH) – service providers the Victoria state government sought to meet companies’ staffing needs with public housing tenants.

It said: “This is an opportunity to use local labour to meet your staffing and skills needs, and play an important role in the economic development of our local communities. Public housing residents helped into employment prove to be committed, reliable and talented [...] The programme can help you find competent, trained staff, particularly in areas where there are skills shortages.”

In the UK, companies that supply to the government are now compelled to adopt social value programmes through the government’s Social Value Model (SVM) which was launched in its current incarnation in January 2021, building on the 2012 Social Value Act. And it doesn’t stop there, as countries including the Netherlands, Canada and some kingdoms in the Middle East have seen government-mandated approaches to amplifying the positive impact of procurement and to influence supplier behaviour. Mandating change is simpler for the public sector bodies, but change is also filtering into the private sector.

Deloitte said it is seeing more and more tenders from private sector companies which include a range of social value considerations – this especially the case in the financial services and consumer sectors’ tenders. “These often show up as questions on sustainability, corporate responsibility, supply chain and people management policies. We see this as a positive move which reflects broader trends towards sustainable consumerism, ESG measurement and reporting and purpose-driven businesses,” the consultancy said.





GARTNER'S 2022 ARTICLE:  
EMPLOYEES SEEK PERSONAL  
VALUE AND PURPOSE AT WORK. BE  
PREPARED TO DELIVER.

## Prepare for implementation

When it comes to implementing socially motivated strategies, it may involve stepping away from the past business autonomy and towards more meaningful, actionable conversations with stakeholders. Park says: “Social value should be at the heart of an organisation’s purpose and their mission should not just relate to their product offering or service but also to wider society. They should look at their whole value chain and the actual and potential negative impacts that they have on the environment, people and communities and the economy.

“It’s important for companies to listen to their people and collaborate with them, as well as with their suppliers, customers and communities and purchasing strategies must reflect and drive this social value within a company’s purpose. Since social value also relates to people and communities, it should inform HR strategy across the whole cycle, from attracting talent, recruitment through contracts, coaching and training, appraisal, reward, retention and promotion.”

Social value leaders should also be enablers, according to management consultancy Gartner’s March 2021 report *Designing a social supply chain*. It calls for chief supply chain officers and leaders of strategy to empower people to work together more effectively by breaking down hierarchies in organisation structures. They should build robust supply chain communities by clearly defining cultural behaviours, actively fostering networks, and building DEI, it said.

It further recommends that organisations leverage multiple forms of technology to enable social connections across a remote and hybrid workforce as a priority, as well as building community connections intentionally, developing rules of engagement for different online community venues, whether they are knowledge-based, decision-making forums, innovation or social.

Gartner advises the building of individual skills that emphasise working in a social organisation. “These include collaboration, networking, relationship building and team building. Encourage people to join networks that enhance their individual employee experiences.” And it also calls on CSCOs and strategy leaders to motivate employees by defining purpose, moving beyond objectives, goals and incentives to connect employees to the higher level outcomes they are working toward. It added: “Acknowledge that objectives, goals and incentives will never be perfectly aligned, and work with leaders and staff to understand the trade-offs that must be made in order to achieve higher-order purposes.”

**“Individual skills required to work in a social organisation include collaboration, networking, relationship building and team building”**



## Case study

### **How social value can deliver when enshrined in law**

Words **Guy Battle**

As countries manage their recovery from the Covid-19 pandemic, the climate emergency and a cost-of-living crisis, there has never been a more urgent need to target social value. So ensuring that commitments are not only made but met is crucial. In the UK, it is 10 years since the implementation of the Public Services (Social Value) Act; in that time both the public and private sectors have made great strides to acknowledge and embed social value into procurement processes as standard.

By joining the social value movement, the private sector benefits from a stronger position to win work, meeting the aspirations of ethical investors and becoming a force for good in the communities in which it operates. In practice, this is likely to change from one project or contract to the next, as different communities have different needs, therefore procurers have varied priorities. Whether seeking a supplier to provide training for local people in an area where unemployment is high or someone that prioritises a local supply chain, thus reducing emissions, it is down to procurement professionals to understand and deliver on social value.

### **The changing expectations of social responsibility**

Social value weightings in public procurement have increased in recent years. Where there used to be a standard 10% weighting, public bodies are increasingly asking suppliers for a 15% or even 20% weighting. Following the pattern of social value adoption suggests the private sector will follow suit – with some larger organisations already showing signs of increasing their social value weightings.

Perhaps because of this, we are seeing more organisations, particularly in local government, including remedies for poor delivery of contracts, which includes liquidated damages clauses. It is not common and when it does happen there is often a good reason, but remedies must be put in place and fully understood by all parties at the outset. In line with these changes, the new Procurement Bill, which is currently going through UK parliament, is expected to formalise awarding contracts based on social value and will undoubtedly change the landscape again.

### **Measuring, evaluating and reporting social value**

The UK has developed a measurement framework that provides a minimum reporting standard and is free to download. Called National TOM, it is a widely recognised and efficient way to capture and report social value. Though based on non-financial data it enables organisations to put a monetary value against



the social value contribution, reflecting the fiscal and economic saving to society. From a procurement perspective, having such clear, reportable frameworks has made it far easier to compare supplier bids on the non-financial aspects of a tender, helping to level the playing field for organisations in different sectors of the country.

### **Protecting an organisation's reputation**

Today, procurement sits at the heart of improving standards, safeguarding reputations and delivering societal gains. Setting clear expectations on social value at the contract stage is therefore critical to the delivery of a successful relationship and project. For the best outcome, the main considerations when addressing social value in legal documentation are:

- Define what the organisation means by social value, eg. by using the National TOMs methodology (see above) and be clear on the importance of this to the organisation through the evaluation weightings applied (central government has a minimum of 10%)
- Support bidders by providing sufficient information to ensure they understand social value and have the capabilities to deliver eg. pre-tender engagement and training
- State expectations regarding regular reporting of social value deliverables during the contract delivery phase
- Set out key performance indicators for benchmarking results
- Identify who in the contractor's organisation is responsible for the delivery of agreed social value initiatives and what the arrangements are should things go wrong
- Include remedies for poor delivery of social value objectives.

These points will help ensure the contract and, more importantly, the contractual relationship with the contractor is positive. It is not only about the end results, it is also about creating a mutually beneficial, open and clear working relationship that will deliver on current goals and potentially generate more positive outcomes through repeat business.



# How to benchmark social value efforts

When it comes to increasing social value through supply chain management, the primary question for procurement executives has become “how” rather than “whether” or not to do so. Then what’s the best approach to take?

Words **Andrew Allen**

Using social principles in tendering may have been an idealist task a hard-pressed manager could set aside at one time, but now, even small or under-resourced teams are feeling the pressure – and seeing the potential rewards – of initiating change. Local governments and authorities are increasingly taking social value into account on long-term projects with deep investments, even embedding this into policy and legislation in places.

In the UK, this had been a consideration for at least a decade but in 2021, stricter rules were introduced which required that social value be “explicitly evaluated in all central government procurement”, rather than simply considered. The legislation mandates social value to account for a minimum weighting of 10% of the total score in all government tenders. As a result, many private sector organisations are finding their investors and stakeholders increasingly pushing them to follow suit.

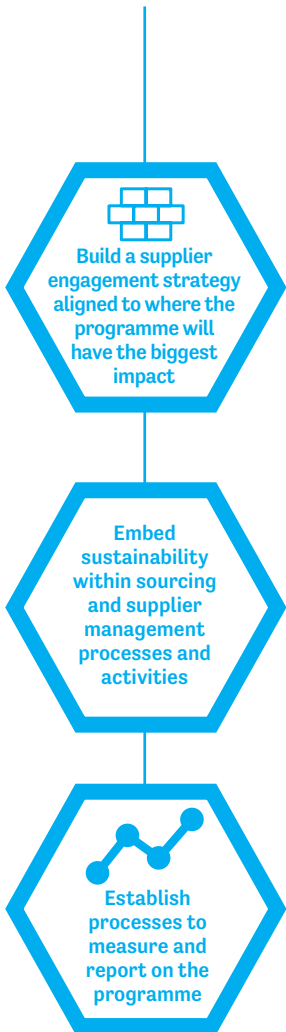
For procurement teams, business goals can be as wide-ranging as the meaning of social value, and as such may be intimidating initially. For instance, while one government may advise organisations to focus on country-wide factors, such as economic inequality or Covid-19 recovery, another may target the public and wellbeing elements and equal opportunities. But as a rule, the primary stage should be to establish a specific definition of the value being created and to tailor goals according to factors including whether it is a private, public or charity organisation, and the needs present in the operating location. In some countries, for instance, social value is often seen as synonymous with broader environmental issues, or more specifically, as “the S in ESG”, says Nic Walden, senior director, procurement and P2P advisory, UK programme leader at the Hackett Group.

“In this context, social value will include topics such as supporting and addressing human and labour rights, workplace conditions, modern slavery, child labour, conflict minerals, poverty, hunger, health, sanitation and supplier diversity,” he says. In contrast, in the Middle East, the focus is not on the individual or population but economic health to create greater in-country value; while in Australia and New Zealand, indigenous social initiatives are especially important, says Heath Jess, managing director of Sydney-based consultancy Procurement Co.

**THE CORE PRINCIPLES OF CREATING A SOCIAL VALUE STRATEGY**







### **Beware of potential pitfalls**

One professional, who asked to remain anonymous, told *Supply Management* that unfocused or excessive zeal from procurement teams can be just as challenging for healthy supplier relationships as foot dragging when it comes to social value. Many procurement departments place the responsibility for implementing change onto suppliers, he says, but without a shared strategy this is a risky decision. It could lead to scenarios where one day suppliers are asked how they intend to create equal opportunities within the workforce, and on another about their plans to support people with disabilities, or to facilitate community engagement. Such an approach can lead to supplier burnout and even frustration, as vendors attempt to respond to the varied and disjointed demands as they arise.

This approach can also make it difficult for a supplier to formulate an overarching and effective strategy of their own if they are pushed into tackling one particular area of social value, and therefore fragmenting their plans. Melissa Bell, sustainable procurement manager at advisory company YPO, makes a similar point: “If you are asking something of your suppliers that is not feasible for them or beyond their scope, it is likely that they would need to increase their costs to be able to fulfil that, or that they would not be able to meet expectations.” She notes that the point of social value legislation and guidance is to get procurers to think about how they interact with the communities they connect with, of the benefits they can deliver alongside supply partners, not simply demanding that suppliers take on additional work.

### **Working alongside suppliers**

Change consultants generally agree that the best way to avoid putting too much pressure too quickly onto suppliers is by employing a process of clarity, two-way communication, and by maintaining a consistent focus on an area of social value suppliers can align with. Neil Amos, policing and justice lead at PA Consulting, recommends procurement to work with suppliers to set a clear strategy about how they can help deliver social value objectives and to be upfront about the strategy, goals, pathway and expectations.

The need to formulate an overall social value strategy before seeking results via individual tenders is of the utmost importance. “Social value should not be an afterthought. It should form part of the procurement process from the beginning and be a key focus throughout conversations and decision-making,” says Bell. For many organisations the range of choices on offer can be confusing, such as whether it’s better to switch to local or diverse sourcing.

To support decision-making, Amos advises leaders to select a path “consistent with the organisation’s mission – the more closely aligned, the greater the impact”, such as a department of justice aligning with offender rehabilitation programmes to provide local jobs, or an agricultural authority focusing on a lighter environmental impact on neighbouring communities and habitats. “A banking tender is much more likely to be able to run budgeting courses for young people and children than installing a fence in local community spaces,” Bell says.



Once the organisation's priorities have been defined, it is then possible to identify known suppliers or to seek out new suppliers with aligned objectives, says Guy Battle, CEO of the Social Value Portal, a company that helps measure social value. "For instance, if your organisation has committed to helping those furthest from the job market, using a supplier that actively offers ex-offenders an opportunity to get back into the workplace will form a link in the supply chain that significantly counts towards meeting your social value objectives," he says.

Procurement can then ask potential suppliers to compete not only on price, but also on quality and on what they would contribute to society if they were to win those contracts. It is not intended to penalise non-compliant organisations, but to encourage them to work towards change as part of the local, national and global movement.

### **Be realistic and patient**

Suppliers' constraints can increase the challenge of pursuing social value in a given area. Managing director at Australian buyer-supplier matching platform Matchboard, Sharon Melamed, says that in Australia many buyers wish to support indigenous suppliers as part of their procurement strategy but find there are not enough indigenous-owned businesses to meet demand. "I have heard it directly from procurement leaders at large organisations, who may have a 2% or even 5% indigenous spend target and just can't find ways to spend these amounts," she says.

Jess suggests buyers can address such difficulties by offering more than one way to work with a chosen group, such as employing indigenous people as a percentage of a workforce or by funding indigenous initiatives. He also advises contributing by offering pro bono support to indigenous businesses or charities and avoiding 'yes/no' response requirements in tender documents, which might make it harder for indigenous-owned businesses to win contracts.

And when it comes to measuring outcomes, again, there are many options and no definitive front-runner – a situation that many social value advisers recognise makes benchmarking difficult. "Often, it's left to the supplier to say how they are going to measure it," says Amos. "This makes comparing like for like difficult."

However, an increasingly popular measuring standard – and one recommended by Walden – is the National TOMs (themes, outcomes, measures) framework developed by SVP in conjunction with the National Social Value Taskforce in the UK. Based on non-financial data, the framework enables an organisation to put a monetary value against the contribution an organisation makes to society, SVP's Battle explains.

**“Having a clear, reportable framework makes it far easier to compare supplier bids on the non-financial aspects of their tender”**



“From a procurement perspective, having a clear, reportable framework makes it far easier to compare supplier bids on the non-financial aspects of their tender,” he adds. This helps to level the playing field – especially important in the public sector, but also relevant to the private sector. Amos advises keeping measurement efforts in proportion with the size of the project and concentrating measurement efforts on longer-term, larger projects. “Try to align it behind the strategic objectives of that organisation, using industry-standard metrics. This provides a better chance of coming up with a set of common measurements that suppliers can use consistently,” he says.

Regardless of the specifics of a social value project, the majority of consultants advise procurement to focus on delivery; the importance of delivering results and not good intentions. This inevitably includes exercising patience and employing thorough communications in any new social value initiative to ensure suppliers are not left shouldering the burden of change. “Everyone is learning,” says Amos. “I think the more dialogue between supplier and customer about the best way collectively to deliver social value, the better.”



# The challenge to embed cultural change long-term

It could be argued that implementing and benchmarking a social value programme is straightforward and it's more challenging to embed cultural and behavioural change to ensure the approach becomes part of the organisation's DNA.

Words **Katie Jacobs**

“Social value is culturally ingrained when it is practised by an organisation at all levels,” says Vaishali Baid, senior consultant and social value lead at Action Sustainability. But practically, how do you go about making a social value approach integrate and even match with existing organisation culture, to become a topic everyone internally and within the value chain understands?

As previously discussed, defining social value is critical when creating a strategy, but it is also a fundamental aspect of communicating expectations and behaviours with staff; defining what it means in the context of the organisation and new priorities, rather than sharing various acronyms such as ESG, CSR or SDGs without further information. “The starting point is having clear direction and ambition around creating social impact and outlining within policies, systems and working practices a business’s ultimate intent of its actions,” says Angela Halliday, who is social impact director at food services and facilities management firm Sodexo UK & Ireland.

Creating and communicating that vision needs to come from the top, with leaders demonstrating they are fully behind and embodying this new approach. “To truly embed social value requires senior leadership to communicate its strategic importance, but also to promote the set of behaviours that work in tandem with any social value policy,” says Andy Daly, head of corporate partnerships at Social Enterprise UK. “Leaders need to paint the big picture of the positive contribution their organisation can make to society and the environment through social procurement. They also need to work with staff on making that vision happen.”

For Halliday this involves creating opportunities for employees to bring the social value vision “to life” with a coherent agenda, clear measurement, robust governance and celebration of success. Once employees truly understand the vision they can act as advocates, says Baid, and can subsequently articulate the importance of social value in their interactions with clients, suppliers and partners.

Storytelling is a powerful tool, he adds, with the qualitative impact as important as hard metrics. “Social value is all about having a positive impact on people’s lives, and relying only on objective measures will not help to take the agenda forward.

**TOP TIPS FOR SUCCESSFULLY EMBEDDING CULTURAL CHANGE:**



Work with HR on how social value approaches could be tied into policies and reward mechanisms to drive desired behaviours

Equip and empower staff at all levels to act as advocates for social value

Focus on powerful, real stories as much as hard metrics

Organisations need to share the stories beyond quantitative measures with their staff and external parties to showcase the differences they are making.”

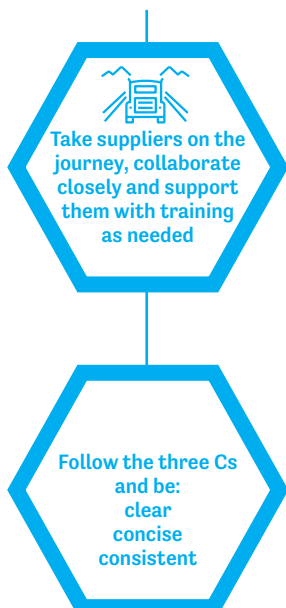
Tying social value approaches into policies and processes can also help make it real for people in the organisation, and to drive behavioural change. “Policies need to have clear, actionable objectives that tie to broader organisational objectives, as well as tangible examples of how these should be used in practice,” says Daly, adding that social procurement goals could be written into team and individual KPIs. Halliday agrees, suggesting that employees should be rewarded for living the organisation’s social value purpose. Collaborating with colleagues in HR can help embed social value into policies.

What about creating lasting change outside the organisation? How can procurement teams best work with suppliers to shift cultures and behaviours? “The most successful business relationships are built when parties are aligned on corporate values, and it is important to make your strategic supply chain partners aware of your commitment to social value,” says Daly. “Where there is a shared outlook on social value, this awareness-raising exercise may be enough to lay the groundwork for success. In other cases, there may be an opportunity to educate and inspire some of your suppliers to join you on the journey.”

However, taking your supplier network on the journey with you can be more complex than it first appears, particularly as some smaller businesses with scarce resources may view it as an additional or even preventative burden despite the best of intentions. Baid advises communicating clear and consistent approaches to suppliers, with expectations that this is cascaded down the supply chain.

“Simplify the overall social value measurement process and enable them by providing training to implement it,” he adds. As with any culture change process, transforming an organisation’s attitude won’t happen overnight, and this should not be expected. “It’s okay to start small and scale up,” Halliday says. “By being clear, concise and consistent, the plan will resonate and ultimately lead to making a difference to society, the planet and local communities.”





### Case study

## Putting social value into practice

Words **Katie Jacobs**

While environmental initiatives are becoming easier to measure, such as carbon emissions reductions, the social aspect of sustainability is less tangible. But L'Oréal China has worked with its partner GEP to outstrip its goals for an ambitious social impact project around supplier diversity. The project, known as Solidarity Sourcing, aims to enhance social inclusion throughout its business ecosystem. As a subsidiary of global beauty giant L'Oréal Group, L'Oréal China has the potential to create a sea change of positive social change through its actions. The initiative, which won the prestigious CIPS Asia Excellence in Procurement Award for the “best initiative to build a diverse supplier base” has enabled people from underprivileged and minority communities to be a part of L'Oréal China's broad supplier network. The original target was to provide 500 full-time equivalent (FTE) jobs across supplier sites in 2021, providing employment opportunities to underrepresented groups.

By taking a strategic approach, developing an appropriate operating model and implementing process flows, the programme ended up exceeding that goal by 27%, giving more people access to secure employment which would have otherwise been out of their reach, as well as diversifying L'Oréal China's supply base. Any such ambitious project requires careful change management and effective communications to be successful.

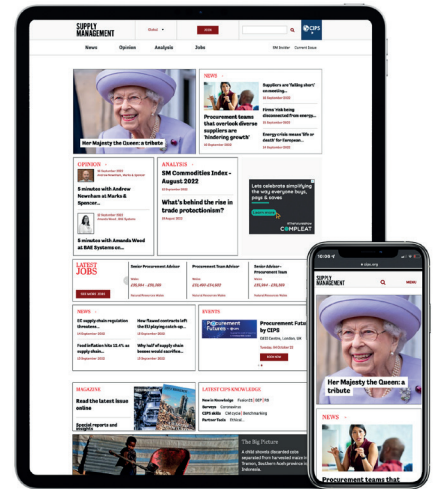
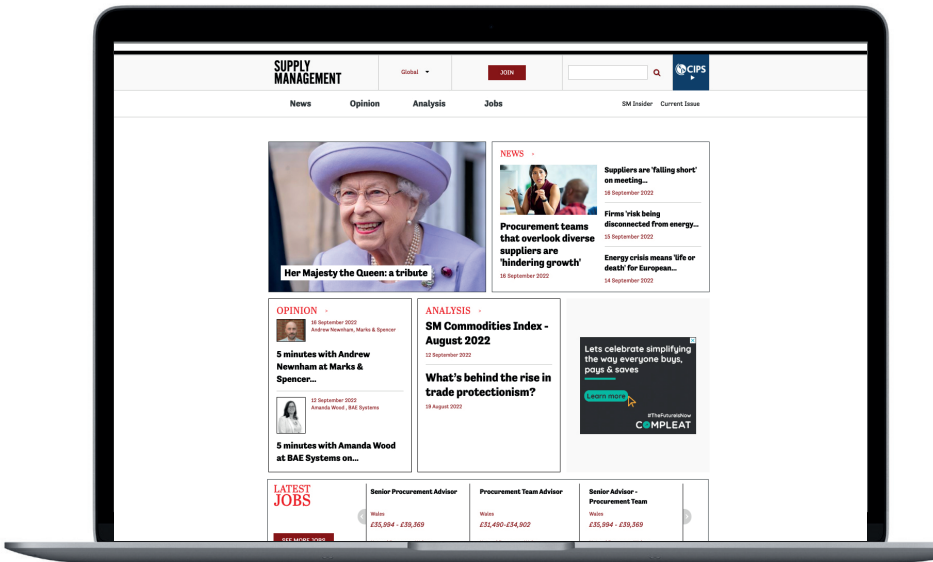
All stakeholders needed to be aligned on the importance of ESG before the project was rolled out. The procurement team conducted workshops and training sessions for both internal stakeholders and suppliers, to explain and localise the strategy and translate it into actionable tasks. A constant drumbeat of communications, alongside workshops and roadshows, helped to raise awareness among the existing supplier base.

“The key to success is L'Oréal is relentlessly engaging and encouraging their suppliers to evaluate how they can give more jobs to underprivileged people and communities,” says Michael Seitz, vice-president, GEP Consulting, China. “Communication is ongoing. Importantly, suppliers are rewarded for contributing to the programme.” L'Oréal China also assigned one dedicated resource to act as a central knowledge centre within the indirect procurement team, to ensure any queries could be handled efficiently.

And the success of the 2021 implementation resulted in a high level of motivation and engagement around the programme. The project shows how a large business such as L'Oréal can “use its purchasing influence to provide better accessibility to underprivileged communities across China”, says Seitz. “L'Oréal is showing how a procurement function contributes to making a positive social and societal impact.”



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