Brief - the changing priorities of public sector clients in terms of social value and how CSR fits in

Delivering social value through construction and infrastructure expenditure

- From CSR to Shared Value
- From Shared Value to Social Value – the public sector drive
- Procurement as the chosen policy tool

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All Public Sector Bodies have access. Over 200 organisations have been listed in the OJEU notice.

North West Construction Hub

High Value
Medium Value
Low Value

Cumbria
Lancashire
Merseyside
Gtr Manchester
Cheshire
From Corporate Social Responsibility to Shared Value

What do we know?

- widespread rhetoric in construction around “doing the right thing”, when in reality business strategies were driven by the “bottom-line”.
- the need for construction firms to adopt some form of CSR initiative not supported by sufficient evidence of how firms should strategically pursue and operationalize CSR
- we have little evidence of how firms benefit from CSR in terms of improved business performance.
- despite over 50 years of research, CSR still doesn’t have a universally accepted definition and is often confused with related concepts such as corporate citizenship, sustainability, corporate accountability, corporate ethics, responsible entrepreneurship, corporate stewardship and sustainable development
CSR “balances” social responsibility over shareholder wealth maximisation

• “… the CSR position is that shareholder wealth may be sacrificed if the net social gain is positive, so that the board may defend its actions by pointing to some accounted-for social benefit even when it demurs on the issue of shareholder wealth maximisation”.
Shared Value
Shared Value

• Companies could bring business and society back together if they redefined their purpose as creating “shared value”—*generating economic value in a way that also produces value for society by addressing its challenges*. A shared value approach reconnects company success with social progress. (Porter and Kramar 2006)

• “...if corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint, or a charitable deed it can be a source of opportunity, innovation and *competitive advantage* (2006)

• One view of CSR - sees businesses as being dependent on the community *stakeholders* who have power over corporations (procurement power?)
Procurement 1 – why the public sector has tried to get a share
Sustainable Procurement

“a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment” (SPTF 2006, p 10).
Joined-up government

• UK SPTF 2006: Too often the business side of government – the service provision, the purchasing, the employment, fails to reflect the *policy goals of government*…

• Bringing together the *business and the policy arms* of government is what sustainable procurement is about.
Sustainable Procurement

Sustainable procurement – in short using procurement to support wider social, economic and environmental objectives, in ways that offer real long-term benefits, is how the public sector should be spending taxpayers money (Simms, 2006).
Procuring for Social Value

What if.....Procurement Authorities considered from the outset how the services and products they commission and procure might improve the economic, social and environmental well-being of the area?
Small to Medium Sized Enterprises are wanted?!
Including SMEs in Procurement...
Government Construction Strategy - involvement of SMEs across government’s construction supply chains with Tier 1 suppliers estimating SMEs
Why the focus on SME’s?

Annual Business Survey results for 2011 showed

• that SMEs generate more value to the economy per pound of turnover than larger firms.

• that SMEs generated more than £33 per £100 of turnover on average while large firms generated only £26.

• this supports the view that switching procurement spend from large enterprises to SMEs generates additional value to the economy.
SME GVA per sector

aGVA (£) per £100 Turnover 2011 (Annual Business Survey, ONS)

- Other service activities
- Arts, entertainment and recreation
- Human health and social work activities (Excludes NHS Trusts, local authority and central government bodies)
- Education (Excludes local authority and central government bodies)
- Administrative and support service activities
- Professional scientific and technical activities
- Real estate activities
- Insurance, reinsurance and pension funding, except compulsory social security
- Information and communication
- Accommodation and food service activities
- Transport and Storage
- Wholesale and retail trade, repair of motor vehicles
- Construction
- Water supply, sewerage, waste management and remediation activities
- Electricity, gas, steam and air conditioning supply
- Manufacturing
- Mining and quarrying
- Agriculture, forestry and fishing
- All sectors*

Legend:
- Large company
- SME
Procurement – how the public sector has tried to get a share
How can Social Value be delivered?

Through the most appropriate procurement route… The Infrastructure Procurement Routemap offers a strategic approach to procurement…
How can Social Value be delivered through procurement/contracts?

Attention to the overall procurement process

• The contract management and performance clauses (post-contract).
• The contract award criteria (ITT);
• The selection criteria for candidates (PQQ);
• The technical specifications for the product/work/service (pre-tender);
• The subject matter of the contract
In other countries other Procurement Strategies Examples?

In other countries other Procurement Strategies Examples:
• Reservation of certain contracts
• Preferencing of certain suppliers
How can Social Value be delivered? Effective Frameworks?

Delivering sustainable efficiency savings
Delivery of projects to target cost and time
Reduction of Claims
High Client satisfaction rates
Good health and safety
Good “diversion from landfill”

High proportion of spend undertaken by SME’s
High take up of government initiatives (fair payment, apprenticeships)
How to treat SME’s in frameworks?

Supply Chain Engagement:
• Agree SME and supply chain engagement strategy:
• Ensure engagement in national, regional and local frameworks
• Emphasise the involvement and integration of tier 2/3 suppliers within the framework and design team
• Ensure transparent approach and client engagement with supply chain
• Local sourcing, fair payment provision down the supply chain, measure and monitor engagement

Example Measures in Local Government:
• % of Sub-Contractors SMEs
• % of Sub-Contractors local to the area
• % of Construction Contract Spent with SMEs
Social and Economic Value through framework procurement?

• Local councils spends around £45 billion on procuring goods and services from third parties (House of Commons, 2014);

• The North West Construction Hub (NWCH) was given as prime example for delivering value for money through their ability to choose competent contractors (P 22);
Data from NWCH- Key Performance Indicators (KPI’s)

- Fair Payment
- Waste Reduction
- Carbon
- Local Labour
- Apprentice Weeks
- Predictability
- Satisfaction
- Health & Safety

Where UK Industry Performance average scores have been steadily declining in recent years, NWCH satisfaction scores have continually increased year on year.
Data from the NWCH
“Delivering True Value”

1618 employability and learning activities
141 project initiated apprentices created
288 sustainable apprenticeship placements
567 community engagement events
60.6% of site staff were defined as ‘local’

For full details, visit www.nwconstructionhub.org to view the ‘More for your Money’ Report

Please note the above figures are the most recent and supersede those within the More for your Money Report.
P.S. A view from the North West
Devolution

City metro mayor candidates vow to make region 'engine room of the Northern Powerhouse'

Liverpool-Manchester alliance on the cards as Steve Rotheram and Andy Burnham pledge co-operation over 'tribalism'

By Oliver Clap
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[Image of three men smiling]
A Regional Industrial Strategy - Productivity in the North?

Productivity – followed by employment – account for the largest share of the North’s ‘performance gap'
A Regional Industrial Strategy - Productivity in Construction?

Construction sector has lowest productivity

Chart 1.A: Productivity by increase in output relative to employment

Source: Arcadis, ONS