



# Unlocking the value of social procurement and supplier diversity

## Leading practice insights

Prepared by Australia Post  
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# Championing the United Nations' Sustainable Development Goals

In January 2016, the United Nations' Sustainable Development Goals (SDGs) came into effect. The SDGs provide a blueprint to put the world on a sustainable path to 2030 and address pressing economic, social and environmental challenges.

Governments, businesses and people everywhere have a part in achieving these goals, and we're excited to play a domestic leadership role in championing them.

In 2016, we were one of the first Australian organisations to embrace the SDGs. Since then, our approach has evolved from initially prioritising six goals to identifying a number of specific SDGs that intersect with each stage of our operations and value chain.

This paper relates to:

- ✔ **Goal 8:** Decent Work and Economic Growth, focused on promoting inclusive and sustainable economic growth, full and productive employment and decent work for all;
- ✔ **Goal 10:** Reduced Inequalities, in relation to providing opportunities for marginalised, disadvantaged and minority groups; and
- ✔ **Goal 17:** Partnerships for the Goals, as social procurement cannot be achieved by any one organisation alone.

For further information about the SDGs, see <https://sustainabledevelopment.un.org/sdgs>

For further information about how Australia Post is advancing the SDGs, see <https://auspost.com.au/sdgs>



This paper is the fourth in a series by Australia Post which explores aspects of the UN Sustainable Development Goals and the role of Australia Post. Papers in this series:

**White paper 1:** Small business: Making sustainability part of every day

**White paper 2:** Digital participation: A view of Australia's online behaviours

**White paper 3:** Transitioning to a Circular Economy: Insights from the frontline

**White paper 4:** Unlocking the value of social procurement and supplier diversity: Leading practice insights

# Contents

Foreword .....	<b>4</b>
1. Executive Summary .....	<b>5</b>
2. Introduction .....	<b>6</b>
3. What is social procurement? .....	<b>7</b>
4. Drivers of this agenda .....	<b>10</b>
5. Ongoing challenges .....	<b>13</b>
6. Six tips to unlock the value of social procurement .....	<b>18</b>
7. Future outlook .....	<b>20</b>
Interviewees and references .....	<b>23</b>

## Foreword by Janelle Hopkins

Australia Post is dedicated to building social inclusion by working in partnerships that leverage our workforce, and assets, to support the community.

We recognise our local presence is important to the connection, and viability of many communities across Australia, and we therefore have an important role to play in building an inclusive society, with safe, fair and fulfilling work for our extended workforce.

Social procurement is key to reducing inequalities and creating decent work and economic growth, simply by leveraging money that would have been spent anyway.

We formally commenced our social procurement journey in 2010, when we proudly became a member of Supply Nation, publicly committing to engaging Indigenous businesses in our supply chain.

Five years later we became a founding member of Social Traders, formalising our commitment to engage social enterprises in our supply chain.

In the 2017-18 FY we spent more than \$7.4m with the 42 social enterprises and Indigenous businesses in our supply chain, up from \$5.6m the previous year. We have an ambitious target to spend \$40m with Indigenous businesses in our Stretch Reconciliation Action Plan July 2017 – July 2020.

We believe social procurement is one of the greatest opportunities to create economic, social and environmental value. Therefore, this paper aims to unpack the challenges and opportunities that exist, with practical insights from the frontline.

This paper is part of a series of whitepapers by Australia Post to advance the UN Sustainable Development Goals. Other topics to date include: Transitioning to a Circular Economy; Digital participation; and Small business sustainability.

We hope this paper will provoke thought and discussion around how to embed social procurement as a business as usual activity.

**Janelle Hopkins**  
Group Chief Financial Officer



*We believe social procurement is one of the greatest opportunities to create economic, social and environmental value*

# 1. Executive Summary

Social procurement leverages an organisation's buying power to deliver social value, above and beyond the value of the goods or services being procured. It builds diversity into the supply chain, and creates job opportunities for under-represented groups, reinvigorating marginalised communities.

Over the last five years social procurement and supplier diversity have gained considerable traction, and the practice of procurement has evolved to encompass social and environmental considerations.

This paper recognises the ongoing debate about terminology, with differing opinions about whether this agenda should be called social procurement, supplier diversity, or more recently, inclusive procurement. Throughout this paper, we have chosen to refer to social procurement as an umbrella term for procurement from social enterprises, Indigenous businesses, disability enterprises and other social-benefit suppliers.

## Key Findings

**There are four key reasons social procurement has gained considerable traction:**

- **Addressing a social need:** social procurement provides a tangible way for companies to make a positive social impact using existing spend, that often has a greater impact than philanthropic donations alone.
- **Government policy:** social procurement has become a key aspect of the modern Government agenda with policies such as the Commonwealth Government's Indigenous Procurement Policy and the Victorian Government's Social Procurement Framework.
- **Gaining competitive advantage:** in an increasingly competitive marketplace, companies are under immense pressure to articulate their unique point of difference. Companies are winning new business and tenders as a direct result of engaging with social enterprises and Indigenous businesses in their supply chains.
- **Engaging the next generation:** Millennials seek purpose-aligned work, and expect their employers to behave ethically and sustainably. Supply chains provide employers with one of the greatest areas for impact through an inclusive supply chain.

**Despite the momentum achieved to date, a number of ongoing challenges remain:**

- **There is a disconnect between perception vs reality:** there are a number of misconceptions about social enterprises and Indigenous businesses that are incongruent with their performance in reality.

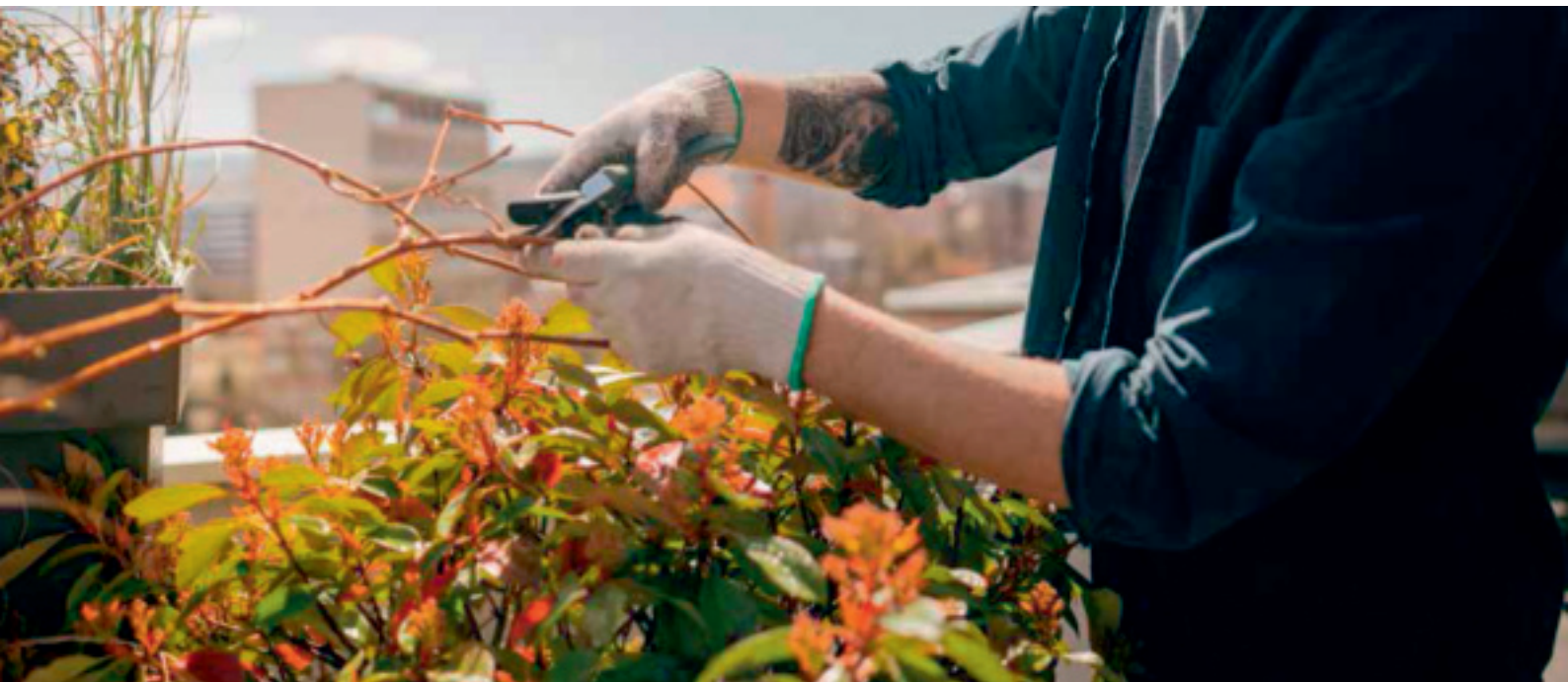
- **We need to think differently:** Social procurement requires a different mindset that considers social and environmental outcomes, as well as price, quality and risk in decision-making processes.
- **Supply is not meeting demand:** A significant gap exists in available capacity within social enterprises and Indigenous businesses. However this challenge is also driving innovation through joint ventures and entrepreneurial approaches.
- **Capacity and scale remain a challenge:** many social enterprises and Indigenous businesses have the appetite to scale up and meet rising buyer demands. However the pathway to expansion requires support from buyers.
- **Relationships can't be purely transactional:** for a practice that is often transactional in nature, investing in relationships is not always an obvious consideration. However both buyers and suppliers need to make a genuine commitment to build a relationship to increase understanding about the nuances of working together.

### Six tips to unlock the value of social procurement are:

- 1 Set targets and KPIs to drive behaviour.
- 2 Give passionate people the support to drive it.
- 3 An audit on existing spend may reveal you already have social enterprises and Indigenous businesses in your supply chain.
- 4 Tell your good news stories to bring people on the journey.
- 5 View social procurement as an opportunity rather than a risk.
- 6 Seek guidance from peers and intermediary brokers.

In the near future, we expect the practice of social procurement will have a greater focus on collaboration through joint ventures and local economic growth strategies. We also suggest practitioners will be concentrated on outcome-based targets, rather than simply financial, that are measurable and scalable.

## 2. Introduction



As a nation, Australia has experienced an unprecedented era of prosperity. Yet as we approach the first quarter of the 21st century, unemployment rates remain high, and the impact of unemployment not only affects individuals and communities, but the economy as well.

At the same time, minority groups aren't offered the same opportunities for decent work and economic growth as the rest of the Australian population.

However with the increased number of social enterprises and Indigenous-owned businesses, we're seeing a surge in the jobs available to long-term unemployed people, people with disabilities, new migrants and Indigenous Australians. These opportunities are available due to a rapidly growing social procurement sector.

There are an estimated 20,000 social enterprises operating across Australia generating up to 3 per cent of GDP and employing 300,000 Australians<sup>1</sup>. Over 95 per cent are small to medium sized enterprises<sup>2</sup>. In addition there are nearly 12,000 Indigenous businesses contributing up to \$6.5b to the Australian economy each year<sup>3</sup>. We're also seeing the emergence of women-owned enterprises, culturally and linguistically diverse (CALD)-owned enterprises and certified B Corporations.

With this strong contingent of diverse suppliers available, the practice of procurement is changing. It is no longer solely about cost and risk. It now encompasses social and environmental considerations. The concept of value has taken a new shape with many organisations now recognising the value they can create for society, simply by leveraging their purchasing power.

It is estimated that for every \$100,000 spent with social enterprises, 1.5 jobs are created for those suffering or at risk of disadvantage<sup>4</sup>. Research also suggests that for every \$1 spent with an Indigenous business, \$4.41 is generated in social return<sup>5</sup>.

Social procurement has the power to affect real, systemic change. However, for the practice to become business as usual, buyers across the corporate and government sectors must embrace new ways of working.

This paper summarises the state of social procurement in Australia by exploring the key drivers of this agenda, ongoing challenges, and opportunities for the future.

These insights are informed by interviews we conducted with subject matter experts from across the social procurement sector, during March to June 2018. A full list of interviewees is included in Appendix 1. In addition, we have drawn on existing literature and our own practices relating to social procurement.

Australia Post would like to thank Mark Daniels, Executive Director at Social Traders and Justine Moss, Head of Government Membership at Supply Nation for reviewing this paper.

### 3. What is social procurement?

Social procurement leverages an organisation's buying power to deliver social value, above and beyond the value of the goods or services being procured.

Social procurement is not a new concept. There are examples of social procurement in practice that date back over 100 years. For example, returned unemployed soldiers from World War I were provided with job opportunities through the development of the Great Ocean Road in Victoria.

The value created through social procurement is demonstrably greater than traditional procurement to both the buyer and the broader community.

For example, a construction project may deliver value to the community through the nature of what

is being constructed. However by building social procurement into the project's supplier base, it is also increasing job opportunities for under-represented groups and reinvigorating marginalised communities.

Social procurement not only creates social value, but also enables the delivery of competitively priced and high-quality goods, services and projects. Additionally, it creates other business outcomes through improved staff engagement, positive brand messaging and competitive advantage.



*"We believe that buying from social enterprises represents the greatest untapped potential in generating positive sustainable impact and change in Australia.*

*Businesses and governments have the ability to make a really positive impact to strengthen our communities and economies simply by making small changes to the way they buy, by incorporating social value into the equation."*

**David Brookes**  
**Managing Director, Social Traders**



*"It's incredible how far the dollar travels – it's not just about the individual who might be operating the business, but flow-on effects to families and communities. In addition to dollars, Indigenous business owners become role models in communities by providing a visual path for young Indigenous Australians."*

**Laura Berry**  
**CEO, Supply Nation**



*"It would be good to see true Inclusive Procurement in Australia that is inclusive of all minority groups. Beyond social enterprises and Indigenous businesses there are other diverse suppliers such as women-owned businesses and CALD-owned businesses. All these suppliers have a common agenda: to increase economic growth across all members of society. Inclusive procurement can solve for better even distribution across all Australian societies and economically benefit all."*

**Chris Kirby**  
**Director & Founder, Potential AUS**

The term ‘social procurement’ encompasses social enterprise procurement and supplier diversity. There are several supplier categories within the social procurement umbrella. These include:

<p><b>Social enterprises</b></p>	<p>Social enterprises trade to intentionally tackle social problems, improve communities, provide people access to employment and training, or help the environment.</p> <p>In the Australian context, there is no legal structure called social enterprise. Social Traders, Australia’s leading social enterprise connector, defines social enterprises as organisations that:</p> <ul style="list-style-type: none"> <li>• Are driven by a public or community cause, be it social, environmental, cultural or economic</li> <li>• Derive most of their income from trade, not donations or grants</li> <li>• Use the majority (at least 50 per cent) of their profits to work towards their social mission.<sup>6</sup></li> </ul>
<p><b>Indigenous businesses</b></p>	<p>Indigenous businesses are commercial businesses that are owned by Aboriginal and Torres Strait Islander peoples. Supply Nation, the Australian leader in Indigenous supplier diversity, recognises two distinct categories of Indigenous businesses:</p> <ol style="list-style-type: none"> <li>1. Certified Suppliers, which are 51 per cent Indigenous owned, managed and controlled, and</li> <li>2. Registered Suppliers, which are 50 per cent Indigenous owned.<sup>7</sup></li> </ol>
<p><b>Australian Disability Enterprises</b></p>	<p>Australian Disability Enterprises (ADEs) are Commonwealth-funded and generally not-for-profit organisations operating in a commercial context, specifically to provide supportive employment opportunities to people with moderate to severe disability. Some ADEs also operate as social enterprises.<sup>8</sup></p>
<p><b>Other social-benefit suppliers</b></p>	<p>In addition, there are a range of other social-benefit and minority-owned businesses that exist within the broad umbrella of social procurement. These include women-owned enterprises, CALD-owned enterprises, and certified B Corporations, an emerging group of companies that are using the power of business to create a positive impact on the world and generate a shared and durable prosperity for all<sup>9</sup>.</p>

**A note on terminology**

There is an ongoing debate about terminology, with differing opinions about whether this agenda should be called social procurement, supplier diversity, inclusive procurement or a mixture of all three. Historically, procurement from Indigenous businesses has largely been referred to as supplier diversity or Indigenous procurement. This is because procurement practitioners tend to see the benefit to Indigenous businesses as being more about economic empowerment, rather than relieving a social need.

At Australia Post we refer to procurement from Indigenous businesses and social enterprises as social procurement. Our primary driver for these engagements is a social one: creating employment opportunities for members of society who are marginalised, disadvantaged, or underrepresented. We also see ADEs as a sub-set of social enterprises.

There is no right or wrong term, however for the purposes of this paper, we have decided to refer to social procurement as an umbrella term for procurement from social enterprises, Indigenous businesses, ADEs and other social-benefit suppliers.



## The role of intermediaries

Intermediary organisations exist to broker opportunities between Indigenous businesses and social enterprises. They have an important role to play in building the capacity of social enterprises and Indigenous businesses to respond to new business opportunities, through the delivery of training programs and certification schemes. By doing so, these intermediaries also help to build a pipeline of capable suppliers.

**Supply Nation** is the Australian leader in Indigenous supplier diversity and was established in 2009 to connect corporates and government agencies with their 1,500 certified and registered Indigenous businesses across the country.

Supply Nation's rigorous registration and certification processes ensure members can be confident of Indigenous ownership. With Indigenous businesses active in every State and territory within Australia, in every industry sector, Supply Nation has been central to the growth of a new economic force.

**Social Traders** is Australia's leading social enterprise connector, linking certified social enterprises with procurement opportunities. Social Traders' is a unique service for government and corporate buyers seeking to procure from certified social enterprises.

By 2025, Social Traders' goal is to have 150 buyer members spending \$150m per annum with 500 certified social enterprises.

**BuyAbility** is an initiative of National Disability Services (NDS) aimed at increasing employment opportunities for people with disability through the management of socially responsible procurement opportunities for ADEs. BuyAbility is supported by the Department of Social Services. They offer government and private business buyers channels to do business with Disability Enterprises nationally.

BuyAbility has secured more than \$28m in contracts and engaged over 1,300 people with disability across Australia. Unlike Supply Nation and Social Traders' membership structure, they operate on a fee for service/contract basis.



*"Intermediaries like Supply Nation and Social Traders are essential. The biggest value they bring is the ability to prepare the supplier and buyer and set the scene for what to expect in the first meeting"*

**Steve Hansen, Strategic Procurement Manager of Fleet, Logistics & Automation, Australia Post**

## Case Study



### **Salvos Legal** Award-winning law firm with a difference

In 2016 Australia Post engaged Salvos Legal, a Social Traders certified social enterprise, to join their legal services panel. Salvos Legal provides expert, practical legal advice in corporate and commercial, property, not-for-profit and intellectual property and technology law. Their practice leaders are specialists in their fields, coming from national law firms. Uniquely, all of their profits are used to fund Salvos Legal Humanitarian, their humanitarian arm which provides free legal services for people in need across New South Wales, Queensland and Victoria.



## 4. Drivers of this agenda

In this section we explore key drivers of the social procurement movement, based on insights from our interviews with subject-matter experts and the existing literature. These four key insights also act as proof points for the range of benefits that can result from engaging in social procurement.



## Addressing a social need

There's no doubt corporate social responsibility (CSR) continues to play a powerful role in advancing the social procurement agenda. Leading companies recognise the value in leveraging their trading activity to address a social need, as part of their commitment to CSR.

“As Australia's first bank we have a key role to play in creating a positive social and economic contribution to society. At the heart of our sustainability strategy is doing the right thing by our customers and the communities we serve, which includes our supply chain. Supply chain is the unsung hero. Supply chain has not been the unsung hero at Westpac – we have been a pioneer on sustainable supply chain management – focussing initially on supply chain risks, we're now also embracing the opportunities or creating positive impacts through inclusive sourcing. We can back organisations that have a social purpose, and are solving social or environmental problems, or addressing a gap in the market by taking a sustainable and inclusive approach to sourcing. By spending with these organisations and engaging them in a commercial arrangement, we create a longer lasting impact.”

**Olivia Tyler, Director of Sustainable Sourcing, Westpac**

During our interviews, practitioners frequently expressed an underlying motive to do the 'right thing' by society. Beyond the pursuit of commercial benefits companies have a genuine desire to create employment opportunities for marginalised groups, and empower Indigenous Australians to participate in the economy.

Additionally, social procurement is increasingly becoming a core component of many companies' Reconciliation Action Plans (RAPs), as it provides pathways for Indigenous Australians to enter the labour market through Indigenous owned enterprises that are culturally safe workplaces.

Social procurement provides a tangible way for companies to make a positive impact using existing spend, that often has a greater impact than philanthropic donations alone.

“Lots of big businesses like ours are operating in remote areas such as the Pilbara. We had to do something to give Aboriginal people an opportunity to participate in the economy, to address the disparity between Aboriginal and Non-Aboriginal people.”

**Heath Nelson, Community Development Manager, Fortescue Metals Group**

## Government policy

As governments seek new ways to maximise spending whilst driving positive social and economic outcomes, social procurement has become a key aspect of the modern Government agenda.

All interviewees agreed that Government policy is a driving force behind the growth in social procurement practices.

“Policy is a big driver. The (Commonwealth Government) Indigenous Procurement Policy has changed the whole marketplace, and created a real sense of urgency. For Government, the added value is created through the delivery of social benefits beyond the benefits conferred by the products and services being purchased; they are achieving other government goals, adding value that would not otherwise be created. Social procurement is also more efficient than procurement that does not deliver social impact.”

**Mark Daniels, Executive Director, Social Traders**

In July 2015, the Commonwealth Government introduced the Indigenous Procurement Policy (IPP), to provide Indigenous Australians with better access to business support, capital, networks and information. The IPP has transformed the entire Indigenous business sector, with more than 1,000 Indigenous businesses winning over \$1b in Commonwealth contracts in the last three years.

At a State level, the Victorian Government launched Australia's first social procurement policy in 2018. This Social Procurement Framework seeks to streamline and embed social procurement within Government departments and agencies.

There are also a number of local governments that have integrated social procurement into their purchasing processes.

These Government policies have not only raised the profile of social procurement, but have also created a marketplace and environment for social enterprises and Indigenous businesses to prosper.

“At the Department of Prime Minister and Cabinet we have responsibility for closing the gap on Indigenous disadvantage, so the IPP is an important component of our strategy. Indigenous businesses have an average Indigenous workforce of 50 per cent, compared to just 0.7 per cent in non-Indigenous businesses, which is providing Indigenous jobseekers with 70 times the average rate of employment opportunities”

**Clare Sharp, Assistant Secretary, Indigenous Business and Economic Policy, Department of the Prime Minister and Cabinet**

## Gaining competitive advantage

In an increasingly competitive marketplace, companies are under immense pressure to articulate their unique point of difference.

Not surprisingly, nearly all interviewees said the pursuit of competitive advantage is a key driver of social procurement. For the corporate sector in particular, social procurement is expected by customers, and increasingly demanded as part of tender processes. Many companies are winning new business and tenders as a direct result of engaging social enterprises and Indigenous businesses in their supply chains.

“There’s a major investment in transport infrastructure that’s happening across Victoria right now, leading to a business imperative to build capability and capacity in our supply chain to get the job done. As part of a range of capability building strategies, the Level Crossing Removal Authority, which is part of the Victorian Government’s Major Transport Infrastructure Program, established a range of requirements, including a target that 3 per cent of the total contract spend will go to social enterprises, Aboriginal businesses, and direct employment of disadvantaged jobseekers in the supply chain”,  
**Rajiv Ramanathan, Manager Inclusion and Social Procurement, Level Crossing Removal Project (LXRP)**

Having a supply chain that represents all areas of society can also put companies in a better position to penetrate new market segments and gain new customers as a result. Social enterprises, ADEs, Indigenous businesses and other social-benefit suppliers are also adding more competition into the market and driving better prices.

Innovation is another aspect of competitive advantage that can be derived through social procurement. By accessing a diverse talent pool, companies can open up more opportunities for disruption and identify solutions to problems that

meet social and economic needs. As one interviewee said: “Any initiative that combines new products, people, resources and sectors is likely to create much greater innovation”.

“Customers are asking about our social procurement strategy, they expect us to be playing in this space. Driving social procurement is becoming a competitive advantage, we are winning new business because of it. It will become more mandated down the track so it’s about staying ahead of the curve.”

**Stephanie Roache, Corporate Responsibility Manager, Australia Post**

## Engaging the next generation

As the proportion of Millennials in the workforce increases, so does their influence on the way we do business. Research suggests Millennials seek purpose-aligned work and expect their employers to behave ethically and sustainably.<sup>11</sup> It is therefore no surprise employers are listening to the expectations of their younger workforce, in a bid to attract and retain talent.

Through the interview process it became increasingly clear that the next generation is another key motive for doing social procurement.

“This is partly being driven by assumptions about Millennials and the importance of the business they work for being purpose-aligned. I have seen that in the national mapping work we’ve done”

**Prof Jo Barraket, Director, Centre for Social Impact, Swinburne**



## 5. Ongoing challenges



Despite the incredible momentum behind the social procurement movement to date, there remains a number of ongoing challenges. Here, we have identified five current topics of discussion.

### There is a disconnect between perception vs reality

There are a number of misconceptions about social enterprises and Indigenous businesses that are incongruent with their performance in reality. People often think social enterprises and Indigenous businesses cost more, provide lower quality products and services and are riskier than other suppliers to engage with.

“People think we’ll be cheaper. We get a lot of people that expect us to do the work for almost nothing, because we are Government funded. We try really hard to promote the fact we’re competing in the open market with everyone else”

**Lorraine Bartolo, ADE Manager, Mambourin Enterprises**

Our interviewees unanimously agreed that these perceptions do not reflect reality. Indeed there are many examples where these myths are debunked. One example is Jigsaw, a social enterprise offering market leading document and data management services to create training and employment opportunities for people with disability. Harnessing the unique skills and abilities of its workforce, alongside the latest systems and technologies, Jigsaw has

achieved significant results for over 50 corporate and government clients. Over 50 per cent of Jigsaw’s employee base comprises people with high functioning Autism. Their attention to detail and ability to undertake repetitive work enables them to excel in their field. When compared to other suppliers, Jigsaw are competitively priced. So the perception of social procurement costing more is not always accurate.

Addressing this disconnect between perception and reality requires buyers to stand up and share their good news stories. It also requires first-time social procurement buyers to give suppliers an opportunity to prove their worth, and demystify perceived risks through the process.

“Most of the buyers I come across are initially sceptical. They think social enterprises are inferior in terms of performance, assume they are going to cost more, assume they are going to be less capable and sit in limited industry categories. But that’s just not the case”

**Mark Daniels, Executive Director, Social Traders**

## We need to think differently



*“The practice of procurement has been taught to consolidate and get one supplier to oversee as much business as possible. Social procurement goes against that entirely by deconsolidating the supply chain – it requires a different mindset”*

**Steve Hansen, Strategic Procurement Manager of Fleet, Logistics & Automation, Australia Post**

Historically procurement has focused on cost reduction and played more of an operational role. Recently the function has become more strategic, however the idea of using social enterprises and Indigenous businesses requires further transformation of procurement as a practice. This shift also requires the consideration of social and environmental outcomes, as well as price, quality and risk in decision-making processes.

Many strategic approaches to procurement have resulted in the consolidation of supplier bases, with a select number of core suppliers in the supply chain. For buyers to give social enterprises and Indigenous businesses an opportunity to enter the supply chain, they now need to either:

- carve out components of national contracts; or
- drive second-tier sourcing opportunities through the tender process, for example by stipulating that a certain percentage of the contract for outsourced services goes to social enterprises or Indigenous businesses

Interviews with procurement practitioners in the corporate sector also emphasised the need to prove the business case, and alleviate any fears. One interviewee said they constantly have to challenge preconceived notions and break down what it is Indigenous-owned businesses and social enterprises offer. However when the business case is clear, practitioners can challenge the status quo and build greater cultural capability and understanding by employees.

It is not only mindsets that need to be challenged. Social procurement also requires changes to internal policies and processes, ensuring procurement practices are more accessible to small businesses. The purchasing and management systems for procurement also need to adapt to enable social procurement to become mainstream.

This is an ongoing challenge. However those practitioners that continue to challenge perceptions about the concept of value, and champion a different mindset will bring others on the journey to create greater social, environmental and reputational value.

## Supply is not meeting demand

Perhaps the greatest challenge that exists on the supplier side is scaling in order to meet demand. For example, Social Traders has a core group of buyers in its program, who spend over \$1b a year. Yet its 200 social enterprise suppliers turn over on average \$2-3m a year. A significant gap exists in available capacity within those businesses.

However in the Indigenous business sector, a number of Indigenous businesses have risen to the challenge of the IPP, particularly through joint ventures.

Our interviews with buyers also highlighted challenges in identifying social enterprises and Indigenous businesses across all categories that have the capacity to respond to opportunities.

However small businesses are often able to move quickly and respond to opportunities faster than large suppliers that lack an entrepreneurial approach. This challenge is therefore driving innovation.



*“People need to know and understand there has been a lot of growth in the space but it’s still new to us, new to Industry and new to Government. People need to stop and take a breath and realise it’s only been around 10 to 15 years. There are expectations that we should have size and scale, but we might not yet, we need time and the opportunity.”*

**Kim Collard, CEO, Kooya Fleet & Kulbardi**



## Case Study



### Fortescue's guaranteed leasing facility

Indigenous businesses often face barriers to growth, due to a lack of funding. To address this challenge, Fortescue Metals Group (Fortescue) partnered with ANZ through an innovative \$50m funding initiative, enabling Indigenous businesses access to finance at competitive rates to lease essential assets.<sup>12</sup>

This funding is often unavailable to Indigenous businesses who may not have a credit history. However through Fortescue's guaranteed leasing facility, Indigenous businesses are effectively provided with a credit history that allows the development of a normal business-banking relationship with ANZ.

One of Fortescue's suppliers, Jilpanti Enterprises Pty Ltd, a 100 per cent Aboriginal-owned business, provides exploration related earthworks for Fortescue through a \$30m joint venture project. Under the agreement, Jilpanti is able to access \$1.2m in funding to purchase equipment needed as part of the three-year contract with Fortescue.



*"We know that strong, sustainable Aboriginal businesses create more employment and development opportunities for Aboriginal Australians. Through this lease facility, we are helping to address some of the systemic challenges facing these businesses, building capability in Aboriginal communities, and supporting their journey to economic sustainability."<sup>12</sup>*

**Ian Wells, Chief Financial Officer, Fortescue**



## Capacity and scale remain a challenge for suppliers

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Many social enterprises and Indigenous businesses have the appetite to scale up and meet rising buyer demands. However the pathway to expansion requires support from existing and potential buyers.

“One of the greatest opportunities for Kulbardi was when Rio Tinto engaged us to provide office supplies for three floors of their building. This enabled us to scale up and they have now given us another nine floors. We didn't want to grow too quickly. We wanted to walk before we could run”

**Kim Collard, CEO, Kooya Fleet & Kulbardi**

“A large number of Indigenous businesses or social enterprises are very localised and small in size and service offering, and that's the issue. If you want to go down the path of working with a larger number of smaller suppliers, you need to commit to supplier development. If individual projects take on this responsibility then there is the added issue of sustainability for these smaller businesses once the project is complete.”

**Dan Renfrey, Global Supply Chain Manager, John Holland**

During interviews with corporate buyers, practitioners specifically talked about the time and energy to bring small businesses on board. This time is unlikely to decrease in the future, given there will always be a need to engage more often, build capacity and mentor small businesses.

However the challenge is the size of the business, and having to deal with more suppliers, rather than the fact they are a social enterprise or Indigenous business.

This initial support also enables each supplier to benefit and grow as a result, with the buyer providing a valuable incubator role early on.

An underlying commitment to build supplier capability should be a core component of a leading practice social procurement strategy. Whether that means all procurement professionals have capacity-building built into their position descriptions and KPI's, or a dedicated role(s) that supports the procurement team with capacity building, best practice in this space involves investing in labour to manage these important relationships.

## Relationships can't be purely transactional

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In addition to capacity building for suppliers to enter the market and scale up, it is vitally important that both buyers and suppliers make a genuine commitment to build a relationship.

For a practice that is often transactional in nature, investing in relationships is not always an obvious consideration. It is time consuming, and in a time-poor society that can be a challenge. However the buyers we interviewed said this was an essential success factor in procuring from social enterprises and Indigenous businesses.

By gaining a greater understanding of the supplier's perspective and social issues being addressed, buyers can establish a solid partnership foundation that ensures KPIs within a contract are met. Often this also facilitates better resolution of any issues that may arise, through a trusted conversation rather than escalating to crisis point.

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“When you bring Indigenous business owners together with corporate buyers, there's just that lack of understanding about how to relate and the nuances of working with cultural groups like Aboriginal and Torres Strait Islander peoples. You can't just make it purely transactional, you need to build a relationship”

**Laura Berry, CEO, Supply Nation**





## ARA INDIGENOUS SERVICES



### ARA Indigenous Services

In partnership with Cushman and Wakefield, Australia Post have a three year contract with ARA Indigenous Services, a Supply Nation certified supplier, to provide cleaning and associated services to all Australia Post buildings in South Australia, Western Australia and the Northern Territory. Australia Post also has a three-year partnership with Assetlink to clean all of our buildings in Victoria, New South Wales, Queensland and the Australian Capital Territory. Both contracts have embedded KPIs and reporting for Indigenous employment at all levels. Together, these partnerships involve a \$30m investment that will generate more than 1.1 million hours of work each year in support of Indigenous employment and businesses.

*“We worked closely with ARA Indigenous Services over a 12 month period to build capacity and develop a partnership, setting the contract and relationship up for success.”*  
**Maurice Cleur,**  
 Head of Facilities Management, Australia Post

ARA Indigenous Services have been able to grow their employment and coverage network throughout Australia and further extend their community projects due to the support of the partnership, creating a flow-on effect that will give real opportunities to Indigenous Australians.

*“Surrounding yourself with really good people is what makes you successful. People who share the same vision and have a great work ethic. Australia Post gave us a go and now we can give others a go. We’re rewriting the playbook and it’s something that makes me very, very proud.”*

**Michael O’Loughlin, Managing Director,**  
 ARA Indigenous Services



## 6. Six tips to unlock the value of social procurement

So what makes a leading practice social procurement strategy? In this section we articulate our six key tips for organisations looking to embed social procurement in their supply chains.

1

### **Set targets and KPIs to drive behaviour**

Targets are extremely important in driving accountability for procurement teams. To truly embed social procurement within an organisation, there has to be agreed targets that are connected to personal KPIs. If social procurement is just an aspirational phrase in a RAP or CSR plan, there is no driver for change. Without targets social procurement can also be at risk of falling by the wayside, particularly if the passionate people driving it leave the organisation.

2

### **Give passionate people the support to drive it**

The power of passionate individuals in driving this agenda cannot be overstated. Often, companies introduce social procurement in an organic way, led by one or more passionate individuals. Those with a personal interest should be given the time and support to pursue it.

3

### **An audit on existing spend may reveal you already have social enterprises in your supply chain**

There are many examples of companies who have done a simple ABN search on their existing suppliers, only to find they're already procuring from a number of social enterprises and Indigenous businesses. For Coca Cola Amatil, the value discovered was in excess of \$1.5 m.<sup>13</sup> For Vic Roads some \$1m was discovered.<sup>13</sup>

4

### **Tell your good news stories to bring people on the journey**

Make social procurement relatable to individuals in the business, by sharing stories about the social impact being generated through your social procurement spend. Nearly every person knows someone, either through their work, extended family or social life, who is disadvantaged in some way. If they can have the realisation that social procurement can provide the support structures these people need, then they will understand the power of it as a mechanism for social impact.

5

### **View social procurement as an opportunity rather than a risk**

Risk management remains a critical consideration of any social procurement strategy. However those kick-starting the process should not be concerned that buying from social enterprises means taking on additional risk.

6

### **Seek guidance from peers and intermediary brokers**

Leading bodies such as Supply Nation, Social Traders and BuyAbility are available to match buyers with suppliers and provide guidance on how to get started. In addition, a new international standard exists to provide guidance to organisations independent of their activity or size, on integrating sustainability within procurement. The ISO 20400:2017 Sustainable Procurement Guidance is intended for procurement practitioners.<sup>14</sup>

## Case Study



### **Westpac and The Bread & Butter Project**

The Bread & Butter Project is a social enterprise bakery teaching artisan bread making to provide employment opportunities for trainees from refugee and asylum seeker backgrounds. Trainees come from all over the globe including Sierra Leone, Sri Lanka, Burma and Iran.

Westpac Group has been working with Bread & Butter Project since 2014 and provided a Westpac Foundation Social Scale-up Grant in 2016 of \$300,000 over 3 years to grow their enterprise and social impact. Non-financial assistance has also been provided by finance, marketing, HR and procurement teams.

The Bread & Butter Project's products are available for Westpac employees to buy and their bread is also served as part of catering at key corporate sites including Westpac Place.

As a social enterprise, 100 per cent of The Bread & Butter Project profits are reinvested into baker training and employment pathways for communities in need. So far more than 26 trainees have graduated from the program.

Partnering with The Bread & Butter Project goes beyond providing us with goods/ services, it speaks to our belief that social procurement provides a tangible way to engage with our customers, community and employees.



## 7. Future outlook

In many ways, we have only just scratched the surface of what is possible through the power of social procurement. In the near future, we will see more collaboration, and a greater focus on outcome-based targets that are measurable and scalable.

### Joint ventures and second-tier sourcing

As the pool of social enterprises, ADEs, Indigenous businesses and other social-benefit enterprises grows, and the market becomes more competitive, suppliers will be forced to think more strategically about how they can win business.

“We’re seeing some incredible examples of joint ventures winning work under competitive, open-market tenders. The Australian Government recently awarded a national eight year facilities package to Evolve FM, which is a joint venture between Pacific Services Group Holdings – a 100 per cent Indigenous-owned facilities management company, and JLL – one of the world’s leading property and real estate services companies. Examples like this are fundamentally changing the market place”

**Laura Berry, CEO, Supply Nation**

Joint ventures between regular suppliers and social enterprises or Indigenous businesses are one way of achieving competitive advantage. Not only is the commercial partner able to fulfil the social targets set out in the contract, but the social enterprise or Indigenous business is given the opportunity to scale and gain experience.

Second tiering is another approach gaining traction, whereby the head contractor manages the contract and then engages with local Indigenous businesses and social enterprises to help deliver the services on the ground. This again ensures the social targets

are being met in contracts and allows suppliers an opportunity to enter the market, grow their capacity and scale.

### Local economic growth procurement strategies

Some communities across Australia are taking a collective impact approach to social procurement in their regions. A common driver of this approach is increasing employment opportunities, particularly in regional and remote communities.

“Through the GROW Initiative we have been able to shift \$20.2m of non-local expenditure to local suppliers. This is adding growth to the economy within the region, which in turn is creating employment opportunities in targeted disadvantaged areas.”

**Bill Mithen, CEO, Give Where You Live Foundation**

Social procurement has become a critical tool in addressing place-based renewal. From Geelong to Fitzroy, Greater Western Sydney and beyond Australia to Detroit, East London and Spain, there is a movement of cities using social procurement as an effective lever for addressing inequality.

For example, in the region of Geelong, the GROW initiative is focused on job creation, by asking organisations in the community to buy goods and services that contribute economically and socially to the local community.<sup>15</sup>

## Case Study



### The Grow G21 project in Geelong

GROW started as a joint initiative between Give Where You Live and G21 – Geelong Region Alliance, GROW is a Collective Impact initiative, with business, Government, community organisations and individuals working together to address disadvantage in areas of high unemployment (including Colac, Norlane/Corio and Whittington). It is a unique regional strategy which focuses on one of the key features of place-based disadvantage – joblessness.

GROW is about creating new jobs, by asking organisations to buy goods and services that contribute economically and socially to the local community, and by injecting capital into businesses and not-for-profit enterprises in target communities. The initiative matches people who are skilled, with new jobs to meet the employer needs, including job seekers currently excluded from the workforce.

GROW now has 82 signatories which has enabled 179 jobs to be created in the region to date.<sup>16</sup>





## Case Study



### **Level Crossing Removal Authority (LXRA) - Major projects creating meaningful employment<sup>17</sup>**

The LXRA (part of the Department of Economic Development, Jobs, Transport, and Resources) has been undertaking social procurement through each of its project packages. The Authority has established a range of requirements, including a target that 3 per cent of the total contract spend will go to social enterprises, Aboriginal businesses, and direct employment of disadvantaged jobseekers in the supply chain.

LXRA has supported these targets with a comprehensive data collection and dashboard reporting model, which it uses to provide monthly tracking of progress for the suppliers and for Government. The targets, together with a focus on tracking activity, have helped to drive a significant response, particularly from 'Tier 1' suppliers, across the LXRA program of major projects.

The outcomes have included:

- ✓ major new expenditure creating growth and driving opportunities for social enterprises and Aboriginal businesses throughout the project supply chains;
- ✓ organisations such as Social Traders and Social Ventures Australia working with buyers and social enterprises (particularly those providing employment for people with disability or from disadvantaged backgrounds) to build capacity to respond to the new opportunities;
- ✓ significant new employment outcomes for a range of target disadvantaged communities working directly for private sector providers across the supply chain; and
- ✓ helping to further embed supplier commitment to deliver on the Government's Local Jobs First initiatives.



## Outcome-based targets

Targets are essential drivers of behaviour change, however many of the companies who have adopted social procurement approaches, are yet to set clear targets around their spend.

“If a project manager is purely measured against a financial target, they will typically select suppliers based on lowest price.

That's why it's critical that targets encompass social outcomes too”

**Dan Renfrey, Global Supply Chain Manager, John Holland**

Without targets, it can be difficult for companies to grow their social procurement programs and get buy-in from the business.

As social procurement becomes more embedded within mainstream business practices, we will see more focus on targets that drive social outcomes and future proof long term competitive advantage.

## Measuring social value

Within all areas of business, measurement is important. Social procurement is no different. To effectively manage a social procurement program, there has to be a robust measurement framework in place.

“In other parts of the world that are ahead with social procurement, there has been very little measurement and when they have gone to check whether they achieved what they set out to do, it's unclear. And because social value is less tangible and harder to measure, it involves some investment in the measurement, and ongoing monitoring as to whether value has been achieved. Also how do we define social value? If there isn't reasonable thinking up front about what type of social value the social procurement wants to stimulate – nothing will come of it.”

**Prof Jo Barraket, Director, Centre for Social Impact, Swinburne**

Companies that undertake social procurement do so because they know fundamentally it creates a positive social impact. However some companies are unclear about what their spend equates to, in terms of the number of jobs created or people trained for example.

Understanding these metrics not only helps companies tell their social impact story, but also enables effective management and helps inform decision making.

The next phase of social procurement will see a much greater focus on outcomes measurement that is integrated into regular contract management processes.

## An ongoing conversation

“People aren't talking about this enough. The piece that changed the landscape for Indigenous businesses was Andrew Forrest [founder and chairman of Fortescue Metals Group] advocating for employment. By saying that he and his colleagues were going to employ 150,000 Indigenous people, he started a conversation.”

**Mark Daniels, Executive Director at Social Traders**

There is no doubt the social procurement agenda has gained significant traction in recent years. Across sectors, there is a groundswell of people thinking and talking about social procurement as a viable business strategy.

The new sustainable procurement standard, ISO 20400, proves that social, environmental and economic objectives can be integrated into modern procurement practices. Frameworks like the Infrastructure Sustainability Council of Australia's (ISCA) Rating Scheme are also evolving to evaluate construction projects against social indicators as well as environmental ones.

Social procurement provides a tangible way to create inclusive and sustainable economic growth, as well as productive employment and decent work for all. By harnessing the power of purchasing, it can reduce inequalities by providing opportunities for marginalised, disadvantaged and minority groups.

However, social procurement cannot be achieved by any one organisation alone. We must maintain the momentum of this movement through an ongoing dialogue to tackle challenges and bring others on the journey. Social procurement has the potential to affect real systemic change. The key to achieving change of this scale lies in multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources.

“Starting the journey is one thing, but once you're up and running you have to bring others along too. By proactively sharing experiences with others, companies can learn and improve their approaches to truly unlock the value of social procurement”

**Thomas King, General Manager Procurement & Environment at Australia Post**

# Interviewees and references

Participants in the interviews held by Australia Post on social procurement and supplier diversity.

- **Professor Jo Barraket**  
Director, Centre for Social Impact, Swinburne
- **Lorraine Bartolo**  
ADE Manager, Mambourin Enterprises
- **Laura Berry**  
CEO, Supply Nation
- **Maurice Cleur**  
Head of Facilities Management, Australia Post
- **Kim Collard**  
CEO, Kooya Fleet & Kulbardi
- **Mark Daniels**  
Executive Director, Social Traders
- **Sam Edmonds**  
Program Manager, Social Traders
- **Steven Hansen**  
Strategic Procurement Manager, Australia Post
- **Chris Heelan**  
National Indigenous Manager, Australia Post
- **Jennifer Jardine**  
Senior Advisor, Indigenous Procurement Policy, Economic Development Branch of the Department of Prime Minister and Cabinet
- **Chris Kirby**  
Founder & Executive Director, Potential AUS
- **Heath Nelson**  
Community Development Manager, Fortescue Metals Group
- **Rajiv Ramanathan**  
Manager Inclusion and Social Procurement, Victorian Government Level Crossing Removal Authority
- **Dan Renfrey**  
Global Supply Chain Manager, John Holland
- **Clare Sharp**  
Assistant Secretary, Indigenous Business and Economic Policy, Department of the Prime Minister and Cabinet
- **Olivia Tyler**  
Director of Sustainable Sourcing, Westpac

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