

Social Procurement and New Public Governance

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What is the importance of social procurement in the twenty-first century and how is it practiced in the context of New Public Governance (NPG)? In *Social Procurement and NPG*, [Barraket et al. \(2016\)](#) articulate that social procurement is a powerful policy to solve many of the problems that governments, private businesses, and international organizations face today. The reason social procurement itself is an effective approach is because of the prevalence of NPG. This mode of governance currently in place requires actors and institutions from various sectors to interact and network for greater public value and social value. The rise of NPG requires a work-together between the public sector, the private sector, and the third sector or the sector of volunteer and nonprofit organizations. Thus, NPG presents itself as a system of carefully collected actors, rules, and resources of all sectors of society to respond to the challenges of the twenty-first century. The new governance features and the institutional structures they create lay a suitable groundwork for the practice of social procurement. It is in this context that social procurement becomes the most desirable tool to address social problems that government bureaucracy and New Public Management (NPM) practices have not been able to address ([Pollitt, 1993](#); [Hood, 1998](#) for issues of NPM).

[Barraket et al. \(2016\)](#) start off by first providing historical accounts of the transition of social procurement from its past roots to its contemporary development by mainly focusing on five countries: the USA, Canada, Australia, the UK, and New Zealand. In the twelfth to sixteenth centuries, the practice consisted of *procuring for social outcomes* to solve problems related to industrial revolutions, land foreclosures, or social upheavals. During that period, services were provided by philanthropic movements to the people in need. Entering the nineteenth and into the twentieth century, procurement was used as a more deliberate mechanism to address growing policy objectives such as unemployment and poor workplace practices which threatened social cohesion ([Barraket et al., 2016](#), p. 35). Governments realized the need to procure social support commodities from the not-for-profit sector, eventually revealing the need for the welfare state and its later establishment ([Barraket et al., 2016](#), p. 35). The 1960s saw the rise of new social movements leading to the adoption of affirmative action policies in countries such as the USA which started to use set-asides bids for minority businesses in government contracting ([Barraket et al., 2016](#), p. 35).



However, in the 1970s-1980s, the welfare state and the third sector failed to address the complex social and economic crises resulting in the adoption of NPM that introduced the application of competition to social service provision (Barraket *et al.*, 2016, p. 36). The early 1990s were dominated by the integration of socio-economic goals such as green procurement strategies at the local, national, and international levels. These strategies occasioned the rise of social enterprises and regional development initiatives (Barraket *et al.*, 2016, p. 36). Toward the end of the 1990s, governments turned to social procurement as a way to reach economic, social, and environmental goals within the sustainable development principles. The ultimate goal was to ensure that social procurement objectives were embedded within sustainable procurement objectives (Barraket *et al.*, 2016, p. 37).

Over time, the five aforementioned countries integrated social procurement through legislation or legitimization of best practices. They adopted agendas whereby standards, clauses, guidance notes, and certifications to legitimize and enforce practices were devised. Their actions resulted in the use of traditional contracting of a single purchaser, community benefits clauses, and relational and partnership commissioning approaches. Also used were social tendering with social benefit providers, social tendering with partnership models, social impact bonds (Barraket *et al.*, 2016, p. 42), the area-based approach, the place-based cross-sector partnership, and the lead agency model (Barraket *et al.*, 2016, p. 43). The new approaches showed the potential of procurement to qualitatively and quantitatively stimulate social innovation to produce greater value for public spend and to create commercial and socio-economic benefits. However, they could not be proven by evidence because of the lack of a measurement tool (Barraket *et al.*, 2016, p. 45).

Barraket *et al.* (2016) describe a number of factors that justify the increasing desirability of social procurement. Social, geographical, and cultural changes driven by internal political and economic problems forced people to migrate or lose community ties. The growth of values such as individualism continues to widen the income inequality gap between the rich and poor (Barraket *et al.*, 2016, p. 14). The digital era creates some benefits, but a lot of people are still left out of the e-participation. With globalization, companies move freely around the globe in search of cheap labor to maximize their profits. There are some advantages, but more people realize the negative consequences of low income, inequalities, environmental degradation, and bad conditions of work. The influence of globalization on international political and economic conditions alters domestic policies, sometimes weakening the capacity of these governments to address social problems and curtail inflated international migrations. Succeeding economic crises have forced government to adopt budget cut policies and reduce workforces. These austerity measures leave many people unemployed, occasion minority exclusion, cause more poverty, and reduce community participation. The advent of NPM through increased contractual regulation and competition gives little consideration to the broader social concerns of wicked problems (Barraket *et al.*, 2016, pp. 16-20). Klijn (2010) stated that “wicked problems are difficult to resolve as they almost always involve tricky conflicts between values and scarce resources” (Klijn, 2010, p. 307).

The problems are cross-cutting and require cross department, cross-agency, and cross-sectoral responses. Their complexity forces actors to work together. This includes actors of the third sector or not-for-profit sector, which are compelled to adhere to contract performance and accountability principles; hence the use of social impact bonds (Barraket *et al.*, 2016, p. 23). In addition to the third sector intervention, the private sector has recently taken voluntary steps to include corporate social responsibilities into procurement activities. This move not only reaffirms the importance of social procurement but also enlarges its scope of practice (Barraket *et al.*, 2016, p. 24). More importantly, for stakeholders,

sustainable procurement, and social procurement in particular, can lead to greater transparency of environmental and societal actions and best value rather than lowest cost outcomes (Barraket *et al.*, 2016, p. 25).

Barraket *et al.* (2016) go on to discuss the four approaches by which corporate social responsibility (CSR) is integrated into social procurement. The instrumental approach assumes that companies exist for business to make profit or increase earnings for stakeholders. Companies use the reputational approach to gain recognition and legitimacy to improve their business in communities they exist. The political approach is the belief that businesses have social obligation and must fulfill a social contract. They should be proactive in rule making, or else they will be regulated and overseen (Barraket *et al.*, 2016, p. 72). The integrative approach stipulates that businesses need a social license to operate. That is, businesses need to understand the communities in which they operate and do what is good for these communities. The ethical approach invites businesses to behave in an ethical manner regardless of the context and consequences (Barraket *et al.*, 2016, p. 74). Barraket *et al.* (2016) add that companies may choose to comply with government regulations or resist them, but specify that more and more, companies are accepting of CSR. The key to CSR is that corporations' intervention in social procurement creates some interdependence between the private, public, and nonprofit sectors. This engenders the creation of social value chain through the "consideration of elements across the operational life cycle, such as production, procurement, packaging distribution and logistics" (Barraket *et al.*, 2016, p. 82). The fact that the corporate sector is beginning to convert to social procurement practices signals that the rise of corporate power itself is undoubtedly a feature of NPG (Barraket *et al.*, 2016, p. 84).

Barraket *et al.* (2016) expand on the growth of the third-sector governance with its characteristics of philanthropic support, mutual aid, interpersonal relationships, and voluntary and collective action (Barraket *et al.*, 2016, p. 92). As the third sector grows, it expands outside the traditional spheres of government and is part of, and contributes to the growth of governance by networks (Barraket *et al.*, 2016, pp. 89-91). This growth changes the approach to social service provision to focus on provision by network based on flexibility (Barraket *et al.*, 2016, p. 90). In specific terms, the third-sector governance is community-centric where social procurement was achieved through local networks, voluntary action, and philanthropic support (Barraket *et al.*, 2016, p. 92). Then, with the expanding scope of welfare, these activities become integrated into the government systems, forcing the latter to concede that public service delivery goes beyond government sector limits (p. 93). Furthermore, the market centric or neo-liberal principles had failed in specifying contracts. The alternative is the mixed modes characterized by the involvement of multiple interdependent actors contributing to the delivery of public services and multiple processes informing the policy-making system.

Based on this larger scope of hybridity, Barraket *et al.* (2016) declare the birth of NPG, which is seen as the growing hybridity of the social policy and the environment for governing provision of public goods and services and call for next-practice networks to develop a framework that facilitates understanding, learning, and joint action (Barraket *et al.*, 2016, p. 96). The framework also comprises network negotiation or partnership and integrative negotiation to ensure long-term relationships and greater outcomes for people (Barraket *et al.*, 2016, p. 100). Osborne (2010) explained that NPG consists of five strands composed of the socio-political governance, public policy governance, administrative governance, contract governance, and network governance (Osborne, 2010, pp. 6-7).

Another important question that Barraket *et al.* (2016) have answered is whether institutions are ready to accommodate the waves of changes. They argue that institutions can enable or prevent the practice of social procurement (Barraket *et al.*, 2016, p. 50).

Institutions are dynamic, and may change or accept formal or informal rules, which are also engendered by the emergence and demands of NPG. The context intensifies the relationships between actors, making it necessary for institutional entrepreneurs to redesign the rules to make them consistent with the hybrid system of market relationships (Barraket *et al.*, 2016, p. 54). Another enabler of social procurement is the material and immaterial resources that the actors in institutions use to create social and cultural value (Barraket *et al.*, 2016, p. 54).

Barraket *et al.* (2016) also argue that the rules and norms can lead to the creation of roles as they guide the actors' interactions. These roles can also result from the hybridity caused by the interplay between government, nonprofit and for-profit entities. In the process, there are intermediary groups composed of actors representing each entity to create connection and mutual understanding between different sectors. The hybridity of social enterprises implies that intermediaries in new roles operate beyond their institutional boundaries (Barraket *et al.*, 2016, p. 58). These roles are eventually accepted and legitimized as the actors can be policy advocates or knowledge experts who put forward the cause of social value delivery. These generated interactions and formations contribute to social procurement practices by simultaneously creating roles for actors executing social procurement activities within these institutions (Barraket *et al.*, 2016, p. 60).

Furthermore, knowledge and information can help the cause of social procurement through objective practices. Researchers can and should participate in the production of best practice guidelines, demonstration projects, rationales, and justifications around specific projects (Barraket *et al.*, 2016, p. 62). In terms of financial resources, the creation of new types of resources such as social impact bonds is gaining ground. The human capital and social capital, as sources of competencies, can facilitate the acceptance of rules within organizations to become part of organizational life. Ideally, for Barraket *et al.* (2016), the solution to current problems would come from hybridity or networked inter-organizational and cross-sector modes of governance where innovative and capable actors relate and interact to become a value network of economic and social value and social capital (p. 127). The effective solution necessitates the involvement of actors at the lower level, capable of deploying resources and designing procurement procedures to benefit small businesses and minority suppliers.

The molding of NPG into the institutions through new modes means it will encounter existing ideas. Barraket *et al.* (2016) position NPG as a partial theory that is to be understood in connection with other theories. These theories include the macro analysis of institutions based on regulations and normative aspects (p. 130), the meso-accounts network based on inter-organizational network relation for co-design and coproduction of services (p. 131) and the micro-analyses or next practice theory primarily based on individuals within the institutions (p. 133). However, the theory of NPG should take an integrative approach that brings people and resources together in an institutional setting in order to create public value. This is summed up in the concept of pluralism where NPG is seen as a system of plural activity of interdependencies and a system of pluralist activity of policy-making. Barraket *et al.* (2016) argue that boundary spanning failed to be the sought-after integrative approach because of self-interest, psychological discomfort, and physical and temporal limits that constrain collaboration efforts (p. 135). On the other hand, they argue that boundary objects can achieve such integration as they are shared and sharable objects (Barraket *et al.*, 2016, p. 135). They are tangible, constantly updated, and neutrally connoted objects that help multiple actors to make sense and understand the meanings of the objects of interaction. The actors develop new ideas that become standards for the action or create new knowledge. In other words, boundary objects provide the potential for generating

policy approaches and policy synergies (Barraket *et al.*, 2016, p. 136), which facilitates the integration and execution of social procurement in network governance institutions.

The final concern addressed by Barraket *et al.* (2016) is that there is no one best known approach to assess and measure social value even though there exist some approaches. The first approach is the instrumental or procurer centric approach based on rules and regulations. The second is the reliance on proxies to create social value through certifications that legitimize certain social businesses as providers. In some instances, codes of conduct, certification schemes, and international standards are used as measurement instruments (Barraket *et al.*, 2016, p. 115). A third approach is the co-development of indicators and frameworks and joint social value strategies through cross sector partnerships. A fourth approach is the consultation with local residents to identify social outcomes and measures that meet the priority need of local areas (Barraket *et al.*, 2016, p. 116). However, there are challenges because of the interdependencies. That is, it is difficult to separate the effects of specific interventions or the impact of other factors that were administered at the same time. For example, it is almost impossible to determine the effects on each of the triple bottom lines of social, environmental and economic elements, as well as to measure the sharing of benefits across, among, or from public, private, and third-sector domains. In short, social value cannot be measured and compared based on instrumental facts. Instead, the facts are both shaped by and influential to norm-setting in this emerging institutional field (Barraket *et al.*, 2016, p. 119). This implies that the new system of interdependencies needs to design and adopt some measurement tools that best fit its context.

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