

# Ripple

## *The Potential Power of Purposeful Purchasing*

By DAVID LePAGE

Like a stone thrown into a pond, every purchase creates a ripple. Unintentionally or intentionally, every decision to purchase causes not one, but multiple transactions affecting the community's capital, whether social, environmental, cultural, structural, human, or economic.

Take as an example the purchase decision made in 2006 by Business Objects, an international software company. Its Vancouver office (staff: 1,600) decided to buy \$250,000 in food services annually from Potluck Catering, a social enterprise in the city's Downtown Eastside. Every year this purchase instigates multiple capital gains in a community with the lowest per capita income in Canada.

45% goes into the pay packets of the 25 full-time and part-time Potluck employees, many of whom are recovering from neglect, violence, and substance abuse (human capital). Employment at Potluck provides these long-isolated residents with a supportive environment in which to create new relationships and networks (social capital). There is also a significant multiplier impact within and beyond the inner city. Potluck purchases much of its produce and other goods from local growers and suppliers and the employees spend their income locally at stores and for housing (economic capital).

That's a lot of ripples. Imagine the opportunity cost, were Business Objects to spend that money with a caterer that is not locally owned, not locally supplied, and interested strictly in a financial return on investment.

Making purchases with the intention of achieving specific results in terms of a community's social, human, cultural, structural, economic, or environmental capital is called "purposeful purchasing." By choosing to purchase from a social enterprise that is competitive in terms of price, quality, and service, Business Objects elected to design human, social, and economic ripples for a targeted community, instead of leaving those repercussions to chance.

Purchasing decisions are primary contributors to the quality of life and level of sustainability of every community. In the ways they build or neglect community capital, they help shape or misshape the places where people live. The difference with purposeful purchasing is that people claim a greater say in what they want and assume greater responsibility for what they get.

Right now we face an amazing confluence of perilous issues, globally and locally. Global warming, Peak Oil, severe pockets of perpetual poverty, rural migration, and the social exclusion of many disabled and immigrant people (to name a few) are commonly understood as

key problems. In fact they are to a degree the key results of a lack of purposeful purchasing within the procurement policies and practices of the public, private, and community sectors. The daily purchasing decisions of governments, corporations, and NGOs are significant contributors to each of these dilemmas.

Many retail consumers are already purchasing with a purpose. By searching out fair trade, local, and environmentally-sound products and services, they are deliberately shaping the consequences of their purchasing decisions. A recent survey by The Body Shop has revealed that 77% of consumers are making more purchasing choices based on corporate behaviour and ethics than five years ago.<sup>1</sup> They are also ready to boycott corporations that fail to live up to higher standards, as Nike experienced when some of its suppliers were discovered to use child labour.

The corporate, public, and nonprofit sectors could apply the same instruments to contribute to our community's capital. They could help retail consumers turn around the crisis in which we find ourselves. But to leverage this value from



(photo) The Potluck Café caters business meetings like this daily at Business Objects. Photo courtesy of Business Objects, Vancouver.

## Résumé : Ondulations

Intentionnellement ou non, chaque décision d'acheter engendre non une, mais plusieurs transactions, telles que des ondulations dans un étang. « Les achats délibérés » ont lieu lorsque nous prenons ces décisions afin d'atteindre des résultats spécifiques dans le capital social, humain, culturel, structurel, économique ou environnemental d'une communauté. Par les façons qu'ils bâtissent où négligent le capital d'une communauté, les décisions d'achat sont des facteurs principaux de la qualité de vie locale et du niveau de viabilité.

Plusieurs consommateurs achètent déjà de façon délibérée. Il est temps que les secteurs des affaires, public, et sans but lucratif en fassent de même. Le prix et la qualité ne seront jamais éliminés des achats et des acquisitions. Mais il est maintenant possible d'ajouter à ces considérations des critères sociaux, environnementaux et économiques et de les rendre une partie intégrante des opérations d'une entreprise.

Les acheteurs peuvent détailler les gros contrats pour permettre à de petites et moyennes entreprises de soumissionner; ils peuvent suivre et accroître des politiques d'acquisition; ils peuvent octroyer des crédits de soumission à des firmes qui sous contractent à l'entreprise sociale; et ils peuvent utiliser des courtiers de contrats ciblés, tels que les portails d'achats sociaux. ■

(above) Members of the Inner City Renovations (ICR) drywall crew. When it hires ICR to build houses, the Winnipeg Board of Realtors creates multiple impacts on the inner-city's capital: training residents in the construction trades, providing housing affordable to low-income families, and stemming financial leakage from the area. These impacts in combination with other efforts contribute to a healthier and more sustainable community. Photo courtesy of Inner City Renovations ([www.icdevelopment.ca](http://www.icdevelopment.ca)).



institutional and corporate purchasing, ingrained policies and habits of unintentional purchasing must first give way to some new options.

## Current Perspectives

No-one can eliminate price as a factor in purchasing and procurement. Still, change is in the wind. As firms like Business Objects demonstrate, it is possible to blend price, quality, and service criteria with social, environmental, and economic considerations. Using the word “blend” rather than the language of “double” or “triple bottom-line,” demonstrates an equal and constant attention to combining and giving equal value to the financial, environmental, and social considerations of business decisions.

### Private Sector

The growth of Corporate Social Responsibility (CSR) is an encouraging development in the private sector's movement toward sustainability. For some corporations it is an expression of broader stakeholder and community engagement. For others CSR criteria exist in a silo outside of business practices, and continue to focus on charitable donations, volunteering, and other practices disconnected from supply chain and purchasing decisions. Only with the integration of social values into purchasing policies and practices do companies begin to blend shareholder value with stakeholder value.

### Public Sector

“Over the years, the public sector has divorced procurement from the other functions of public bodies. Legislation around procurement has added a hefty and labyrinthine set of regulations seeking to set out the proper legal process. Consequently, public procurement has become a profession that focuses on minimising risk at the expense of maximising benefits.”<sup>2</sup>

This analysis of the public sector in the United Kingdom applies equally to government in Canada. All three levels of government here – municipal, provincial, and federal – spend billions of dollars annually on material goods and services. These purchases and procurement agreements maintain direct services to communities, support the delivery of government services, maintain the country's physical infrastructure, and in a thousand other ways help governments meet their responsibilities to citizens.

Unfortunately, very few policy-makers or practitioners perceive spending decisions as crucial opportunities to promote community regeneration. Public spending, particularly procurement, functions as a mechanistic operation rather than as a creative strategy for achieving multiple objectives. Due to budget limits and fiscal responsibility at every level, government bases its purchases almost exclusively upon the criteria of “lowest price” and/or “best value and service for the cost.”

This is poorly-conceived public policy. Government has the option to buy goods and

services as a means to achieve values and outcomes set out in its broader mandate. A government that resolves to conduct its business in a sustainable manner has no other choice than to conduct its procurement in a sustainable manner as well. Government purchases of products and services can be understood as a measure of its commitment to the building of sustainable communities.

Several governments are taking initial steps in the direction of purposeful purchasing. The Ethical Purchasing Policy established by the City of Vancouver in 2005 and Manitoba's CED Lens on purchasing are two examples.<sup>3</sup>

### Nonprofit Sector

Policies and practices supportive of purposeful purchasing would appear to be a natural fit for members of the nonprofit sector, given the very nature of its role in society. Unfortunately, the tight and often restrictive budgets that nonprofit organizations live with often make the "lowest possible price" the way to go. Funders have to work with NPOs so their purchasing aligns with their shared community development values.

An initiative launched by the British Columbia Association for Community Living (BCACL) is an interesting new development in purposeful purchasing. Several member agencies working with people with disabilities are completing internal purchasing audits. These audits will help them to understand where and why they purchased everything from office supplies, groceries, and coffee to fuel and technology support. Some BCACL members are now sending surveys to all its suppliers in an effort to understand its market impact, its options, and ultimately to choose suppliers that can compete on price, quality, and commitment to inclusion of disabled people.

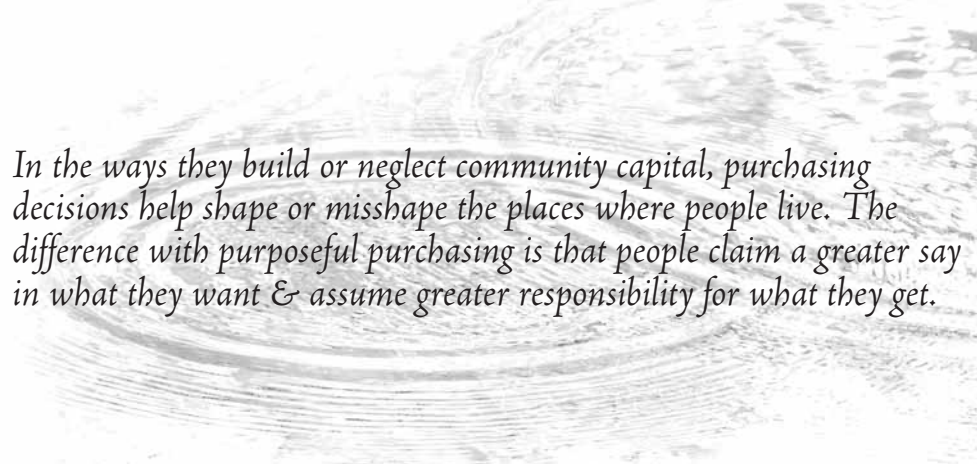
### Recommendations

The policies and practices of purposeful purchasing are at an early stage in their development. Here are examples of initiatives that corporations, governments, and nonprofit organizations are

currently exploring and developing. Efforts such as these need to be not just admired, but nurtured, supported, imitated, and scaled.

### Unbundle Large Contracts

Institutional and corporate preferences for large, single-provider procurement contracts continues to act as a barrier to bids from small and medium enterprises (SMEs), including social enterprises. Recent studies of procurement practices of agencies of the U.S. federal government reveal a trend to unbundle contracts as a means to enable more SME participation. The previous predisposition to rely on large vendors served to stifle the inclusion of SMEs – a rapidly growing sector in the economy.<sup>4</sup>



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### Expand on Existing Models of Inclusive Procurement Policy

Procurement has made real progress in addressing environmental issues along the supply chain and through purchasing practices. In terms of social issues and values, procurement still lags far behind.

One encouraging sign is the Community Benefit Agreement (CBA). Major corporations sometimes use CBAs to insure that development initiatives or resource extraction projects yield local benefits. CBAs have now moved beyond their initial focus on environment to outline terms for local employment, local procurement, relational economic benefits, and post-project community and economic legacies.

### Bidding Credits for Social Enterprise Contracting

If a purchaser's Request for Proposals only specifies information about product price, suppliers have little incentive to integrate social values into their practices.

Buy Smart is a program that the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games is using to encourage Aboriginal participation, environmental management, social inclusion, and sustainability leadership in the Committee's acquisition of goods and services. Buy Smart awards extra points in the procurement process to bidders who contract with social enterprise suppliers. This added "competitive advantage" or incentive encourages businesses to include social enterprises in the sub-contracting market and in the

purchase of general operational goods and services. Either is a means by which social enterprise and SMEs can participate more successfully in contract bidding.<sup>5</sup>

### Brokerage Opportunities for Targeted Contracting

The scale and marketing capacity of social enterprise sometimes limits their access to markets. An intermediary organization or process can be a way to create relationships between purchasers and suppliers.

The Social Purchasing Portal (SPP) is one example. SPP leverages the purchasing power of the private sector to create social value by "matching" purchasers and suppliers.

In a survey of the SPP sites in several Canadian cities there is some early evidence that this brokering service is

working. In Vancouver, targeted purchasing from inner-city businesses that hire locally has created over 100 jobs for hard-to-employ individuals. It has also moved millions of dollars to inner-city businesses and social enterprises. Suppliers participating in Winnipeg's SPP have seen a 30% increase in sales, and in Toronto a 37% increase.<sup>6</sup>

The Sustainable Purchasing Network ([www.buysmartbc.com](http://www.buysmartbc.com)) makes available information, learning events, and an on-line forum to support business, government, and nonprofit organizations in the implementation of sustainable supply chain policies and practices.

## Making Ripples Count

"In fact, the market itself is one of the most powerful tools we have to deliver and effect social change on a large scale and support the values we want our society to advocate."<sup>7</sup>

We often don't see what exactly is causing the problems before us because of

the need to respond immediately to crisis. We spend our efforts recovering and reacting to problems which are the result of earlier market choices. I argue that purchasing practices in the marketplace are directly influencing many of our current major problems, from oil to water supplies, and employment and economic development. For generations we have been making ripples without knowing it, without being conscious of the impact or without caring.

Now we are seeing evidence of opportunities to make these impacts intentional. Adopting a purposeful purchasing policy that blends product value, price, and the multiple capitals of community sustainability is the optimal decision.

## References

<sup>1</sup>"The Body Shop: Eco-Shoppers on the Increase in Canada," *Reuters*, retrieved 29 August 2008 <<http://www.reuters.com/article/pressRelease/idUS190748+27-Aug-2008+MW20080827>>.

<sup>2</sup>Justin Sacks, "Public Spending For Public Benefit," *eGov monitor*, 30 August 2005, retrieved 29 August 2008 <<http://www.egovmonitor.com/node/2435/print>>.

<sup>3</sup>Sustainability, *City of Vancouver*, retrieved 29 August 2008 <[http://vancouver.ca/sustainability/sustain\\_purchasing.htm](http://vancouver.ca/sustainability/sustain_purchasing.htm)>.

<sup>4</sup>Catherine Hubbert, "Government Seeks To Open More Contract Opportunities for Small Businesses," *Business Owners' Toolkit*, retrieved 29 August 2008 <<http://www.toolkit.com/news/newsDetail.aspx?nid=03-281contracting>>.

<sup>5</sup>For more information, go to [www.vancouver2010.com/en/Sustainability/EconomicBenefits/SustainablePurchasing/BuySmartProgram](http://www.vancouver2010.com/en/Sustainability/EconomicBenefits/SustainablePurchasing/BuySmartProgram).

<sup>6</sup>See David LePage, "Social Purchasing Portal: A Business Replication Plan" (Ottawa: Human Resources and Social Development Canada), March 29, 2007, p. 4.

<sup>7</sup>Nic Frances, *The End of Charity: Time for Social Enterprise* (Toronto: Allen and Unwin), 2008, p. 3.



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### Neighbours Indeed

Canada-wide, myCommunity is searching for self motivated people with a heart for their community to coordinate programs that build community spirit and loyalty. Service clubs are invited to apply for coordinating and administering as well as a means of raising funds for their other community projects.

The Program Coordinator organizes the participation of businesses, municipal government and churches that benefit from increased community relations by means of the natural word of mouth generated by the program.

The program recognizes local residents who celebrate a birth, a wedding, an anniversary or have made a move into the community.

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