

# Social Buying

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## Social Value and Your Business

The business sector has a critical role to play in contributing to a flourishing society. And consumers increasingly expect it. There is a high level of consensus around the world that companies' social role goes beyond meeting legal requirements, complying with ethical standards, creating jobs and paying taxes<sup>1</sup>.

How can business respond to these rising expectations? What role can business play to contribute to strong communities? And how can this be done in a way that enables business growth and delivers financial value?

***Business is not apart from society but a part of society.***

— TOMORROW'S COMPANY

This "Social Buying" report is a partial answer to these questions.

It is designed to address the knowledge gap for businesses large and small that seek to foster more inclusive and equitable communities, yet lack the tools and insights to play an effective role.

Leading businesses know that their financial health and the health of their communities are interdependent. By supporting the vibrancy, health and resilience of the communities in which they operate, they are contributing to their future workforce and supplier and customer base. Everyone, including business, benefits from a vibrant and healthy community and society.

While for years companies have "given back" to society through philanthropy and community relations, increasingly they are tapping into their core competencies and operations to create a more positive social footprint. They are going beyond charity to use their power to purchase, develop products, invest, market, hire and train to create lasting value for society and their business.

The "[Social Value Business Guide](#)" provides an overview of four emerging opportunities to create strong social value from your business investments and tap into the business benefits:

- **Community hiring**
- **Living wage**
- **Social buying**
- **Social innovation**

This report focuses on Social Buying.



## About the Author

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## Social buying

### > What is it?

Social buying is purchasing goods and services from social enterprises – business ventures owned by non-profit organizations that sell goods and services to generate income and achieve social aims such as employment development and workforce integration for people with employment barriers<sup>2</sup>. Social buying creates opportunities for business to “unleash the power of [their] existing spend for social purposes”<sup>3</sup>.



Shifting some of your spending to social enterprises helps provide jobs and training for people with employment barriers, including youth at risk, people with developmental or physical disabilities, Aboriginal people, people living with a mental illness, immigrants and refugees and long-term unemployed. Some social enterprises generate income for a parent non-profit organization to help diversify its revenues from grants, donations and government contracts.

Social enterprises are small businesses, typically with under \$5 million in sales and fewer than 50 employees<sup>4</sup>. They offer a wide range of goods and services including:

- Catering
- Cleaning services
- Grounds maintenance, landscaping, gardening
- Construction and renovations
- Courier and delivery services
- Promotional items
- Flowers and gifts
- Recycling services
- Printing
- Sewing
- Property management
- Moving and hauling
- Meeting and conference facilities

There are a few thousand social enterprises in Canada, with over 1,000 in Ontario<sup>5</sup>, 358 in BC<sup>6</sup> and 188 in Alberta<sup>7</sup> where studies have been conducted.

See the text box below for different examples of social enterprise services across the county that address people with mental health issues, youth at risk, women in transition, Aboriginal people, hard to employ individuals and revenue diversification.

### Social Enterprise Examples

The Cleaning Solution in Vancouver is a commercial janitorial service employing over 50 people with mental health issues. [www.cleaningsolution.ca](http://www.cleaningsolution.ca)

Phoenix Print Shop in Toronto trains youth at risk in the printing business, preparing them to leave their street lives and enter the labour market. Current print customers include Toronto Hydro, Bombardier, PwC, Scotiabank and TD Bank. [www.phoenixprintshop.ca](http://www.phoenixprintshop.ca)

A-Way Express Courier in Toronto employs about 60 people with a history of mental illness as couriers in the Toronto area, and uses public transit instead of private vehicles. [www.awaycourier.ca](http://www.awaycourier.ca)

Inner City Renovations is a general commercial renovations contractor in Winnipeg providing employment for inner city low-income residents. The company has completed 325 projects and employed 150 people, many of them referred to the company by social service agencies. [www.innercityrenovation.ca](http://www.innercityrenovation.ca)

Atira Property Management provides property management services in the Vancouver area. Owned by Atira Women's Resource Society, the company's profits are donated to the organization to fund transition housing and support services for women and children who are recovering from the effects of violence and abuse within their families. Eighty percent of the company's employees are hard to employ individuals. [www.atira.ca](http://www.atira.ca)

The Prince George Native Friendship Centre rents out the excess space in the building they own, including several meeting rooms, halls and a computer lab. The income from rent covers the mortgage payment and program administrative costs. The Friendship Centre also provides catering for meetings and events. [www.pgnfc.com](http://www.pgnfc.com)

### > Why is it important?

Buying from social enterprises that hire people with employment barriers can generate a number of benefits for the individual, the local economy and society overall<sup>8</sup>:

- Employees pay income taxes contributing to government revenues
- Increased local spending
- Reduced reliance on government social programs such as social assistance, shelter and health care
- Increase availability of shelter for others
- Reduced reliance on food banks and meal programs
- Reduced crime-related costs
- Increase in employability and job skills
- Increase in employee and family quality of life

Companies that shift some of their spending to social enterprises can help reduce family and child poverty, reduce homelessness and improve social cohesion and community quality of life.

Sourcing from social enterprises whose mission is to generate income for a parent organization contributes to its financial stability and resilience. Supporting those organizations through your buying

power can build organizational capacity, diversify revenues sources and strengthen the community sector to provide essential services and foster overall community well-being.

### **Social Enterprise Sector Contributes to the Local Economy**

According to academic research conducted of social enterprises in B.C. and Alberta in 2009 the 140 social enterprises surveyed generated at least \$113 million in revenues, including at least \$78 million in sales. They paid \$63 million in wages and salaries to almost 4,500 people, of whom 2,700 were employed as part of the mission of the organization. They also trained 11,670 people, provided services to over 678,000, and involved 6,780 volunteers.

[“Strength, Size, Scope: A Survey of Social Enterprises in Alberta and British Columbia”, p. 15](#)

### **Social Enterprise Helps Marginalized People Get off Welfare and into the Workforce**

“Gordon Brown spent 16 years ‘in and out of reality,’ addicted to the crack pipe and eventually living on the street. He has remade his life over the last five years as a baker, a popular speaker for the United Way, and as a cooking teacher for children.

In his own words, he is a ‘broken person made whole again.’ And that is thanks to the St. John's Bakery, an unincorporated social enterprise run by St. John the Compassionate Mission in downtown Toronto. Mr. Brown stumbled upon the bakery in his homeless days, became a volunteer and eventually one of 15 full-time employees. Today he is lead baker. ‘It's almost like they built it knowing I was coming,’ he says.”

[The Globe and Mail, October 19, 2010.](#)

### **> What can you do<sup>9</sup>?**

There are a number of low-hanging fruit actions most companies can pursue to purchase from social enterprises:

- Look at your upcoming buying requirements and identify some quick wins to source from a social enterprise. Find one at the [Canadian Social Enterprise Marketplace](#).
- Develop a resource list of preferred social-enterprise suppliers and share with administrative, operational, procurement and other staff with buying responsibilities.
- Encourage your suppliers to buy from or sub-contract to social enterprises, perhaps by including such a provision in your bid documents or working with an individual supplier to identify opportunities.
- Organize a supplier event to bring your current or prospective suppliers together with local social enterprises and encourage bid collaborations.

- Train your procurement teams on social-buying opportunities.

Be prepared to invest some time supporting the social enterprise to better understand and meet your needs. Some social enterprises initially may not be able to deliver at the scale you require or have the capacity to go through a formal procurement process. Work together closely at the start-up of the contract to ensure the enterprise understands your expectations. Consider small direct sourcing pilots to help build the supplier's capacity and track record and reduce supply risks.

As your experience grows, consider formalizing your commitments by adopting a social enterprise sourcing policy and procedures. Include social sourcing as an evaluation criterion in your bid review process. Proactively identify your social-buying goals and prioritize social-buying opportunities that advance your corporate social goals, such as diversity, social inclusion, local economic development etc. Develop a social buying work plan and assign internal accountability.

Other opportunities include:

- Unbundle large contracts to create opportunities for small social enterprises.
- Purchase via social-tender process in a closed market of social enterprises.
- Simplify your RFP processes to reduce burdensome procedures as social enterprises lack the human resources and legal expertise to bid on complex procurements.
- Designate a buyer or internal champion to increase your social enterprise spend.

Don't forget to track, measure, report and celebrate the social impacts you have generated. Possible metrics could include: dollar value of social sourcing expenditures, number of social enterprise contracts and number of suppliers that are buying from or sub-contracting to social enterprises. Work with your social enterprise supplier to identify and communicate the social impact of your sourcing contract.

### **Social Buying In Action**

BP is working with its Tier 1 suppliers Johnson Controls and ARAMARK to encourage their procurement from social enterprises.

Wates, a large UK building and construction company, has spent over £4 million with around 30 social enterprises, and created a Social Enterprise Brokerage service and directory for the construction industry.

Veolia, a French global service and utility company, reduces the waste it sends to landfill by creating long-term partnerships with social enterprises to reroute its waste streams for reuse and recycling.

From: [Buying From Social Enterprises Brief for Chief Executives](#)

## > What are the business benefits?

Senior buyers and chief procurement officers with social-buying experience report four business benefits<sup>10</sup>:

1. Generate innovation and creativity: taking different supply chain approaches unlocks a company's innovative potential and inspires creativity within the business.
2. Provide local insight: because they are rooted in the communities they serve, social enterprises are well placed to develop local, tailored solutions to deal with pressing business challenges.
3. Demonstrate value to customers: customers prefer to buy from companies who create social value – telling your social buying story can help your business attract and retain customers.
4. Diversify the supply chain: supply-chain diversification reduces business risk and enhances business resilience; social-enterprise sourcing can play a role in securing supply and reducing business disruption risk.

Other business benefits include building the company's brand and reputation as a socially responsible business, supporting the local economy and enhancing the local community, enhancing employee morale and engagement and building strong supplier relationships.

### Case Study

#### Social Enterprise Collaboration: Beau's All Natural Brewing Company

*Adapted from: "Success Stories in Social Partnerships" By Linda Graupner, Consultant.*

[www.beaus.ca](http://www.beaus.ca)

Beau's All Natural Brewing Company is a craft brewery in Vankleek Hill, Ontario. This privately owned company earns close to \$10 million in annual revenue, and has over 70 employees. The brewery is one of the fastest growing in Ontario, with growth rates exceeding 50 percent annually for six years. It does not market its products, but relies on its community investments to raise its profile and help create a positive brand.

The company contributes to community betterment through a range of programs: cash and in-kind donations, employee volunteering, social benefit products (such as its "My Community" beer where proceeds go to the United Way) and social enterprise collaboration.

Beau's has partnered with the social enterprise, Operation Come Home (OCH), since 2009. OCH is a non-profit charity based in Ontario with a mission to prevent homeless youth from becoming homeless adults by providing employment, education and support. It operates a bottle drive project, run as a social enterprise to provide employment for street youth. Beau's contracted with OCH to recover its specialty ceramic beer bottles which were not being returned by customers. Rather than lose \$2 per bottle, the company paid OCH \$2 per bottle for their recovery. This collaboration created employment for street youth, helped OCH diversify its revenue – and solved a business problem for the company.

Two years later, Beau's initiated a second phase of the social buying partnership. The company engaged OCH to supplement the beer bottle pick-up with a beer delivery service. The youth work under a six-month



contract, during which OCH provides them work and life skills training such as Smart Serve, customer service, financial literacy, and conflict resolution and support.



To date, six youth have graduated from the beer delivery program. Of these, two have started college and university, two have jobs and two continue to work towards achieving their goals, while OCH generates \$10,000 per year in revenue from the delivery service.

Of note, Beau's online customer service standard further highlights its commitment to inclusion:

"Beau's All Natural Brewing Co. is committed to excellence in serving all visitors, including people with disabilities. If you require an accommodation, simply give us a shout and we'll be happy to help!"

The company's business aligned approach to community betterment and social inclusion reveals a path to creating both business and social value which other companies can replicate.

## Appendix A Resources

### Social Enterprise Marketplace (searchable social enterprise directory)

<http://www.socialenterprisecanada.ca/purchase/nav/marketplace.html>

### Social Purchasing Toolkit

<http://www.socialenterprisecanada.ca/en/toolkits/purchasingtoolkit/>

### Buying from Social Enterprises: A Guide for Buying and Procurement Professionals

<http://www.bitc.org.uk/our-resources/report/buying-social-enterprises-guide-buying-and-procurement-professionals>

### The Social Enterprise Supply Chain Guide

<http://www.socialenterprise.org.uk/uploads/files/2013/11/buysocialguide.pdf>

### BuySmart Network

<http://www.buysmartbc.com>

The BuySmart network is a sustainable purchasing network of buyers and purchasing professionals run by the Fraser Basin Council in BC. It provides resources, training, advice and tools for organizations interested in building their social, ethical and green procurement capacity.

### BuySocial Canada

<http://buysocialcanada.ca>

A resource and certification program for businesses who commit to buy goods and services from social enterprises.

## Endnotes

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<sup>1</sup> “GlobeScan Radar 2013: Business in Society”, August 2013, p. 9.

<sup>2</sup> From: <http://www.socialenterprisecanada.ca/en/learn/nav/whatisasocialenterprise.html> accessed March 15, 2014.

<sup>3</sup> “Buying from Social Enterprises” 2014, p. 2 <http://www.bitc.org.uk/our-resources/report/buying-social-enterprises-brief-chief-executives>

<sup>4</sup> “Exploring Social Impact” 2014, p. 18 draft version.

<sup>5</sup> “Inspiring Innovation, The Size, Scope and Impact of Non-profit Social Enterprise in Ontario” 2012, p. 4. [http://www.sess.ca/english/wp-content/uploads/2013/09/InspiringInnovation\\_CCEDnet\\_web.pdf](http://www.sess.ca/english/wp-content/uploads/2013/09/InspiringInnovation_CCEDnet_web.pdf)

<sup>6</sup> “British Columbia Social Enterprise Sector Survey Report” 2014, p. 8. <http://www.sess.ca/english/wp-content/uploads/2014/04/BC-Report-April-17-rev.pdf>

<sup>7</sup> “Alberta Social Enterprise Sector Survey Report” 2013, p. 10. <http://www.sess.ca/english/wp-content/uploads/2013/11/Final-AB-Report-November-19.pdf>

<sup>8</sup> “Social Return on Investment of Hiring Target Employee Individuals” by Ernst & Young, 2013. <http://www.atira.ca/sites/default/files/APMI%20SROI%20Report.pdf>

<sup>9</sup> This section has drawn significantly from the resources listed in the guide in the Resource appendix.

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<sup>10</sup> From: <http://www.bitc.org.uk/our-resources/report/buying-social-enterprises-guide-buying-and-procurement-professionals> accessed March 15, 2014.