The effects of social procurement policy on companies in the construction industry: an international comparison of Australia and Scotland

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Authors' Pre-Publication Version

Cite as:

Loosemore, M., Roy, M. J., Suchowerska, R., Spiesova, A. and Barraket, J. (2025) 'The Effects of Social Procurement Policy on Companies in the Construction Industry: An International Comparison of Australia and Scotland', *Journal of Public Procurement* 25(1): 41–63.

Purpose

This paper aims to compare the effects of social procurement policies on companies in the Victorian and Scottish construction industries. Scotland and Victoria have led the way in the recent revival of social procurement.

Design/methodology/approach

Semi-structured interviews were undertaken with 27 organisations and 28 participants who have experience of implementing social procurement policies into the construction industries of both jurisdictions.

Findings

Findings contribute important new comparative insights from multiple stakeholder perspectives, into the effects of social procurement policies on firms operating in the construction industries of the two jurisdictions. Findings indicate an increasing awareness of social procurement in the construction industries of both Scotland and Victoria. However, differences in policy design determine the nature and extent of this awareness, the level of empowerment felt by actors and the social impact these new policies have in practice. It is concluded that to maximise the social impact of social procurement policies into major industries like construction, policymakers need to carefully consider supply-side limitations, the political context into which social procurement is being implemented and the way they prescribe what types of social value they want to create and for whom.

Social implications

Successful social procurement policy implementation into the construction industry can have significant positive social implications for the communities in which the industry builds due to the large numbers of people it employs and its large multiplier effect into the wider economy.

Originality/value

By investigating the effects of social procurement policies on a cross-section of organisations from across the construction industry supply chain, this international study, contributes new comparative insights to the emerging bodies of research on the impact of public procurement on companies in major industries like construction.

Keywords: Social procurement, Scotland, Australia, Construction industry, Policy implementation

Funding: Funding was provided by The Australian Research Council, Project ID DP200101394.

Introduction

Public procurement involves the purchase of products and services by governments which accounts for an average of 13% of GDP across the Organisation for Economic Co-operation and Development (OECD) (OECD, 2023). A large proportion of government spending is on construction assets, products and services. For example, in Australia, building construction, support and maintenance and repair services are the second-highest spending category, accounting for 6.15% of total public expenditure. Public infrastructure spending is valued at $230bn over the next five years (Infrastructure Australia, 2023; Australian Government, 2023a). Social procurement involves the strategic leveraging of this purchasing power by governments to create social value in the communities they represent (Barraket et al., 2016). Given that the concept of social value lies at the heart of social procurement, it is concerning that there has been considerable confusion as to what the term means with numerous generic definitions being advanced by many different interest groups and fields (Raiden et al., 2019). It should also be noted that while the term social value is widely used in countries like the UK, Canada and Australia, it is not universally used across the world. For instance, in German public procurement, the term social value is not the used. Nevertheless, given the geographical context of this research in Scotland and Australia where the term is commonly used and its construction industry focus, we adopt a definition recently advanced by the UK's Chartered Institute of Building which defined social value as "the economic, social and environmental benefits a public contract can bring to local places beyond the function of the asset procured" (CIOB, 2023: 5).

Social procurement is not new and has a long history going back to 19th century (McCrudden, 2004). However, the recent re-emergence social procurement has led to a proliferation of new social procurement policies in many countries which require public procurement professionals to leverage government spending on major industries like construction to create additional social value in the communities they represent (McNeill, 2017; Raiden et al., 2019). For example, it has been estimated that in Australia, spending AU$1 creates about AU$2.7 in the wider economy (Raiden et al., 2019). Examples of social procurement policies around the world which are being used to extract additional social value from spending on major industries like construction include: the UK's Social Value (Public Services) Act, 2012; European Union Public Procurement Directives (European Union, 2014); the Swedish Public Procurement Act (2007:1091); the United States Public Law 95–507 Act (1978); the Canadian Procurement Strategy for Aboriginal Business (2016); South Africa's Preferential Procurement Regulations Act (2017); and Australia's Indigenous Procurement Policy (Australian Government, 2015).

In the context of the construction industry, it is important to note that private construction firms do not technically implement social procurement policies. Rather, social procurement policies set rules for public bodies in their capacity as buyers to

require private entities bidding for and delivering public construction contracts to create social value as a condition of contract award (Loosemore, 2016; Le Page et al., 2020). This can be done in many ways but is typically achieved by imposing specific requirements on construction firms to employ priority equity-seeking groups who are often excluded from the construction labour market (women, refugees and migrants, people with a disability, Indigenous peoples etc). Social procurement policies also commonly impose requirements on construction firms to provide business opportunities for organisations which employ these people such as social enterprises, minority businesses and local businesses etc. (Loosemore et al., 2020). However, the very limited research in construction social procurement shows that it often fails to achieve its ambitious objectives. This is due to counter-productive institutional norms, relationships and ingrained procedural traditions in the construction industry which portray these targeted groups and organisations as a risk rather than an asset to productivity, cost, time, safety and quality (Troje, 2021, 2023; Loosemore et al., 2021; Lou et al., 2023; Natoli et al., 2023). This is not unique to the construction industry. Social procurement research also shows that social procurement policies create "ontological anxiety" among procurement professionals in many other industries, as they seek to navigate competing institutional logics (Meehan and Bryde, 2011). Public procurement research has also pointed to policy implementation gaps in this area arising from government price sensitivity prevailing over social value creation goals (Brammer and Walker, 2011; Walker and Brammer, 2009); the gap between policymakers and front-line public servants (Brammer and Walker, 2011; Grandia et al., 2015), the impact of public procurement practices on employer's behaviour (Sarter and Thomson, 2020); and legal regulations introducing constraints and disincentives to intended goals (Sarter, 2020).

While research into construction social procurement has been increasing, it is largely silent on the effects of social procurement policy on companies in the construction industry (Troje, 2023). Furthermore, existing construction social procurement research, has been country-specific – most notably focussing on the UK, Sweden, Australia, USA, New Zealand, Canada and more recently China. International comparisons of social procurement policy implementation in the field of construction (and indeed outside construction) are virtually non-existent. This lack of research inhibits our understanding of how social procurement policies operate across international boundaries. As Zahariadis (2016) notes, policy agendas are formed within specific social, cultural and political contexts which must be considered in understanding policy implementation in an international context. For example, while Wright et al. (2023) and Denny-Smith et al. (2024) found empirical evidence of positive social value impacts of public social procurement policies, Sarter and Thomson's (2020) survey of Scottish firms raised doubts about the potential of public procurement alone to generate a business case for equality that incentivises companies to adopt such measures. To address this important gap in social procurement research, the aim

of this paper is to examine and compare the effects that social procurement policies have on construction contractors/consultants in the construction supply chain. This is done by comparing two jurisdictions, namely: the state of Victoria in Australia; and Scotland in the UK. More specifically, this research aims to answer the following research questions:

> *RQ1. To what extent is social procurement policy enabling the creation of social value in the Scottish and Victorian construction industries?*
>
> *RQ2. What are the key challenges for firms in complying with social procurement policies in the Scottish and Victorian construction industries?*

Victorian and Scottish jurisdictions form the focus of our comparative study for several important reasons. Firstly, they have both led the way in the recent revival of social procurement from a policy perspective. Secondly, they have comparable policies of similar age and maturity. Thirdly, they both provide strong ecosystems to support social procurement implementation. Fourthly, they are of similar demographic sizes. Fifthly, they have some broadly comparable policy responsibilities (Victoria in the federation, Scotland in devolution). Sixthly, they are both situated within liberal welfare states which frame social procurement policy as part of a neoliberal narrative of minimising the role of the state in welfare provision and engaging private business in market-based solutions to social problems.

By investigating the effects of social procurement policies on a cross-section of organisations from across the construction industry supply chain in Victoria and Scotland, this comparative study of two jurisdictions, contributes to the emerging bodies of research on: social procurement in the construction industry (Troje, 2023; Lou et al., 2023; Wright et al., 2023; Loosemore et al., 2023; Denny-Smith et al., 2024); sustainable, social and ethical procurement (Barraket et al., 2016; Sack and Sarter, 2022); and the impact of public procurement on companies (Sarter and Thomson, 2020).

A comparative analysis of social procurement policies in Victoria and Scotland

Conceptually, in both Victoria and Scotland, social procurement policy development has occurred as part of the growth of “New Public Governance” (NPG) (Barraket et al., 2016). NPG re-positions governments as “enablers” rather than “providers” of social welfare services in a “plural state” where multiple actors (government, third-sector and private organisations) create social value through new hybrid and cross-sector organisational arrangements (McNeill, 2017). NPG recognises contemporary policy-making and public management as inherently developed in plural contexts and delivered by a plurality of government and non-government actors (Osborne, 2006). While technically speaking, construction companies do not implement public procurement policies, in the context of NPG, there is increasing reliance on private actors in the fulfilment of policy goals and that governments apply

monopsony power in the purchasing of public works from private providers. This sets the market conditions. In this context, the ability of private providers to choose whether and how to participate is limited given the scale of the construction market created by governments. NGP is part of what Rhodes (2007) described as the "interpretive turn" in policy studies because it both informs and articulates shifts in governance regimes from the hierarchies of classic bureaucracy to the market emphases of new public management (Hood, 1995) to newer approaches of governing through networks. Scholars of NPG and network governance recognise governance regimes as essentially Weberian categories, with multiple regimes often "layered" in contemporary policy-making and implementation. In the context of social procurement policy, there is clear interplay of regime logics and practices of NPG, NPM and bureaucracy.

However, while NPG forms the conceptual underpinnings of social procurement policy in both Scotland and Australia, there are also key differences in social procurement policy context, approach and formulation between Scotland and Victoria. These have important implications, discussed in detail below, for construction firms which are being required to comply with the implementation of social procurement policies by public servants and procurement professionals into the construction industry.

Victoria, Australia

In Victoria, the evolution of social procurement policy is set within the context of a federal Australian Government which oversees a federation of six state governments (one being Victoria) and two self-governing territory governments. The states and territories have a significant degree of autonomy in developing social procurement policies as do individual government agencies and departments (such as transport, water and housing), creating a complex array of overlapping federal, state and local government-based social procurement policies. For project-based industries like construction which work across multiple geographical, governmental, departmental and agency boundaries, this policy kaleidoscope can cause a considerable degree of confusion (Loosemore et al., 2020).

In Australia, local governments were early initiators of social procurement policy development and implementation during the 2000s (Burkett, 2010). Social procurement policy advanced considerably in 2015 with the publishing of the Commonwealth Indigenous Procurement Policy (Australian Government, 2015), committing to 3% of all public contracts being awarded to Indigenous-owned businesses by 2020. This built on other relevant policy initiatives such as the Workplace Gender Equality Procurement Principles (Australian Government, 2013) which collectively form part of the Australian Government Procurement Policy (Australian Government, 2023b) commitment to ensure government procurement provides value-for-money in broad terms, taking into account economic, social and environmental costs and benefits.

The state of Victoria has led state government development and implementation of social procurement in Australia, positioning it within the discourse of inclusive employment, social inclusion and equality of opportunity for certain priority groups which are often excluded from the labour market in industries like construction (particularly First Nations people, people who are long-term unemployed, refugees, people living with disability, women and young people) (Loosemore et al., 2020; Denny-Smith et al., 2024). In 2018, Victoria introduced Australia's most ambitious Social Procurement Framework (2018) which committed all Victorian Government agencies to increase their procurement from organisations which cater for these priority groups such as social enterprises, Aboriginal businesses, disability enterprises and women-led enterprises in non-traditional areas. This framework built on other Victorian social procurement policies such as the Major Projects Skills Guarantee, Victorian Industry Participation Policy and Victoria's Social Enterprise Strategy (2021–2025) seeks to create an enabling environment for social enterprise support ecosystems to develop. Due to these polices, and those being developed in other Australian states like Queensland and New South Wales, social procurement has been described as a game-changer for Australia's social economy, although challenges remain in the realisation of these potential benefits in target industries like construction (Hemetsberger, 2019; Lou et al., 2023; Natoli et al., 2023).

Scotland

The McClelland (2006) Review of Public Procurement in Scotland is widely regarded as the Scottish Government's initial commitment to the concept of sustainable procurement which is a process by which public authorities seek to achieve a balance between financial, environmental and social considerations when procuring goods and services (ISO 20400:2017). In Scotland, the narrower concept of social procurement has been framed within a larger agenda of "inclusive growth" with a focus on supporting local small-to-medium sized business development, promoting social justice and citizen's rights, alleviating poverty and inequality and poor labour standards. Scotland's social procurement policies have developed within the context of EU directives on sustainable procurement, devolution from the UK and Scotland's recovery from the 2008 Global Financial Crisis. In contrast to Australia's prescriptive top-down policies, Scotland's social procurement policies are designed to provide flexibility to respond to community needs in the local context rather than target specific priority groups. The Procurement Reform (Scotland) Act 2014 and the Sustainable Procurement Duty requires public bodies to consider how procurement can improve the economic, social and environmental wellbeing of communities and diversify government supply chains by facilitating the involvement of small and medium enterprises, third sector bodies and supported businesses in the process of procurement. On public procurements worth £4m or more, there is a specific requirement to consider including community benefits which can improve the

economic, social or environmental wellbeing of the relevant community. The Procurement Reform (Scotland) Act 2014 Act is supported by online information and research about best practice, guidance, tools, training and annual reports on the Procurement Journey website and Sustainable Procurement Tools platform to provide a clear and transparent picture of what is being achieved. The Scottish Procurement Strategy (2017) which aimed to promote the power of public spending to deliver social value (Procurement Journey, 2019) advocates a collaborative approach by calling on the third sector, potential suppliers and government bodies to be involved in defining social procurement requirements during the commissioning of purchasing. This was further supported by the subsequent Scottish Procurement Policy note (SPPN) 10/20 (2020), which did not prescribe a minimum weighting for social value in government tenders preferring to leave it to awarding bodies' discretion instead. Scotland also introduced the Fairer Scotland Duty in 2018 requiring Scottish public bodies to pay "due regard" to actively considering how best to reduce inequalities of outcome related to socio-economic disadvantage in their strategic decision-making. In terms of policy implementation, these policies communicate a strong preference for partnership working. The establishment of the Fair Work Convention reinforced the Scottish Government's commitment to fair work, targeting construction as an industry where government procurement can make a significant difference because it represents around 50% of construction spend in Scotland (Fair Work Convention, 2022). The recent emergence and prioritisation of "Community Wealth Building" in Scotland exemplifies this approach with procurement of goods and services being one of five Community Wealth Building "pillars" to support local small to medium sized enterprises, minority businesses, employee-owned businesses, social enterprises, co-operatives and community businesses (see Eckersley et al., 2023 for a discussion on the "territorial" dimensions of public procurement as a policy instrument).

Scottish policy implementation has also prioritised upskilling the public sector in social procurement to support policy implementation (Aitken, 2022). In Scotland, key social procurement policy actors are well supported and connected within and between sectors, in part due to decades of government investment and coordination, with cross-sectoral partnership most vividly represented in the 10-year Social Enterprise Strategy (2016–2026) "co-produced" between government and the social enterprise sector and operationalised through various Action Plans (Scottish Government, 2016). As the Scottish Government's (2023) review of its journey of achieving sustainable procurement and Wright et al. (2023) note, Scotland leads the way in the UK in its support for sustainable procurement in the support, tools, training and sharing of best practice case studies, commissioned research and annual reports. This contrasts with Victoria's social enterprise ecosystem which is at a comparatively earlier stage of development, with key intermediary and support organisations emerging as recently as 2008. Furthermore, compared to Scotland, there is less focus in Victoria on public sector capability-building to implement social procurement policy.

Rather, policy discourse in Victoria tends to frame the state as a source of resources and expertise that, with help from intermediary organisations and large corporations, will support suppliers to develop the skills and capabilities required to enter public sector supply chains.

The above analysis of social procurement policy development and framing within Australia and Scotland underpins the geographical context for our comparative study and highlights key differences in policy context, approach and formulation. The following section describes the methodological approach we used to explore our research questions.

Methodology and method

Given the relational underpinnings of NPG which conceptually underpins social procurement, this research was guided by an interpretivist and pluralistic approach which sought to capture the experiences of those in government who are being required to implement these policies into the construction industry and those in the construction industry who are being required to respond to these new requirements at a project level. Data was collected through semi-structured interviews with a purposeful sample of public and private sector professionals in the comparative jurisdictions. Informed by our literature review and guided by our research questions, the semi-structured interviews involved a range of open-ended questions enabling participants to articulate in their own words the key opportunities and challenges in implementing social procurement into the construction industry. Our sampling approach was purposeful and designed to capture a sample of construction and government professionals who had been involved in the implementation of social procurement policies within the Victorian and Scottish construction industries. Sampling involved first approaching a comparatively similar selection of large, medium and small contracting and consulting firms from across the construction industry supply chain in Scotland and Australia which tendered on public construction contracts. In accordance with OECD (2020), we defined large firms as over 250 employees, medium sized firms 5–249 employees and small firms as less than 50 employees. Since probity issues prevent the publishing of such names, these were initially identified through the research team's extensive contacts in the industry and through publicly available information about the membership of relevant employer associations such as The Australian Constructors Association and Master Builders Association in Australia. We also included representatives of public agencies procuring construction products and services. In line with ethics protocols in each participating university, and to avoid any researcher bias in the selection of participants, a representative of each organisation was asked to nominate people with experience of social procurement policy implementation. After double checking that the nominated key informant had the necessary knowledge and experience of social procurement implementation into the construction industry, the research team then sent project

information sheet and consent form to each potential participant without their employer's knowledge, with assurances of confidentiality and anonymity. Guided by our research questions, interviews typically lasted one hour and explored the extent to which social procurement policies were enabling the creation of social value and the key challenges in implementing them into the Scottish and Victorian construction industries respectively. Snowball sampling was also used by asking each interviewee to nominate people in similar roles in other organisations. Using the concept of "theoretical saturation" (Saunders et al., 2018), the research teams continued recruiting and interviewing respondents until the data collection process no longer offered any new or relevant insights in relation to the research questions. This resulted in a total of 27 organisations (14 in Scotland and 13 in Australia) and 28 participants (14 in Scotland and 14 in Australia), which typically lasted between 45 min and 1 h (see Table 1).

Analysis

All interviews were audio-recorded, transcribed verbatim and analysed using an abductive thematic approach following Gioia et al. (2013). The research team first immersed themselves in the data to obtain a high level of data familiarity. The research team then coded the data inductively by organising and generating an initial list of first-order codes from the data set. To elaborate on these initial codes, more directed (deductive) second-order coding of the interview data was undertaken by searching for recurring patterns, linkages, categories and sub-categories within the first-order codes. These second-order codes were then combined to form over-reaching themes (axial coding) and then the researchers revisited the data allowing further expansion or revision of the resultant themes and connections between overlapping themes to identify new patterns and issues in the data. This process continued until theoretical saturation occurred and no other themes emerged from the data. Finally, the researchers reviewed, defined and named the final themes as discussed in the results section below supported by selected quotes that are linked to the emergent themes through the coding process.

Table 1. Sample details

Partic't	Role	Organisation	Firm size
Scotland			
S1	Bid manager	Renewable energy contractor/supplier	Medium
S2	Director	Project management and quantity surveying consultancy	Medium
S3	Procurement manager	Major housing construction and property management group	Large
S4	Commercial director	Facilities management services organisation	Small
S5	Bid manager	Architectural design and facilities management company	Small
S6	Procurement manager	Construction consulting business – project management, building surveying, quantity surveying	Large
S7	Project manager	Multidisciplinary national consulting practice	Large
S8	Associate director	Construction management services consultancy	Medium
S9	Procurement advisor	Housing association	Medium
S10	Head of procurement	Government	Large
S11	Director – commercial and development	Building maintenance services	Medium
S12	Head of supply chain partnerships	Procurement consultancy	Medium
S13	Bid manager	Procurement consultancy	Medium
S14	Operations director	Procurement consultancy	Medium
Australia			
A1	Commercial manager	Commercial landscape subcontractor – interstate	Medium
A2	CEO	Alliance of local councils	Large
A3	Business owner	Social housing policy consultant	Small
A4	Aboriginal economic development officer	Government authority – roads infrastructure	Large
A5	Sales manager Marketing manager	Commercial joinery (manufacture, supply, fit) – large scale projects	Medium
A6	Project manager	Regional tier-2 construction company	Large
A7	Social procurement advisor Social procurement lead	Major tier-1 international contractor (2 participants)	Large
A8	Corporate strategy and governance director	Government department (housing)	Large
A9	Program manager	Procurement consultancy	Small
A10	Principal	Procurement consultancy	Small
A11	Procurement manager	Landscaping business	Small
A12	Senior manager	Cleaning and catering business	Medium
A13	Construction manager	Construction company	Medium

Source: Authors' own creation

Results

RQ1. To what extent is social procurement policy enabling the creation of social value in the Scottish and Victorian construction industries?

For RQ1, our comparative data analysis yielded three main themes detailed below.

Theme 1: Raising awareness of social value

Scottish and Australian respondents described how this policy had been crucial in lifting awareness of social value, community benefits and social procurement in the construction industry:

> I do think policy is the kernel of doing it. [. . ..] a driving force. Because if we didn't have that, you wouldn't do as much, when times are tough it's the first thing that falls off the list [. . .] if there's no policy there. Policy has a massive impact on stuff, yeah. – S2

While the concept of social procurement was familiar to all respondents, the formal term itself was less well understood – especially among smaller firms:

> So the principle of social procurement is known but not the term itself. – S4

The concept of social value was also described in different ways in both jurisdictions in response to the nature of the policies being implemented. In contrast to Scotland, where social value was flexibility described in terms of meeting community needs, Victorian respondents articulated a very targeted and normative description of social value (largely related to a much stronger policy focus on specific target groups such as employing Aboriginal peoples and businesses, people with a disability and disability

enterprises and social enterprises). However, a common concern raised by both Victorian and Scottish respondents was whether the social value being created was appropriate to the community in which they were building:

> [. . .] he best driver for us is our clients. Social value is whatever they want [. . .] If it's a contractual requirement or if it's going to help us win a job, then it's definitely important to us. – A7

> A benefit for our community, I suppose is that we do stuff. So we do things, we sponsor breakfast clubs, we sponsor school football strips. We do things because we are compelled to by the policy, but it doesn't mean that you are doing the right thing. – S2

It was surprising that despite the highly targeted nature of social procurement policy in Victoria compared to Scotland, that most Victorian respondents wanted more from government on what social value meant to them and how they wanted their supply chains to create it. This was a particular concern to respondents from small firms who did not have the expertise and resources to fill these gaps:

> There was a lot of freedom and I think too much freedom to be honest. [. . .] tell me what to do and we'll do it. I would say make it more prescriptive, because then people would just follow the process. Or else you need a really big fat central team who can help guide that design process. A3

In Victoria, respondents argued that without central guidance, companies tended to simply mimic their peers, reducing the potential for innovation in creating social value:

> [. . .] we were hunting around to see how everyone else is doing it. [. . .] it's just doesn't help us because then we're just gonna recreate it. – A3

In contrast, despite working within a more flexible policy environment, Scottish respondents appeared to be clearer about what social value meant – articulated in terms of whatever it meant to the community in which they were building:

> The social value aspect is obviously is quite key to the whole policy, well the overarching policy from Scottish Government. Obviously the policy was about trying to get the benefit out of the these small to medium enterprises, that sort of company, and sustainable procurement to make sure that everyone gets a fair shake of it. It's not just about building a building for example. [. . .] it's about developing the community around it. – S2

Theme 2: Policy success is context dependent and variable

While some respondents considered social procurement policies to have been a success in terms of raising awareness of social value as a concept, most Scottish and Victorian respondents had reservations about policy success. Many described a

"compliance-based" tick-box approach and questioned social procurement optimised community outcomes:

> [. . .] we are doing the right thing, but I really can't think of any other benefits we've got from particularly applying the policies. – S6

> [. . .] it seems like a very much of a tick box exercise. But I think the fact that it's not gone away, people are like, 'ohh, right, okay, then we might have to actually do something about this' – S1

> [. . .] to be honest, I don't know if I have seen any real benefit. I don't know if that leads to long term employment, or leads to a short-term exercise and getting a quota. – A6

However, the reasons for this disappointment were different. In contrast to Scotland, social procurement policy in Victoria was widely described as having run ahead of practice because the targeted nature of these policies was exceeding the capacity of the construction industry and social enterprise sector to respond. This was relevant to all sized firms but especially smaller firms without the resources, expertise, networks and capacity to respond effectively. This was creating compliance challenges, gaming of the system and diluting social value by allowing unscrupulous businesses to exploit the supply shortfall:

> There are not enough [Victorian Aboriginal] businesses to go around. demand has vastly outstripped supply. – A4

In contrast to Scotland, Victorian respondents (especially larger firms struggling to meet their targets) also raised concerns about the impact of certification processes being developed by intermediaries for targeted organisations like social enterprises. Several respondents expressed concern that these could exclude other types of social benefit suppliers tendering for public work:

> Even though the Victorian social procurement framework does say if you're on [government commissioned social benefits supplier map] then that classifies you as a social benefit supplier, not all our clients will recognize that – A1.

However, both Scottish and Victorian respondents agreed that poor policy monitoring and enforcement was a particular concern, exacerbated in Scotland by a lack of human interaction in the highly automated social procurement tendering, assessment and implementation process:

> [. . .] we've never been audited as part of a process, you know, never been invited to even a discussion with the public sector. It's very faceless. You apply through a portal, you submit a document to a random address – S5.

Theme 3: Government leadership and regulation is critical

Scottish respondents argued that, without government policy, regulation and leadership, social procurement would not be implemented voluntarily by the construction industry. In other words, government leadership and regulation are critical to social value creation:

> It should be governmental led, local authority led. Then people who work within the industry, then push it outwards [. . .] so that the impetus comes from a policy – S6.

> The best driver for us is our clients – especially government clients. If it's a contractual requirement or if it's going to help us win a job, then it's definitely important to us – A7

However, many Scottish respondents thought that government leadership and regulation were effective. For example, many were concerned that small firms were largely excluded from government construction contracts due to the use of "framework" agreements (databases of pre-vetted preferred suppliers) which preference larger companies. In contrast to large enterprises, the resources, expertise and compliance requirements needed to qualify as a framework supplier were generally unavailable to smaller enterprises:

> Our larger competitors in the market are multibillion pound turnover companies. And these companies can throw hundreds of thousands of pounds at a tender opportunity, to win it. Whereas we can't [. . .] the bigger companies aren't happy just winning the larger frameworks. They want everything from the client. So they're essentially bidding for work that you would think would be beneath them in terms of its scope, and therefore kind of cutting out the SME's from the market – S4.

In contrast to Scotland, Victorian respondents highlighted fragmented and inconsistent policy implementation, a lack of commitment and understanding across different local governments and state government agencies and very minimal policy influence on private sector construction clients:

> Private clients aren't interested. Even the government projects that I have worked on. There's no focus from their client-side project manager to implement any targets. it's very wishy-washy, with different projects and how they're implemented. There is no consistent: 'you must do this' approach from any of our clients. – A6.

Mirroring Scottish concerns, Victorian respondents also complained about ineffective policy implementation, monitoring and enforcement:

> Our social procurement plans are getting better, and better, and better. But not every client asks for them. Not every client wants to pay for them. It doesn't really get audited, so if they don't do it, no one knows. – A6.

Unlike Scottish respondents, Victorian respondents also voiced concerns about the poor reach of policies into regional areas and the long-term sustainability of a policy which depended on a temporary pipeline of major infrastructure projects:

> [. . .] yes, we want a whole bunch of women to become tradies. And then, the Big Build [government initiative] finishes; Who are they going to work for? Where's the pipeline of work coming from? – A7.

RQ2. What are the key challenges for firms in complying with social procurement policies in the Scottish and Victorian construction industries?

For RQ2, our data analysis yielded four main themes which are discussed below.

Theme 1: Lack of resources, knowledge and institutional support

Victorian respondents particularly emphasised the empowering nature of these policies and both Victorian and Scottish respondents agreed that the policy had catalysed structural changes in the construction industry through the creation of new social procurement roles. However, both Scottish and Australian respondents also noted that the overall level of resourcing was still relatively small compared to other more established policy areas like safety and environmental sustainability:

> [. . .] what it did is it created an authorising environment There are bigger companies who have social procurement managers and coordinators and all of that. – A2.

> [. . .] what we're seeing now is well, in certain supply bases as well, quite often they'll have a community benefits, sort of person or officer, maybe even a team depending on the size of the company – S3.

Both Victorian and Scottish respondents complained about a lack of resources, knowledge and institutional support to implement social procurement into their organisations. In contrast to Victoria, Scottish respondents focussed on the ecosystem of support-to-support policy implementation:

> [. . .] its [the ecosystem of support] not been utilised as much as it could've been, in that some of the procurers of big projects, aren't willing to take the risk on small to medium enterprise organisations – S4.

Theme 2: Resistance to implementation

Scottish and Victorian respondents also described significant resistance to implementation and working in isolation "behind the scenes" to incorporate social procurement provisions into their tenders with minimal senior management support. Resourcing for smaller subcontractors to comply with policy requirements was also a common problem raised:

> As you can imagine, when I mentioned this to my managing directors, they're not interested. – S1

> [. . .] there's all this documentation that you need to submit and it's still so new – A5
>
> Lots of subbies don't have the overhead nor the experience, nor the time or the resources to do it – A6

The most common way to overcome any resistance to change in both Victoria and Scotland was to incorporate community clauses into supplier contracts and to monitor and enforce them:

> So what we do in terms of contracting is make sure that's actually a binding part of the contract. So it's quite clear from day one of the contract that they are obligated to do X, Y and Z about maybe community benefits or sustainable outcomes or whatever it may be. If it comes to it then you know ultimately we can suspend the contractor or terminate the contract. – S3

However, respondents from both jurisdictions agreed that it was market forces and the prospect of competitive advantage that ultimately determined policy uptake:

> I think it's losing work, that will do it. [. . .] and I'm saying, 'well, If we don't have that policy or we don't have that thing done, then we won't win any work'. – S1.

Theme 3: the relational complexity of social procurement

In Victoria, respondents emphasised the relational complexity of implementing social procurement due to the large numbers of actors involved:

> [. . .] right now the model that works involves a lot of moving parts [. . .]. So at a government level [. . .] we have DTF [Department of Treasury and Finance], DPC [Department of Premier and Cabinet] so like peak body government – DJPR [Department of Jobs, Precincts and Regions] as the policy and big government people and also transport as well, [. . .] and there's a degree of Federal Government interest [. ...] Then we have MRPV [Major Road Projects Victoria]. Those sort of players. And then our construction partners. Then there are social benefit suppliers, but within that you've got Aboriginal businesses and social enterprises, so they're the other important sector as well – A4.

Reflecting Scottish ecosystem concerns, many Victorian respondents expressed a lack of confidence in the independence role of intermediaries to broker the cross-sector connections which underpinned the intent of policies in Victoria:

> [. . .] we have very little appetite to use an intermediary. I think some of them lack integrity, – A7.

Victorian respondents also raised concerns about a general lack of knowledge about social procurement best practice, the unrealistic level of targets being set and a lack of measurement, monitoring and quality control of social procurement outcomes. A lack of monitoring created potential opportunities for exploitation and deception by

unscrupulous contractors and suppliers who were motivated by the substantial government resources going into this area:

> [. . .] it is a new space, one of the challenges is who's got the knowledge to say this is how it works really well. [. . .] – A7.
>
> Targets are quite unrealistic [. . .] – A4
>
> It doesn't really get audited, so if they don't do it, no one knows. – A6.
>
> [. . .] measurement is a challenge [. . .] I think that is a little superficial and across the surface type of measurement. – A2.

Interestingly, some Victorian respondents had taken the initiative to create their own social procurement eco-system by collaborating with other organisations which had access to alternative resources (not-for-profits, private employment agencies etc) and to decentralise responsibility for social procurement to project leaders, commercial leaders and site supervisors. But this type of response was only feasible to larger well-resourced contractors:

> So I would say the biggest capability that we've developed this year has been with the direct relationships with alternative suppliers, our project leaders, our commercial leaders and our site supervisors [. . .]. – A7.

Theme 4: Small enterprises are disadvantaged by policy implementation

Both Victorian and Scottish respondents expressed concerns that social procurement policies favoured large businesses. This reflects findings in Themes 3 and 2 (RQ1) that highlight the relative lack of resources available to smaller businesses to comply with social procurement requirements in both Scotland and Victoria. However, the reasons for this differed between the two jurisdictions. Scottish respondents widely complained about Scotland's "one-size-fits-all" policy and saw Framework Agreements at odds with the aim of creating more diverse supply chains:

> [. . .] the system in general is flawed, because you've got a kind of one size fits all procurement process [. . .]. you're essentially blocking SMEs, which is kind of the opposite of what you're making out you're trying to do [. . .] .it's supposed to be inclusive for everyone. – S2.
>
> The language that's required is not generally in the vocabulary of the SME [. . .] a lot of that stuff is alien to the small business owner [. . .].Whereas the big companies will have all this on a platter and it's, to be totally honest it's just bullshit they've made up to win tenders. – S4.

Victorian respondents also talked about the difficulties small businesses and social businesses had in tendering for large construction projects. However, in contrast to Scottish respondents, they suggested that government policy needed to focus more on capacity building in the social sector and lowering compliance requirements for SMEs:

> The social benefits supplier market is nowhere near the maturity that it needs to be for us to be able to, easy as, spend $5 million minimum on our projects. [. . .] So I think that's a short-sightedness by the Government to not invest as much as they could have in building the supplier market up – A6.

Victorian respondents also argued that the policy focus on social enterprises alongside Victorian Aboriginal businesses excluded other types of businesses (such as B Corps) and, therefore, exacerbated supply constraints which undermined social policy implementation:

> [. . .] the government sort of hitched their wagon to social enterprises, and they're very rigid and not interested in moving away from that model. that's certainly one of the challenges that we face. – A1

Discussion of results

The above results contribute a range of new insights into the impact of social procurement policies on the construction industry supply chain in Victoria and Scotland. This section discusses the implications of these findings for the advancement of social procurement research in international contexts:

RQ1. To what extent is social procurement policy enabling the creation of social value in the Scottish and Victorian construction industries?

Our finding that both Scottish and Victorian social procurement policies have lifted awareness of social procurement and broadened traditional notions of "value" among construction procurement professionals to include social criteria, supports previous research which shows the importance of social procurement regulations and policies in incentivising companies to engage with the idea of creating social value in the communities in which they operate (see McCrudden, 2012). Encouragingly, it also shows that the field and practice of social procurement in construction is maturing compared to the early work of Burke and King (2015) and Loosemore (2016) where the notion of social value was reported as being misunderstood across the construction industry in UK and Australia.

However, given the differences in the nature and level of awareness between Victoria and Scotland, our results raise new questions about the differing nature of the policies in both jurisdictions and the way they bring about their intended outcomes. One possible explanation is that Victoria's more targeted and top-down policy focusses the minds of those who must implement these policies on the ground on specific cohort groups. Compared to Scotland, this gives construction industry actors a clearer direction, enforcement and monitoring environment to implement it into their organisations and supply chains. This is important because according to Curtain (2001), effective and efficient policies need to have clear, easy to understand and realistic goals and take a long-term perspective based on a comprehensive understanding of the implementation field and what society's needs are. This includes

giving stakeholders an opportunity to participate in policy-making. However, Victorian respondents also criticised many aspects of policy design (such as unrealistic targets, poor guidance and support, monitoring and enforcement). This has been highlighted as a barrier to social procurement implementation in other contexts (see, for example, Sarter and Thomson's, 2020 exploration of public procurement from a gender equity perspective). They also felt they had not been significantly engaged in policy processes beyond the level of individual procurements, which constrained their ability to provide insight that would support better implementation.

Another possible explanation relates to the history of policy development in both countries. For example, as our literature review showed, Scotland has a longer tradition of social procurement policy development and a stronger eco-system of support and resources available to help with implementation on the ground for immature industries like construction. While this may seem positive, Howlett and Rayner (2007) argue that as policies develop incrementally over time, a natural merging of different policy instruments creates a "layering effect" leading to "policy-drift" which can undermine policy outcomes by complicating policy goals and creating inconsistency in the way they are implemented. In this way, in contrast to existing social procurement research which tends to treat the policies in isolation (Troje, 2021; Troje and Gluch, 2020; Loosemore et al., 2020), our findings indicate that social policy is best conceptualised in the contribution it makes to an existing policy mix. This provides a new perspective on previous research which shows that to be effective in promoting equity, social procurement is merely one part of the policy equation (Sarter and Thomson's, 2020).

Our finding that success is articulated in different ways in Scotland and Victoria is also interesting since it appeared to have significant implications for the impact that the policies had on construction industry actors and the way success is evaluated, monitored and reported. The targeted nature of Australian policies more clearly highlights areas where the policies have success, making monitoring and measurement of impact relatively easy. In Scotland by contrast, any apparent impact is more dispersed, invisible and hard to monitor and measure – although conversely, they may better reflect community needs and priorities. However, in reporting our results, we also recognise that perceptions of policy success do not necessarily align with reality, and we cannot conclude that the one jurisdiction's policy is better than the other.

Both Scottish and Victorian respondents had challenges in measuring social value created by these policies and reservations about policy success, albeit for different reasons. For example, Scottish respondents thought the policy aim of encouraging greater supply chain diversity had been undermined by large framework agreements which were widely seen to disadvantage social enterprises and other small local and minority businesses. These results contribute new cautionary insights to the very limited research into framework agreements which generally portray them in positive terms (see, for example, Tennant and Fernie, 2010). This finding is important

because it provides further evidence of the problematic layering effect of policy development (Howlett and Rayner, 2007) and new insights into how the intent of social procurement policy can be undermined by other aspects of government procurement policy. This adds a cautionary note to Sarter and Thomson's (2020) finding that social procurement can also be complemented by other policies.

Interestingly, Victorian respondents also appeared to suffer from another type of "policy layering" caused by overlapping state and federal social procurement policies which stretch limited resources and complicate compliance with social procurement policies across multiple project locations. The project-based nature of the construction industry appears to exacerbate this risk compared to other more geographically stable industries due to the constantly changing locations (and associated policy regimes and community needs and priorities) in which projects are being built and the temporary nature of organisations which are, therefore, needed to build them. This may partially explain Wright et al.'s (2023) findings around perceived policy complexity and resource constraints in the UK construction industry. It also illustrates that social procurement policy implementation gaps are sensitive to industry and geography in ways that macro-policy frameworks cannot accommodate without strong attention to meso- and micro-level considerations of procurement processes and activities.

It was also interesting that, in contrast to Scottish respondents who were critical of barriers to supply chain diversity at a broad level, Victorian respondents were concerned with supply chain diversity at a specific level. Victorian respondents observed that the enormous demand created for "social benefit" businesses and people targeted by the policies was exceeding the capacity of the market to respond. Some also felt that this problem was being exacerbated by exclusionary and somewhat opaque and arbitrary certification processes being developed by intermediaries which were excluding from the construction market, what they perceived to be alternative and equally deserving social benefit suppliers (see also Sack and Sarter, 2022 for other pitfalls of external certification). This problem with intermediaries was recently highlighted by Natoli et al. (2023) and Buy Social Canada (2023), whose research highlighted how existing third-party certification systems used by procurers to identify social benefit suppliers which are designed to improve supply chain diversity can ironically undermine it.

There was also widespread concern among respondents working in Victoria that the targeted nature of government policies could undermine supply chain diversity by excluding deserving "untargeted" businesses and individuals:

RQ2. What are the key challenges for firms in complying with social procurement policies into the Scottish and Victorian construction industries?

Our finding that in both countries social procurement policies are starting to catalyse new roles and relationships within and between construction organisations, supports

recent research in UK, Sweden and Australia (Murphy and Eadie, 2019; Troje and Gluch, 2020; Troje, 2021; Ek Österberg and Zapata, 2023). However, our finding that these policies are not fundamentally changing industry culture (especially in the private construction sector) in both Scotland and Victoria is concerning. Both Scottish and Victorian respondents described a compliance-based tick-box "satisficing" approach to policy implementation, reflecting the findings of Murphy and Eadie (2019) and Loosemore et al. (2020). This also reflects findings by Sack and Sarter (2022) who draw a distinction between a compliance-based approach to strategic public procurement and one based on genuine commitment in Germany and The Netherlands. However, while this was seen as negative by respondents in both jurisdictions, we note that in the parallel field of environmental policy, this can be seen as a pragmatic and effective approach to policy design, especially in the early stages of policy implementation as is the case in the construction industry (Athanasoglou et al., 2021).

Our findings also highlight the crucial importance of policy flexibility, regulatory support and government leadership in effective policy implementation. This builds on Lowndes' and Roberts' (2013) concepts of policy "robustness" and policy "revisability". Poor policy "robustness" (the clarity of underpinning values and enforcement mechanisms which make them "stick" over time) was found in both Scotland and Australia. However, poor policy "revisability" (the capacity for policy adaptation in response to changing circumstances such as market capacity constraints and local community needs) was found only in the Victorian context.

Our findings also provide new empirical evidence to support Lowndes' and Roberts' (2013) assertion that these basic principles can be undermined when there are multiple agents and interests involved in policy design. For example, Victorian respondents complained about policy complexity and of inconsistent policy approaches across different state governments, levels of government and government agencies.

Our findings also point to a more sophisticated explanation for social procurement policy ineffectiveness than just poor policy design. Both Scottish and Victorian respondents noted that many construction contractors and suppliers had little experience and guidance of how to implement these policies. Our results show that this caused respondents to engage in mimetic isomorphism (DiMaggio and Powell, 1983) and voluntary intermediation via cross-sector collaboration (Barraket et al., 2016) to de-risk the implementation process. However, as Loosemore et al. (2021) cautions, most of these cross-sector relationships are completely new to the construction industry and can be problematic to intermediate, create and manage in practice.

Our finding that intermediaries being set up to foster these networks were often mistrusted in both jurisdictions and can ironically reduce rather than enhance supply chain diversity, contributes new cautionary insights to the general paucity of intermediary research in construction (Natoli et al., 2023). Furthermore, they call into

question the heavy policy focus – at least at the level of discourse – on social enterprises (often to the exclusion of other types of social business) in both Scotland and Victoria and the underlying assumption that the engagement of social enterprises is the best way to generate social value in the construction supply chain. Natoli et al. (2023) also recently caution against this assumption.

Our finding that private sector construction clients are reluctant to engage with social procurement also highlights the challenges for policymakers in spreading social procurement policy impact beyond the confines of public agencies to which they apply. The untapped social value which could be leveraged from engaging private sector clients could be significant. For example, while the share of private sector construction, as a percentage of total value of work, has declined from 75 to 57% over the last decade in Australia, it still significant (Institute of Public Affairs, 2023). Our findings there support calls by Stentoft Arlbjørn and Vagn Freytag (2012) for more learning between the private and public sectors.

Finally, our findings highlight numerous institutional barriers to social procurement policy implementation in the construction industry. Key common challenges raised by all respondents in Scotland and Victoria included: lack of resources, lack of knowledge, lack of senior management support; narrow notions of project value; incumbent systems, procedures, supply chain relationships; a lack of experience and understanding of social benefit organisation capabilities and networks and poor outcomes monitoring, measurement, reporting and policy enforcement. While these findings reflect other research such as Wright et al. (2023), Loosemore et al. (2021), Troje (2023), Natoli et al. (2023) and Ek Österberg and Zapata (2023), our findings provide new insights that jurisdiction-specific challenges also exist (such as unachievable targets, supply capacity constraints, exploitation and exclusionary intermediary certification systems in Victoria and subjective and unclear tender requirements and exclusionary framework agreements in Scotland).

Conclusion

This paper examined and compared the effects of social procurement policies on private firms in the construction industry across two jurisdictions, namely, the state of Victoria in Australia and Scotland in the UK. Our findings contribute several important new insights into the effects of social procurement on firms across international contexts at both a conceptual and practical level. Our comparative approach sheds light on the varying effects of differing social value goals and policy settings on the effects of social procurement policy on the construction industry, as well as common experiences across these jurisdictions. The key lesson for other jurisdictions which have not yet developed social procurement policies, but wish to do so, is to carefully consider the capacity of the construction industry to respond and the extent to which they wish to prescribe what types of social value they want to create and for whom.

Our results point to some clear common areas of concern to which all policymakers should attend, such as: understanding and addressing ingrained institutional norms and practices and supply chain capacity to respond which can undermine policy implementation; the policy implementation gap which arises from limited integration between macro-policy directives and the knowledge resources and support needed to enable front-line delivery and take-up by non-government providers; and, the negative consequences of poor policy monitoring and enforcement.

Our results also highlight the importance of considering other areas of government policy which could inadvertently undermine social procurement outcomes (such as the use of Framework Agreements in Scotland). Social procurement policy should not be seen in isolation but as part of a wider suite of policy measures which create an effective eco system to support effective policy implementation.

Finally, policymakers should be conscious of supporting forms of intermediation that enable rather than constrain supply chain diversification. Much more research is needed into the role of intermediaries in implementing social procurement. Our findings further indicate that in developing and implementing social procurement, policymakers need to carefully consider the political, social, cultural and systemic context in which social procurement will be expected to operate. The lack of inroads to changing construction industry culture (especially in the private construction sector) and a tick-box approach to policy compliance discovered in our results raise new questions about how to ensure the meaningfulness and sustainability of social procurement policies and the seriousness by which they are perceived by construction industry actors.

Our results also indicate that more managerial support, power and resources are needed to support the emerging professionals who are championing the implementation of these policies into the construction industry. In particular, more education and research about best practice approaches to social procurement implementation and how to measure, report and recognise them in practice is needed. Our results also indicate that regulatory support, government leadership in crafting effective policy, particularly with regard to “adaptability”, “robustness” and “revisability” are critical to policy success. Complementary backbone support policies such as those which build market capacity and connect buyers and sellers of social value services and products are also crucial. However, our findings into the challenges posed by framework agreements and self-interested intermediaries highlight the need for new research into how such support mechanisms are best provided to support social procurement policy goals around issues like supplier diversity. Finally, our findings into the comparative lack of engagement with social procurement policies in the private construction sector compared to the public sector also highlight the need for research into how public policies can be designed to catalyse change in the private sector. Our results point to two separate worlds in terms of social procurement

awareness and engagement, which undermines the potential social value which can be created from the implementation of these policies.

We acknowledge that the above findings must be interpreted within the limited jurisdictional context (Victoria and Scotland) in which the comparative research took place. More comparative research is needed. In particular, given that both Victorian and Scottish policies were developed and implemented within westernised neo-liberal models of public governance, it would be especially interesting to compare countries with different political traditions and ideologies such as those with more unitary state and socialist market systems (for example China). Furthermore, some of our findings can be explored further using alternative methods which involve larger samples. For example, some participants saw social procurement as a success story while others perceived it as a "tick-box approach". Here, it would be interesting to delve deeper into the data, outlining for instance whether participants from particular backgrounds/ roles/types of organisations were more likely to perceive it as a success; how this difference in perception could be explained; etc. Likewise, our findings about the empowering nature of these policies can be elaborated through further research to explore how policies empower practices, which practices they empower and under what conditions.

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