Abstract:

Social value in recent years have been attracting increased attention from public clients where policy documents encouraged clients to maximise their additional outcomes when procuring goods and services. However, social value studies in recent times show how there are problems accompanying its delivery with publicly procured projects, where confusion of definition among public procurers, the lack of methodologies and mechanics to calculate and implement the delivery processes and the absence of assessment and measurement methods caused hindrance to social value inclusion.

This paper discusses how using Soft Systems Methodology (SSM) would improve the delivery of social value outcomes for publicly procured projects. Since social value as a subject is considered to be of vague it cannot be approached in a similar way of well-defined construction deliverables, therefore SSM is adopted to accommodate its characteristics. The inability to define social value outcomes can be dealt with using the culture stream of inquiry specifically rich picture building which includes multiple stakeholder perspectives of reality. On the other hand, lacking methodologies and mechanisms to implement social value can be improved through logic based inquiry stream and Human Activity System modelling where stakeholders can have their input conceptualised into models which is compared to the real world situation to find most suitable answers. Measurement and assessment of social value can improve through improving the definition and the implementation processes.

This research does not claim to be empirical and could be seen as an explorative nature research of qualitative observational opinion. With the acknowledgment of this research limitation it can be viewed as a grounding base to a suitable research methodology approach used to explore a new subject such which is social value.

KEYWORDS: PUBLIC CLIENTS, PUBLIC PROCUREMENT, SUSTAINABLE PROCUREMENT, SOCIAL VALUE.

1. INTRODUCTION

Thai (2001) argued that there are two types of goals for public procurement activities. Firstly, procuring goods and services, similar to commercial goals of any organisation. This can be achieved through reducing costs, managing financial, business and technical risks and maintaining probity and transparency. Secondly, non-procurement goals, which differentiates between public and private organisations. This type of goals supports creating socioeconomic benefits, elevating poverty, supporting local markets, the inclusion of ethnic minorities and improving educational standards. To clarify, historically the USA and Europe used their procurement policies to promote these secondary goals which have a social nature, exceeding the initial delivery of goods and
services (McCrudden, 2004). Similarly, the UK government have been encouraging the use of public procurement to deliver social value outcomes through their procurement activities where central government expenditure is £13 billion and local authorities’ expenditure is £40 billion (Preuss, 2009).

The issuance of the National Infrastructure Plan (2013), the Public Services (Social Value) Act (2012) and the House of Commons' report on local procurement reforms (2014) suggested that public clients, local and central, should consider delivering Social Value (SV) through the strategic procurement of their goods and services. The Public Services (Social Value) Act (2012) was promoting SV benefits through encouraging public clients to maximize any additional outcomes which would surpass the delivery of procured goods and services delivery. The EU procurement directive (2014) stated that member states should deliver SV by using their buying power to deliver benefits to local communities and to create socioeconomic return on their investment.

Out of the variety of goods and services procured by the public sector clients, construction products were placed at the centre of government policy to stimulate economic growth through its 6.1% share of the GDP (Murray, 2014). Construction industry is used to revitalize stagnated economies, through fiscal policies focusing on public expenditure to stimulate markets. This is achieved through employing semi and unskilled workers and collaborating with more than 200 industries making it a tool to include unexperienced workforce into the employment market (Preuss, 2009 & Ozkan, Ozkan & Gunduz, 2011).

**Background to Social value as a business requirement**

The growing gap between what is offered to solve human needs and how fast these needs are growing resulted in the change of perceiving business success as more than just monetary performance and profit increase. In the neoclassical theory of economics, value is created when the price of services or products sold to clients exceeds the cost of producing them, making organisational profits the main focus of strategies and business models (Mulgan et al, 2013). Therefore, since the emergence of the term capitalism 170 years ago the most dominant factor of measuring business success was creating and maximising profit. Because capitalism and free markets were the conquering ideologies across the globe, profit was the most significant outcome of any business at the time (Mulgan et al, 2007).

Nevertheless, Elkington (1999) expected that due to a shift in societal expectations and increased complexity of the business world, success criteria will shift towards having environmental and social success factors along with economic ones to measure businesses' sustainability, which would be accompanied by adopting new performance management mechanisms. He pointed out that since the issuance of the Brundtland Report in 1987 drastic changes to public and private business models were sought after to deliver goods and services. This was confirmed by Erridge and Mcllroy (2002) who stated that non-commercial criteria, which business success is measured against, were emerging. Finally, Mulgan (2013) stated that the economic crisis of 2008 shed light on
the failure of prevailing business models to provide balance and stability for society’s needs, where corporate monopolies, striving for profit maximisation, were hindering the delivery of societal benefits. He added that the crisis displayed the need for change in business models for both the public and private sector.

**Definition of social value**

The Public Services (Social Value) Act drew attention towards the term Social Value and its definition, where it was increasingly used within the public procurement context (Westall, 2012). SV was identified as business outcomes, which have a subjective nature because it depended on how different groups of stakeholders value an object, a service or a product, differently from each other because of having a different perspective (Woods & Legihton, 2010). Therefore, SV can be defined according to the way it is interpreted and understood, as a unified definition cannot cover all its possible perspectives. This made the creation of a unified strong definition and/or term for different groups, businesses and/or organizations challenging. Several attempts were made to define SV such as:

1. Westall (2012) defined it as the outcomes of certain organisational activities which occur by creating positive and/or preventing negative social changes in people’s lives and impacting even after the initial activities durations were finished;

2. MacLaren (2011) defined it as socially derived procurement/commissioning outcomes which are wider than fiscal interpretations of the value for money concept;

3. The Social Value Act (2012) defined it as the notion of maximising additional outcomes developed through procuring goods and services which surpasses the initial benefit of the goods and services themselves;

4. Russell (2013) defined it as outcomes of certain activities with non-fiscal nature, performed by any organisation, which are important to key stakeholders of the project.

Accordingly, for this research SV can be defined as the ‘soft’ non-financial outcomes of projects and/or programmes of investments, which may include, but are not limited to, communities' and individuals' social wellbeing. The soft nature in the definition indicates that it is more than cost saving or just monetary representation of the outcomes.

**Problems with social value in public procurement context**

Despite the rise of interest in SV, its delivery through public procurement was not an easy or straightforward task, regardless of the effort made to promote it as additional procurement outcomes. This was due to the confusion and misunderstanding of public procurers when dealing with SV delivery (The Public Services (Social Value) Act Year on Report, 2014). Brat et al (2013) argued that despite the initiatives developed in the EU procurement directives, member states did not achieve the success anticipated to deliver sustainable products or services procured by the public sector. It was found that the hindrance of SV delivery was due to three different reasons:
The Failure to Define Social Value in a Robust Fashion

Public procurers were unable to define what outcomes can be delivered because of their confusion in defining which outcomes are most suitable for their projects and local contexts (Westall, 2012). The conflict between the soft unquantifiable qualitative characteristics of SV and public clients’ predominantly quantitative goals, expressed in cost, time and quality, minimized the ability of public clients to identify SV outcomes for their capital investment programs. Project benefits were still dominated by low cost culture, leaving less room to other benefits with soft nature (Arvidson et al., 2010).

To clarify, for any public project there are three types of results, which are outputs, outcomes and impacts. Firstly, outputs of a project or a program are the direct results of the investment, such as products and the services. In a school project output could be the building, hiring supply chains and employing new teachers. Secondly, outcome of a project or a program is the added value in people and/or communities, which may have problems that can be solved through projects. Outcome can be increasing employability to reduce crime rate in a certain area and improving living wages by hiring local suppliers. Finally, impacts are the long term changes that the project outcomes can create. For example, impacts can be a significant reduction of crime rates or economic recovery implementation (Wood & Leighton, 2010). Hence, the problem with defining SV is that procurers tend to confuse outputs with outcomes and justify them retrospectively without identifying what impacts are there for local communities (Russel, 2013).

Insufficient Mechanisms and Methodologies for Implementation

Public clients claim to have SV in their strategic objectives. However, they do not have the adequate mechanisms to deal with operational obstacles for different project phases. The reason for that was a detachment between higher level agendas and project level practicalities Brat et al (2013) concluded from their case study that strategic objectives of SV were not articulated to ease implementation on operational levels. For example, in a case study in the Northern Ireland investigating methods of delivering sustainable procurement it was found that most procurement officers could not find enough guidance about sustainable procurement and how it would be compatible with the OJEU rules and regulations (Erridge & Hennigan, 2012).

Furthermore, MacLaren (2011) investigated the lack of methodologies to SV implementation, finding that it was not easily applied without sound theoretical basis, which can be used by stakeholders. Mulgan et al (2007) explained that despite having vast amounts of money invested in R&D projects for technologies and business research, there are negligible amounts invested in social delivery innovation. Even governments do not spend the same amounts of money to provide answers for common public needs. Finally, the lack of organisational champions or key individual who could politically support the delivery of sustainable procurement, using their position in higher management in client organisations was hindering the delivery of sustainable procurement. Champions attempt to reduce the gap between higher level objectives and project level problems by using their political power on organisational and project level to implement and support SV (Preuss, 2009, Seuring & Müller, 2008).
Inability to Assess and/or Measure Social Value

SV measurement is an effort made to assess what is valued according to different stakeholders’ perspectives and priorities, leading to an accurate evaluation of SV. Therefore, SV outcomes cannot be easily measured, quantified or assessed, causing problems for public clients who try to justify procurement choices to include SV goals (MacLaren, 2011). Arvidson et al (2010) indicated that since the late 1990s the UK government has been encouraging the measurement of public services outcomes in new methods, which would include social and environmental outcomes, but without success. Murray (2014) stated that despite having good procurement practices and skilled practitioners, solid evidence to base best practice upon were missing, where opinions as a source of evaluating outcomes of procurement strategies caused scepticism of any acclaimed benefits. Having no benchmarking information or track record of SV weakens the ability to assess it. Also, in some practices, assessing SV outcomes was wrongfully perceived as attempts to prove that all project activities had SV outcomes which needed retrospective validation. Russell (2013) argued that SV and its measurement cannot only be quantitative because it will always have subjective judgement to assess and justify it. Finally, elements of assessing SV might improve if they were sector related, when they include characteristics of certain sectors. For example, the NHS model for measuring SV had elements such as; respect of patients, patient advocacy, and quality of care, reducing care inequalities and framing of ethics as outcomes measured for SV impact (Wood & Leighton, 2010).

2. SOFT SYSTEM METHODOLOGY BACKGROUND

Checkland and Scholes (1999) stated “to manage anything in everyday life is to try to cope with a flux of interacting events and ideas which unrolls through time”. Hence, because public procurement includes different views from different stakeholders with each of them influencing the outcomes, several perceptions of reality should be examined in order to include the key influencers on a situation. Soft Systems Methodology (SSM) was developed as a response to soft, ill-defined issues with multiple socially constructed realities which are difficult to solve and more difficult to define, thus, similar to SV definitions, being ambiguous and unclear. SSM is about producing different stakeholder’s perspectives of the problem situation by developing models of human activities systems in order to debate the intervention needed to improve current situations (Durant-Law, 2005, Checkland & Winter, 2006).

Soft System Methodology Description

In SSM, history has a significant role. Different historical perspectives based on different cultural and contextual backgrounds are important in exploring and learning about the problem situation. Facing this problem are ‘would be improvers’, who are interested in improving the situation through day to day. Following the introduction of the history and the ‘would be improvers’ there are two structured streams of inquiry to navigate through
to develop an intervention. Both streams interact with each other along the process of inquiry, feeding interconnected inquiry processes.

First is the logic based stream of inquiry, on the right hand side of Figure 1, which consists of multiple models of Human Activity Systems (HAS). It was developed and used to illuminate the problem situation by comparing relevant HAS models with real world perceptions. In this way they support having a debate about possible changes and improvements, which accommodate different points of view. The logic based stream has different stages of inquiry, which are:

• Selecting relevant systems from a continuum of tasks which vary from organisational description to issues arising freely from problem description;

• Naming relevant systems using Root definitions which represent the core of what is being transformed from inputs to outputs and CATWOE analysis, which allows to specify that system through identifying its Customers, Actors, Transformation process, Weltanschaungen or world views, Owners of the problem and Environment of the system;

• Modelling relevant (HAS) systems through developing models, representing activities of the system with emphasis on efficacy, efficiency and effectiveness;

• Comparing relevant systems with reality.

The logic based stream of inquiry selects, names and models HAS based on different perspectives. The cultural sources of these perspectives are investigated through the culture stream of inquiry on the left hand side of Figure 1. Since human activity systems are shaped by human beliefs, meanings and experiences, they should be examined in order to gain an understanding of where these systems emerge from. This is achieved through analysing the cultural context to define and structure the problem continuously for the duration of the research process and support the logic stream inquiry as well. The cultural stream of inquiry's different stages are:

• Rich picture building, which represents collective human affairs and its surroundings and interactions with each other pictorially;

• Analysis of the intervention, which identifies, who the intervention should be modelled for through differentiating between ‘problem solver’, ‘problem owner’ and the ‘client’;

• Social system analysis, which links through social systems’ interpretations of roles, norms and values impact on the problem situation and logic based stream;

• Political systems analysis, which deals with the problem situation through identifying it as a power system and attempts to identify the power sources which affect the problem and its intervention (Checkland & Scholes, 1999, Checkland, 1999 & Winter & Checkland, 2003).
3. DISCUSSION

Out of the cultural stream of inquiry, rich pictures can be used to define factors and relations affecting the SV outcomes definition. Engaging in rich picture building can improve the ambiguous definition of SV through collectively describing the problem situation from different perspectives of project stakeholders. As multiple stakeholders are describing the problem situation for the rich picture building exercise, emotions and soft issues can be included without being standardised; and allow the inclusion of any representation that might be important. In-depth interviews are used to obtain the information needed from different stakeholders to create rich pictures, which allows them to express their views of the problem situation and therefore enriches the process of definition (Walker, Stinfort & Maqsood, 2014). The conflicting opinions in defining SV can be improved when they are collectively included in one picture, with elements of the story being concluded out of the dialogue with stakeholders. During the process of sketching elements of the situation, a deeper understanding of the issue emerges as the whole picture unfolds until there is sufficient satisfaction with the portrayal accuracy.

During the interaction with the stakeholders two types of conversations arise. The first one with the stakeholders themselves, where they prepare their minds about what to say and how to illustrate it to other people, making it clear and well structured. This would
help them form a reality check about what to say and improve poorly formed elements of
their thoughts. The second conversation is with the researcher, where the latter will
embark on a self-reflection of the dialog. This allows building a creative meaning of

On the other hand, in the logic based stream of inquiry, developing HAS models which
are relevant to the problems, conceptually will assist in outlining how the problems
situation can be theoretically solved (Wilson, 2001). Selecting these relevant systems can
be based on different stakeholders’ perspectives, such as public clients, main contractors,
supply chain members and local communities, where they can conceptualise how the
delivery of SV can improve through publicly procured construction projects. The use of
Root definition, which describes the system as means of transformation from a world
view along with the assistance of CATWOE elements analysis of the model can assist in
the emergence of new methods of delivery, which was identified earlier as the missing
mechanisms of SV implementation on operational levels. These models can then be
compared with the reality of the situation, built through rich picture to assess whether the
improvements are socially and culturally viable or not. If so improved, the method can be
implemented in future projects with the SSM being utilised to further investigate the
success of such models. With HAS models having the activities of control and
monitoring for each element of the CATWOE analysis the third and final issue with
having no robust method of measuring or assessing SV can be solved. Win this way
activities of monitoring and controlling can assist in measuring and assessing SV
performance.

4. CONCLUSIONS

Evidence in National and EU policy documents SV is getting increasingly rooted in
public procurement activities, where it attracted attention on different levels, varying
from central government to small boroughs in recent years. Despite that SV remains an
ambiguous and vague subject which is hard to achieve due to multiple reasons. The main
problems lie in defining and choosing additional outcomes which are considered
successful in a SV context. Also, the inability to overcome implementation processes
because of the lack of mechanisms and methodologies which would help to overcome
obstacles of social value delivery on the project level. Finally, the confusing and non-
robust ways that are being used to assess and measure.

Nevertheless, the use of SSM and its two streams of inquiry can improve how SV is
approached on research and practical levels, where it was developed to approach vague
issues which are hard to track or define. Culture stream inquiry can be used to define SV
where Rich picture building as a tool represents information which can be viewed parallel
and not serially as written information which is essential for relationship information.
The understanding created by the rich pictures is what leads to a definition of the problem
situation and the choices made for the relevant systems which ought to be modelled.
Furthermore, the logic based stream of inquiry and the use of relevant human activity
systems used along with Root definitions and the CATWOE analysis can be used to
formulate conceptual models representing different stakeholder’s perspectives in improving current problems situation.

5. REFERENCES

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