

BARRIERS TO SOCIAL ENTERPRISE IN THE UK CONSTRUCTION INDUSTRY

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Given recent trends towards social procurement in many countries, it is surprising that there has been no research into social enterprise in the construction sector. In-depth interviews with twelve senior representatives of UK social enterprises indicate that social entrepreneurs face significant barriers to operating in the UK construction industry. Respondents perceive that the vast majority of the construction industry is ignorant, mistrustful and resistant to engaging with social enterprises. Traditional monetary perceptions of value, established supply chain relationships and biased procurement practices are just some of the barriers which exist. Recommendations are made to reduce these barriers which will involve: incentivising social enterprise through the adoption of social procurement policies; reducing bureaucracy in tender processes; opening up rigid supply chains; unbundling trade packages; building effective partnerships and social enterprise networks; challenging negative perceptions of social enterprise; and overcoming strong path dependencies and resistance to change.

Keywords: corporate social responsibility, community, innovation, social enterprise, social procurement.

INTRODUCTION

A recent report by the UK's Equality Trust (Equality Trust 2014) shows that the UK is an increasingly divided country with a growing gap between the rich and poor and that this was contributing significantly to rising unemployment, health and social problems and to a lack of trust and cohesion in UK society. LePage (2014) argues that traditional government welfare systems, charities, not-for-profits and voluntary organizations are being overwhelmed with the sheer scale and complexity of the challenges posed, leading the UK Government to call for a paradigm shift in welfare provision which brings more commercial and entrepreneurial thinking to the table. A new 'social economy' is emerging to take advantage of this new opportunity and was recently defined by International Labour Organization as including any "*specific forms of enterprises and organizations. Cooperatives, mutual benefit societies, associations and social enterprisesthat all promote and run economic organizations that are people-centred*" (Fonteneau *et al.*, 2011:1). Social enterprises represent the fastest growing part of this social economy. What makes social enterprises different to other organizations in the social sector is that they trade for a social purpose, feeding their profits back into the disadvantaged community groups they are set up to serve (Villeneuve-Smith and Chung 2013).

The construction sector represents a major opportunity for the emerging social enterprise sector since it employs more people than any other industry and has a

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significant impact on the fabric and prosperity of the communities in which it builds (WMI 2010, GCP 2013). In UK the construction sector contributes around 7.4% to national GDP, employs around 2.04 million people directly and could potentially employ up to 10% of the 1 million 16-24 year olds currently unemployed in the UK (Chevin 2014). Furthermore, given the construction industry's extensive linkages with other sectors in the economy, the potential economic multiplier effect of one job created in construction into other sectors of the economy is huge. According to CBI (2012) points out, the UK construction sector generates £2.84 of total economic activity for every £1 spent on construction. As Hansford (2013) noted, at its best construction can have a transformative impact on local communities, regional economies and national prosperity by enhancing the urban fabric and acting as incubator zones for new business, innovation and education and ultimately inward investment and economic growth.

In addition to representing a significant opportunity for social enterprises, there are many mutual benefits for the construction industry to engage with this emerging sector. Outside complying with corporate social responsibility objectives, the emergence of the social enterprise sector in the UK is being driven by a number of important public sector trends and initiatives which directly impact on construction. Of particular importance is the government's move towards outcomes-based commissioning and new social procurement legislation such as the Public Services (Social Value) Act 2012 which encourages a broadening of public procurement criteria to encompass 'social value' in the assessment of construction project tenders.

Given the importance of the public sector as a construction client, social enterprises represent an innovative opportunity to meet these new social value requirements since they specialise in delivering social value to the communities in which they work. However, these trends raise new and important challenges for the construction industry which have not yet been addressed in the construction management research literature. In particular, how do firms in the construction sector engage more effectively with social enterprises as a way of meeting these new social procurement requirements? The aim of this paper is to address this question through in-depth interviews with social enterprises which have worked in the construction sector.

SOCIAL ENTERPRISE

Much of the literature in the field of social enterprise has been consumed with finding a precise definition for the term. Nicholls (2010) argued that the field of social enterprise was still in a pre-paradigmatic state, lacking an established epistemology and Grassl (2012:37) asserted that "*terminological profusion and confusion and underlying conceptual vagueness*" still plague the field. While Doherty *et al's* (2014: 430) recent review of the social enterprise debate argues that the field of social enterprise had "*matured beyond definitional debates*", it remains the case that the term social enterprise is often misunderstood. So for the purposes of this paper, PWC's (2011:1) definition is adopted - as an organisation which "*combines the passion to solve social and environmental issues with the power of commercial enterprise.*"

The social enterprise sector around the world is growing rapidly. Villeneuve-Smith and Chung's (2013) survey showed that in the UK there were over 70,000 social enterprises employing around 1 million people and contributing over £24bn to the economy. In the EU, the social enterprise sector now accounts for over 6.5% of aggregate employment (Monzon and Chavez 2012). Social enterprises take many

forms and operate in many sectors. However, the construction industry is deeply under-represented in the social enterprise sector given its relative size and impact. For example, in the UK Villeneuve-Smith and Chung's (2013) survey of social enterprise activity shows that apart from housing (which is dominated by Housing Associations), social enterprises that work in the construction sector are conspicuously absent. Similarly, in Australia, Barraket *et al*'s (2010) survey of 365 social enterprises indicated that the social enterprise sector is focussed in education and training (41.6%) and recreation services (31%). Social enterprises operating in the construction sector featured in the least represented areas at around 2% of the population. Similarly, in the US, Clark and Ucak's (2006) survey of 211 social enterprises found most were focussed in the energy, environmental and technologies sectors (19.4%) while fewest were represented in manufacturing, construction and transportation sectors (8%). The relatively few social enterprises that do currently operate into the construction sector tend to be very small start-ups and appear to be restricted to cleaning services, gardening and landscaping services, facilities management, concierge services, small works and grounds maintenance and environmental services such as waste management and recycling. While there are many more inspirational social enterprises operating in the construction sector around the world, these types of small firms would typically operate a long way down the construction supply chain, largely out-of-sight and out-of-mind and in a notoriously high-risk environment. For example, Blue Sky is a successful UK social enterprise which focusses on offender rehabilitation by tendering for commercial contracts in grounds maintenance, painting, landfill, tree planning, recycling and some non-construction-related work and then delivering the contracts by employing ex-offenders. David Cameron, The UK's Prime Minister, wryly described Blue Sky as the only company in the UK where you needed a criminal record to get a job. In Australia, BoysTown Enterprises is a social enterprise linked to a charity which was established in 1999 as an Intermediate Labour Market (ILM) organisation to employ disadvantaged and Indigenous young people in paid employment as a means of developing work based skills and moving them from welfare to work. BoysTown Enterprises recently successfully branched out into speculative residential construction work and since 1999 has employed over 2,000 disadvantaged youths. In the US, KaBOOM! is a US social enterprise which helps communities build their own children playgrounds. KaBoom! has raised over US\$200 and encouraged over 1 million community volunteers to build more than 2000 playgrounds in under-privileged areas in the US which serve more than 5.5 million low income children.

There is a substantial body of research into the barriers that face social enterprises in many other industry sectors. For example, Doherty *et al* (2014), Villeneuve-Smith and Chung (2013) Kernot and McNeill's (2011) analysis of social enterprises in the US, UK and Australia reveal many day-to-day challenges which include: a focus on day-to-day survival preventing long-term strategic planning; developing an independent income stream from trading activities; establishment problems in limited legal and financial structures; overcoming negative perceptions and a misunderstanding of the risks and opportunities of engaging with social enterprises and an inability to compete with mainstream businesses. In contrast, there has been no research into social enterprise in construction and while a few large firms are starting to engage with social enterprises, there seems much scope to expand our understanding of the challenges they face and of how the construction sector can engage more effectively with its growing but fragile social economy. A review of the Association of Researchers in Construction Management (ARCOM) data base

(<http://www.arcom.ac.uk/abstracts-search.php>), shows only one reference to social enterprise in over twenty five years (Tobi and Amaratunga 2010), which usefully focused on facilities management but did not explore barriers to entry.

METHOD

To explore the barriers to entry for social enterprises in the construction industry, semi-structured interviews were conducted with the leaders of twelve successful social enterprises trading in the construction industry. The social enterprises were randomly sampled from the growing number of social enterprise directories which are beginning to emerge in this country. These include the Social Enterprise UK ‘Buy Social’ Directory, the ‘Social Enterprise Mark’ directory, Social Firms UK ‘Just Buy’ Directory, BuySe.co.uk directory and the Wates Group directory of approved social enterprise suppliers. The people and case study social enterprises which were investigated are listed in Table 1.

Table 1: Sample details

Case study	Respondent	Description of activity
1	Criminal Justice Lead	Recruits and trains offenders and ex-offenders in and out of custody, providing them with nationally recognised construction industry qualifications, work experience and direct employment in painting and decorating, tiling, dry lining and other areas.
2	Director	Provides facilities and estate management services, drawing its staff from local communities and public housing tenants who are disadvantaged in the labour market.
3	Managing Director	Saves resources by rescuing and re-using waste timber that would otherwise be landfilled or wood chipped and creating sustainable jobs, as well as training and volunteering opportunities, for local disadvantaged and unemployed people.
4	Managing Director	Creates local job and training opportunities for disadvantaged and unemployed and to stimulate local economic regeneration by delivering construction trades services such as external wall insulation, plastering, tiling, painting and general contracting.
5	Operations Manager	A crewing and logistics social enterprise which employs people with a history of homelessness.
6	Director	Delivers commercial and residential grounds maintenance, horticultural and waste services with the aim of supporting people with mental health conditions into mainstream employment, getting them off benefits and to reducing their reliance on medication.
7	Sales Executive	Provides employment opportunities for disabled people through surveying, design, manufacturing and subcontracted installing services for PVCu windows and doors and kitchens and bathrooms.
8	Executive Director	Helps young people from disadvantaged backgrounds, ex-service leavers and ex-offenders build confidence and gain

	and Researcher	access to training, education and employment opportunities in the construction industry.
9	Managing Director	A recruitment agency that specialises in construction menial workers, trades and professionals and focusses on employing people from disadvantaged backgrounds (particularly long term unemployed, ex-offenders, disabled and displaced apprentices).
10	Managing Director	Assists in regional development in deprived communities by influencing planning to improve housing and regeneration strategy to create opportunities for local disadvantaged people. It also provides disadvantaged groups with training, apprenticeships, recruitment, support and sustainable employment opportunities.
11	Executive Director	Works to prevent and alleviate youth homelessness and unemployment through property maintenance services to both private and commercial clients drawing employees from former homeless and at risk young people.
12	Director	Provides wood waste collection and recycling services to the construction industry and community and socially inclusive volunteering and learning opportunities to disadvantaged people in its local community.

The semi-structured interviews were designed to explore the challenges that social enterprises face in growing their businesses in the construction industry. To supplement the interview data a documentary analysis was also undertaken of publically available and supplied information relating to each social enterprise's business strategies and activities. The data from these interviews and documents were analysed using content analysis to identify common themes which emerged from the interview transcripts. The coding framework was developed from a detailed review of the literature relating to social enterprise outside the construction sector.

RESULTS

The major challenges identified by respondents in engaging with the construction sector are discussed below.

Negative perceptions

Respondents pointed to a lack of trust and not being taken seriously by the construction sector. There was a strong perception that social enterprises were seen as charities that deliver low quality services for a higher price than traditional subcontractors and suppliers and that they did not have the capacity to handle large work packages. For this reason, most social enterprises found themselves working on small packages at the very bottom of the supply chain which prevented them growing their business to enable them to tender for the larger packages in the future.

"It can often be challenging for contractors to make the mind-shift from treating us like a charity to treating us like any other business. We don't want to be treated like a charity". RESP # 12

“Social enterprises are not taken seriously by the construction industry.... on most occasions it’s just a ‘tick the box’ exercise. We tend to get given token contracts which represent tiny parts of the overall contracts”. RESP # 7

Resistance to change

Every respondent pointed to an unwillingness or inability in the construction sector to change established supply chain relationships and procurement practices. The industry was seen as very close-knit with long-established supplier networks, recruitment methods and sources of labour (old boy's network). These relationships and networks were very difficult for most social enterprises to break-into.

“The industry is very close-knit. The people who work in the industry don’t tend to leave the industry which does bring many benefits but it can also hold the industry back in terms of the resistance towards change” RESP # 8.

“The construction sector has not been the most enlightened and forward thinking group of people. They have been doing things the same way for a long time and it’s been hard to get them to adapt their practices to do something different” RESP # 12.

“It’s difficult to break into the construction industry because the big firms have their established subcontractors. Supply chains seem to be locked-in and the typical response is that “we always use X”. RESP # 7

Existing procurement practices

Respondents also pointed to complex, inconsistent and bureaucratic procurement procedures which they felt placed an unfair administrative cost burden on them. There were also perceptions that the construction industry had a narrow view of ‘value’ (price) which under-values what social enterprises can contribute.

“The construction industry is also dominated by very large international and national companies who prefer to make one phone call and sort out their supply chain. There is not always willingness, for reasons of efficiency and risk to split that supply across various suppliers”. RESP # 7

“We have learnt not to wear our heart on our sleeve. The industry is not impressed with such stories. The industry is driven by two main things: price and quality of service. The first question you have to get past before even discussing social enterprise is whether you can do it cheaper..”. RESP # 2

Regulations

Respondents identified the highly regulated nature of construction activity (compared to other industries) as a significant barrier to entry. Complex pre-qualification processes, tender registration, quality assurance and health and safety requirements can be prohibitive and daunting for social enterprises with minimal resources and experience of the construction sector.

“The construction sector is heavily regulated for obvious practical reason which consumes much time and resources for a small business.....and it takes a while to become familiar with these special requirements”. Resp# 5

“Construction is a heavily regulated sector for us. There are many hoops to jump through and procurement systems are complex and burdensome. When your income is only 1% of your turnover and your turnover is only a few hundred thousand pounds, you can’t afford to pay to be on tender lists or tender for many jobs without a guarantee of work”. Resp#11

The project based and cyclical nature of construction activity

Many respondents argued that the project-based nature of work in the industry leads to short-term thinking which de-values what social enterprises offer and short-term contracts which prevent stable work flows and employment opportunities for their beneficiaries. The cyclical nature of the construction market *also* makes it hard to work across different organisations in a coordinated way.

“Being married to the construction industry has been difficult. We really struggled in the 2008 crash. The construction sector is highly cyclical and you have to be agile, flexible and resilient if you are to ride the ups and downs”. RESP # 11

“The industry is peripatetic. You build up a relationship with someone and then they move on. This is especially problematic if you are dealing with the industry at a local level”. RESP # 4

Construction industry culture

Finally, cultural issues, preconceived ideas about the ideal construction worker (able bodied males) and ingrained stigmas associated with disadvantaged groups were seen as key barriers to engagement.

“There is a strong perception in the industry of where the workforce should come from... People get jobs because they are known, know someone or come from a certain background. Introducing new people into that system is difficult”. RESP # 4

“There are cultural barriers that revolve around expectations of roles for certain types of employees.....There are many other barriers around issues like ethnicity and ex-offenders etc” RESP # 8.

DISCUSSION

The results align with Newth and Wood’s (2014) research which suggests that resistance to implementing a social procurement policy is likely to come from four main areas: organisational – governance, risk appetite, resources and culture; market – maturity, resistance, competition and diffusion challenges; formal institutions – contracts, systems and practices; and informal institutions – organisational habits, norms, customs, routines and power structures. The results also support Erridge (2007) who argued that in most industries the concept of ‘value’ is still dominated by market based language (value for money) and this is certainly reinforced by Loosemore and Richard’s (2015) critique of value in the construction sector.

In terms of strategies to engage more effectively with the social enterprise sector, this research indicates that Bonwick’s (2014) suggestions may be useful. These include the development of: more visible social enterprise supplier networks; more research on best practice in engaging social enterprises; better networking opportunities for social enterprises; better training for those involved in the social procurement process; better communications about the benefits of social procurement; better incentives for business to engage with social enterprises; more partnerships between business and the social enterprise sector; and encouraging and supporting social enterprise certification. LePage’s (2014) also highlights the importance of leading firms in any industry taking a leadership role to change existing procurement practices, to develop better policy, practice and internal capabilities and skills to support it and to create better social impact measurement tools to quantify outcomes and impacts.

This research also provides a number of new construction-specific insights into what firms in the construction industry need to do to support and improve their engagement with the growing social enterprise sector. First changes to traditional procurement practices are required. They need to be simplified and standardised and large work packages which are beyond the capacity of small social enterprises need to be unbundled. Construction firms also need to ensure that social procurement initiatives developed in head office get implemented on site and better networks, partnerships and alliances between large firms and social enterprises are needed to support the sector's development and enable social enterprises to break into existing and well-established supply chains. Importantly, perceived negative attitudes towards social enterprises in the construction sector need to change by working more closely with social enterprises and by better education of clients, companies and supply chains about their potential benefits. This can be helped by the development of a clear and transparent social procurement policy which communicates a clear rationale and commitment to social enterprise. Clearly identifiable and measurable targets and goals also need to be set and underpinned by clear and practical guidelines, systems and procedures and requirements (such as social clauses) to enable social value considerations to be integrated into tenders, contracts and procurement decision-making. This will help to broaden concepts of value in the construction sector.

Finally, respondents pointed to a lack of trust and not being taken seriously by the construction sector. There was a strong perception that social enterprises were seen as charities that deliver low quality services for a higher price than traditional subcontractors and suppliers and that they did not have the capacity to handle large work packages. For this reason, most social enterprises found themselves working on small packages at the very bottom of the supply chain which prevented them growing their business to enable them to tender for the larger packages in the future.

CONCLUSION

The aim of this paper was to explore the barriers to entry for social enterprises in engaging with the construction industry. Clearly, it has presented these barriers from the perspective of social enterprises only and the findings presented above need to be balanced with insights from the contracting sector that employs them. For example, the unbundling of subcontracts into smaller packages could impact upon competitiveness by reducing economies of scale. Furthermore, legitimate questions might exist in the contracting sector about divided social enterprise loyalties to their beneficiaries or clients. Nevertheless, this research does provide some new insights into perceived barriers to entry which might prevent the construction industry engaging with the growing social enterprise sector. By addressing these barriers, research in other fields indicates that the industry will be better able to contribute to the communities in which it does business and to play its role in addressing growing social inequities by helping the most marginalised and disadvantaged people in society. It is clear that many of the challenges identified by this research are common to social enterprises outside the construction industry. However, this research also shows many construction-specific challenges and by doing this contributes to the literature in both mainstream social procurement and construction procurement research. Recommendations are made to address this lack of understanding and engagement which involve: changing negative perceptions; building mutual understanding and trust; overcoming strong path dependencies and resistance to change; addressing biased procurement practices; reducing costly bureaucracy;

opening up rigid supply chains; building effective partnerships; and ensuring that firms take their CSR responsibilities seriously.

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