Community Benefits of Public Procurement: A Comparison between Local Governments in Wales (UK) and the Netherlands

Jane Lynch, Niels Uenk, Helen Walker, and Fredo Schotanus

ABSTRACT

Sustainable and social procurement are growing practices being applied across the public and private sectors in different countries. Yet, little is known about the drivers for and wider impact of these strategic procurement approaches. Using an institutional theory perspective, we focus on social public procurement practice across local governments in Wales (UK) and the Netherlands to understand how and why community benefits policies are formulated and enacted in these different yet comparable institutional environments. The research sheds light for public procurement practitioners and for academics, contributes to nascent research on the social aspects of purchasing and supply management.

Keywords: Community benefits; Social procurement; Socio-economic

INTRODUCTION

Public procurement makes up a substantial part of economies worldwide of about 10 to 25 percent of gross domestic products (GDP) (European Commission, 2014). This makes public procurement a potentially strong instrument for governments to create social, economic and environmental benefits when they procure works, goods and services. The current expectation for public sector organisations wishing to demonstrate public value (Jacobs, 2014; Feldman, 2014) is that they move away from selecting suppliers based on lowest cost and procure required products and services in a more sustainable manner (Brammer and Walker, 2011; Walker et al., 2012). Sustainability has been a recent focus for public administration (Fiorino, 2010; Reid, 2012), as public organisations seeks to demonstrate not only value for money but also environmental and societal responsibility. This study focuses on the sustainable value-added community benefits of public procurement across local governments in Wales (UK) and the Netherlands respectively using local multiplier and social return on investment as measures.

Achieving social, economic and environmental benefits from suppliers to governments in Wales is top-down policy driven and directly aimed to support the “Tackle Poverty Campaign” (Welsh Government, 2014). The aim of public procurement is to promote job opportunities for disadvantaged people as it is expected that suppliers which provide employment and training opportunities to disadvantaged people not only help these individuals, but can also have wider reaching benefits for their families and particularly children, as well as the wider community. Similarly, the Dutch central government introduced social return obligations for central government procurement in 2011. Different from Wales, this top-down obligation does not cover local governments. Still, in 2014 at least 79% of Dutch local governments apply social return conditions for suppliers in their procurement (Emmerik, van Jong, and de Brouwer, 2014). In the Netherlands, we find public procurement strategies aiming to obtain community benefits through suppliers by supporting social inclusion, by promoting jobs for young and/or disadvantaged people through inclusive work environments.

Whilst research into public procurement is fairly well established (Ferris and Graddy, 1986; Denes, 1997; Celec et al., 2000; Besselman, Arora, and Larkey, 2000; Walker, 2013;
there is very little research available which explores why and how sustainable social procurement policies are created and subsequently implemented. There is some social procurement research exploring government set asides to support small businesses (Denes, 1997), and for minority owned businesses (Smith and Fernandez, 2010), but scant research on how procurement can benefit local communities. Public procurement policy makers who develop policy by applying community benefits or social return conditions run into several difficulties and dilemmas in the process. For instance, should the policy be applied or targeted to a small or wide range of contracts and does this depend on contract value? Are there specific procurement approaches that should be prescribed (e.g. should it be prescribed that a certain percentage of the contract value has to be re-invested to support employment)? And to what extent should such a policy allow for flexibility in applying such an approach? Existing research which starts to explore such procurement dilemmas tends to be more environmentally and private sector focused (Walker and Brammer, 2009; Miemczyk, Johnsen, and Macquet, 2012).

Insight into how separate nations in different circumstances develop and implement community benefits policies could improve our understanding of the social procurement concept as well as provide practitioners with examples of its implementation. In this study we explore the differences and similarities between local governments in Wales and the Netherlands. Our research is framed using an institutional theory perspective to identify coercive, mimetic and normative pressures on buyers to implement social procurement policies. Specifically, we address the following three research questions:

1. What are the similarities and differences in the institutional policy contexts for community benefits in Wales and the Netherlands?
2. What are similarities and differences in implementing community benefits in Wales and the Netherlands through public procurement?
3. What lessons can be learned from the introduction of community benefits policies in Wales and the Netherlands in public procurement?

The paper has been organised in the following way. First, we outline institutional theory, which frames our research. We also consider sustainable procurement research to date viewed through an institutional lens. Next we describe the methodology used. We also describe the contexts of the two European nations studied. In the results and practical implications section, we aim to identify how community benefits are applied and what the main lessons learned are. The last sections discuss the academic implications, limitations, and conclusions given the contexts of the nations studied.

LITERATURE REVIEW

Theoretical framing: institutional theory
In order to better understand the different approaches to social procurement in Wales and the Netherlands, we adopt an institutional theory perspective (DiMaggio, 1988, DiMaggio and Powell, 1983; North, 1990). Institutional theory suggests that organisations change and adapt due to institutional pressures:  

'We identify three mechanisms through which institutional isomorphic change occurs, each with its own antecedents: 1) coercive isomorphism that stems from political influence and the problem of legitimacy; 2) mimetic isomorphism resulting from standard responses to
uncertainty; and 3) normative isomorphism, associated with professionalization.’ (DiMaggio & Powell, 1983 p. 150)

Coercive mechanisms influence the institutional contexts that organisations operate in, such as government policy and legislation, or regulative formal rules (North 1990), which vary from country to country. In our study, we will explore the policy context for social procurement in Wales and the Netherlands, seeking to understand the similarities and differences between them. We will also explore the variation in sustainable procurement implementation between the two countries, given their differing institutional contexts.

A further aspect of institutional theory is mimetic isomorphism, where in a response to uncertainty, ‘Organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful’ (DiMaggio and Powell, 1983, p.152). We shall investigate our local government cases for evidence of implementing social procurement and mimicking or copying the approaches of each other. Normative processes stem from professionalization (Theodorakopoulos, Ram, and Kakabadse, 2015), and one could argue that professional bodies such as the Chartered Institute of Purchasing and Supply (CIPS) in the UK, the Dutch Association for Purchasing Management (NEVI), and the Dutch expertise centre Professional and Innovative Tendering, Network for Government Contracting Authorities (PIANOo), have influenced buyer norms about what is perceived as good sustainable and social procurement practice.

**Previous studies adopting institutional theory: sustainability, social issues and public procurement**

Institutional theory has previously been adopted to explore different aspects of sustainability, including environmental aspects and to a lesser extent social issues. Environmental studies adopting an institutional perspective have investigated environmental strategies and institutional constraints (Child and Tsai, 2005), diversification into other industries (Diestre and Rajagopalan, 2011), sustainability reporting (Etzion and Ferraro, 2010), corporate environmentalism (Hart, 1998), environmental practices and ISO 14001 adoption (Prajogo, Tang, and Lai 2012; Sarkis, Gonzalez-Torre, and Adenso-Diaz, 2010), environmentally destructive behaviour (Bazerman and Hoffman, 1999), environmental debates in networks (van Bueren, Klijn, and Koppenjan, 2003), and green Supply Chain Management (SCM) (Zhu, Sarkis, and Lai, 2013; Shi et al., 2012).

In the social and ethical sphere, institutional theory has been adopted to look at diversity management programs in public organisations (Pitts et al., 2010), corporations as social change agents (Bies et al., 2007), manager’s ethically suspect behaviours (Cullen, Parboteeah, and Hoegl, 2004), the role of ethical institutions (Langenberg, 2004), and fair trade (Nicholls, 2010).

The majority of studies investigating purchasing and supply issues from an institutional theory perspective have tended to be conducted in private sector contexts (Kauppi 2013; Walker and Jones, 2012). More rarely, studies of public procurement from an institutional theory perspective can be identified. Studies include e-procurement (Moe, 2004), military procurement (Caldwell and Howard, 2014), corruption in public procurement (Gong and Zhou, 2015), and the public procurement of innovation (Rolfstam, 2012).

Looking specifically at social issues in public procurement, we could only identify two studies that adopt institutional theory. One study investigated how supplying government shapes corporate social responsibility orientation, finding a relationship between the extent to
which firms engage in defence procurement and the corporate social responsibility orientations of their managers (Snider et al., 2013). In another study (Theodorakopoulos, Ram, and Kakabadse, 2015), institutional theory is used to identify, among other things, specific approaches to installing procedural justice for social procurement. The authors do this by examining large public and private purchasing organisations, which actively engage with social procurement initiatives such as buying from ethnic minorities. In our study we adopt institutional theory to explore social issues in procurement, focusing specifically on using procurement to create community benefits. Table 1 summarises the key literature on sustainable SCM and social procurement from an institutional perspective, which has been grouped according to the three processes identified in institutional theory.

<table>
<thead>
<tr>
<th>INSTITUTIONAL THEORY MECHANISMS</th>
<th>STUDIES ILLUSTRATING MECHANISM IN A SUSTAINABLE PROCUREMENT / SCM CONTEXT</th>
<th>COMMUNITY BENEFITS STUDY</th>
</tr>
</thead>
</table>
| **COERCIVE**                  | • Countries differ in their policy context for sustainable procurement (Walker and Brammer, 2011)  
• Variation in sustainable procurement implementation across local governments (Preuss, 2007)  
• A relationship between extent of defence procurement and the corporate social responsibility orientations of managers (Snider et al., 2013)  
• Institutional pressures affect green SCM adoption (Zhu et al., 2013)  
• Firms have to cope with enhanced pressure from different stakeholder groups regarding their upstream supply management practices, influencing sustainability performance (Reuter, Goebel, and Foerstl, 2012)  
• Buying from ethnic minorities is shaped by all three mechanisms of institutional theory (Theodorakopoulos, Ram, and Kakabadse, 2015) | • Proposition 1a  
Public sector organisations in different countries with differing policy contexts face different institutional pressures  
• Proposition 1b  
Public sector organisations in different countries with differing policy contexts differ in their approach to the procurement of community benefits |
| **MIMETIC**                   | • Leading organisations serve as role models in private sector case studies of sustainable SCM (Walker & Jones 2012)  
• Buying from ethnic minorities is shaped by all three mechanisms of institutional theory (Theodorakopoulos et al., 2015) | • Proposition 2a  
Public sector organisations will copy other organisations in their adoption of community benefits  
• Proposition 2b  
Leading public sector organisations will be copied in their adoption of community benefits |
| **NORMATIVE**                 | • There is purchasing manager variation in behaviour and views across countries, including ethics (Cooper, Frank, and Kemp, 2000; Ogden, Rosetti, and Hendrick, 2007; Carter et al., 2008; Tadepalli, Moreno, and Trevino, 1999)  
• Buying from ethnic minorities is shaped by all three mechanisms of institutional theory (Theodorakopoulos et al., 2015) | • Proposition 3  
Purchasing managers with different professional bodies will differ in their approach to community benefits |

Table 1: Summary of sustainable procurement and SCM studies grouped by institutional theory mechanisms
Based on the key findings of our analysis of literature through an institutional lens, we have also added propositions of how institutional theory mechanisms might be manifested in the context of our study on the procurement of community benefits. In the discussion and conclusion section, we discuss to what extent the propositions are supported by our findings.

METHOD
This section of the paper explains the methodological approach detailing the rationale for utilizing two case nations, the sample size and the methods of data collection. We start by first acknowledging in this paper that there are few studies if any that investigate the difficulties and dilemmas in implementing community benefits procurement policies, this study has explored the growing importance of sustainable factors influencing and shaping public procurement decisions for Wales and Netherlands by understanding the rationale and design of policy through to its implementation.

The study benefits from a mixed methods approach with a fundamental principle of collecting different but complementary data for the same topic (Saunders, Lewis, and Thornhill, 2007). Accepting that arguments exist that a case study method had historically been viewed as a soft option (Robson, 2002), Yin (2014) contends that the extent of the challenge for conducting good quality case study research should never be underestimated. Yin further recommends using six principles for guidance when collecting case study evidence. These six principles and the evidence gathered for this study are captured in Table 2.

<table>
<thead>
<tr>
<th>SOURCE OF EVIDENCE</th>
<th>EXAMPLES OF EVIDENCE WALES</th>
<th>EXAMPLES OF EVIDENCE NETHERLANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOCUMENTATION</td>
<td>Welsh government reports/ Welsh government web page information/ EU reports</td>
<td>Government policy reports /Netherlands web page information / evaluation reports of research institutions / EU reports</td>
</tr>
<tr>
<td>ARCHIVAL RECORDS</td>
<td>36 community benefits measurement contracts with eleven pages of data for each case extracted via spreadsheets</td>
<td>46 tender documentation for social care, each specifying the social return requirements for the corresponding contract</td>
</tr>
<tr>
<td>INTERVIEWS</td>
<td>Four telephone interviews with senior procurement managers directly involved with community benefits</td>
<td>-</td>
</tr>
<tr>
<td>DIRECT OBSERVATION</td>
<td>Attendance at a workshop on community developments training for procurement managers across all public bodies</td>
<td>Attendance at a seminar, focussing on applications of social return from local governments and contractors’ perspectives</td>
</tr>
<tr>
<td>PARTICIPANT OBSERVATION</td>
<td>Round table discussion with procurement managers at the workshop</td>
<td>Round table discussion with procurement managers, public procurement lawyers and contractors on the application of social return</td>
</tr>
<tr>
<td>PHYSICAL ARTIFACTS</td>
<td>Information gathered from training materials utilised during the workshop</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 2: Six principles for case study evidence

Yin (2014) criticises single case studies as vulnerable in terms of robustness hence this study compares the findings for two case nations: Wales and Netherlands provides a basis for comparison which not only helps to make the analysis easier; there is a knowledge sharing opportunity with lessons being drawn out from each case study in the final section of the paper. Whilst geographically the nations are difficult to compare with a population in the
Netherlands marginally under 17 million in 2015 and marginally above 3 million in Wales. In terms of GDP, the Netherlands public procurement contributes 23% GDP (Trade Europa, 2015) which is twice that in Wales where public procurement represents approximately 11% of GDP. Despite these differences, the two nations are still considered compatible and relevant for the purposes of theory and conceptual development as there are many relevant similarities. For instance, both nations are in the EU and follow European legislation. Both nations have paid attention to achieving community benefits through public procurement, and more pragmatically the authors had access to data in both countries.

Data sample – Wales

Welsh public procurement spends a total of £5.5 billion per year on goods and services (Senedd Debates 2015). For this study, a total of 36 contracts from local governments in Wales were examined. From the 22 local governments in Wales, data is extracted from eleven local governments. The data is extracted via spreadsheets which have been shared by Welsh Government for the purpose of the research. Ethical approval and consent forms have been utilised to ensure relevant confidentiality for protecting the individual identities of contract managers and procurement managers.

Data sample – the Netherlands

To better understand community benefits conditions, and the extent to which they are applied across local governments in the Netherlands, we analyse a sample of 81 public tenders for social care. These are all contracts that were tendered during 2014 as a consequence of a major system reform in the Dutch long-term care sector. Many local governments collaborated in buying these services, so the 81 tenders actually reflect the contracts for 374 out of 403 local governments.

Each of these 81 tenders resulted in awarding framework agreements with multiple care organisations (between fifteen and 200+ care suppliers). The annual value of the contracts ranges between approximately € 1 million for the smallest local governments tendering on their own to upwards of € 50 million for large collaborations and large local governments.

FINDINGS

In the findings and practical implications section, we address each of our research questions in turn.

Institutional policy contexts: similarities and differences

CASE 1 – Policy context in Wales

In Wales, social procurement got mostly on the radar after The McClelland Review (McClelland 2012): Maximising the Impact of Welsh Procurement Policy. The report highlighted the important role and positive impact that public procurement in Wales can make by sourcing locally to improve sustainability in Wales. The Public Procurement Policy Statement (Procurement Wales, 2015) sets out a clear definition of how procurement is being used as a strategic tool for social, economic and environmental development in Wales. The procurement policy making division, Value Wales, ensures there is widespread understanding and adoption of community benefits measurement by buyers of public bodies across Wales to maximise the value of public procurement. For example, 52 per cent of public contracts have been won by suppliers based in Wales (Welsh Government, 2014). A potential constraint of
this is the restructuring of public procurement. The National Procurement Service (NPS) are tasked to manage common and repetitive spend through competitive contracts but this results in larger contract values. NPS are expected to deliver £25 million annual cost savings (Procurement Wales, 2015).

The Welsh Government introduced a Community Benefits Measurement Tool (Welsh Government, 2014), with the objective of increasing the so-called local multiplier effect of local sourcing for each contract. The principal term multiplier derives from the Keynesian economic approach: an increase in local capital expenditure leads to an increase in employment in firms which produce capital goods (Mulhearn and Vane, 2012). Local sourcing can have a positive impact and local multiplier effect (Esteves and Barclay, 2011).

So, when a nation such as Wales or region such as North Wales experiences rising income levels through new or increased employment opportunities this is expected to lead to a rise in other areas such as disposable income and local wealth.

**CASE 2 – Policy context in the Netherlands**

Tackling issues such as unemployment or raising household income are important topics in the Netherlands as well. Similar to the situation in Wales, community benefits are therefore a much debated and applied concept in the Netherlands. Evidence of early application of social conditions aimed at reducing local unemployment in public procurement is the Beentjes Judgment (1988) – a judgment of the EU Court of Justice dealing with a condition for contractors to involve at least 70% long-term unemployed people in the execution of the contract (ECLI: EU: C: 1988:422).

Interestingly, despite that there is not a central policy applying to central and local governments, both broadly embraced the concept of Social Return on Investment (SROI) as a policy tool for applying policy objectives with respect to creating local employment through public procurement. In 2011, the central Dutch government adopted SROI in their procurement policy. In 2014, at least 79% of Dutch local governments apply social return conditions in contracts (Emmerik, van Jong, and de Brouwer, 2014). Yet, right from the start Dutch governments were straying away from the original concept of SROI (focused on output and outcome), developing a rather different set of policy tools to enforce inclusion of people with a distance to the labour market in the execution of public contracts (focused on input). The concept of SROI has been developed late last century in the USA by the Roberts Foundation (Emerson, Wachowicz & Chun, 2000). The outcome of an SROI analysis is that each € 1 spent at a certain initiative results in € x of social value.

Although originally SROI is developed as measurement method for the social value achieved in economic terms, in the implementation in Dutch public procurement policy governments converted SROI under the label ‘social return’ (omitting ‘on investment’) to a range of social conditions applied in public contracts. Today, local governments use the labels Social Return (SR) and SROI interchangeably for their community benefits conditions.

Given there is no centrally prescribed method to apply social procurement conditions, it is interesting to compare to what extent SR measures and conditions vary across Dutch local governments. In fact, we will demonstrate that in the sample of 81 tenders for social care by Dutch local governments there are various SR approaches that differ to a certain extent. However, all cases have a common denominator: the SR conditions require contractors to invest in the (local) employment of long-term unemployed or disabled people, or ‘people with a distance to the labour market’. Rather than focussing on measuring the social impact (return), the contract conditions focus on the contractors input: the investment to be made.
Community benefits implementation: Similarities and differences
This section highlights the contrasting approaches for implementing and measuring community benefits and how it has been applicable for public procurement in Wales and the Netherlands. Firstly, the findings from 36 construction-based contracts are presented. The Welsh contracts have all been measured for community benefits between 2008 and 2014. Secondly, from a sample of 81 Dutch municipal long-term (social) care tenders completed in 2014, the findings from 46 social care contracts are presented.

CASE 1 – Implementing community benefits through public procurement in Wales
In Wales, measuring community benefits has become a core requirement, yet the level of compliance across all public bodies remains low. The measurement tool is primarily designed to evidence how sourcing from Welsh suppliers (or suppliers based in Wales) will stimulate the local economy. Contractors are responsible for inputting eight pages of data and encouraged to engage with the spreadsheet as soon as possible once the contract has started. The data is grouped as either cash benefits or non-cash benefits. Cashable benefits include items such as ratio of direct investment against total contract value, share of income to Welsh residents, treasury savings against contract value and landfill benefit. In terms of cashable benefits across 36 contracts examined: Of the total local government contract values analysed (£310,268,443 from schools and regeneration projects), the formulae calculate that 61.68% (£191,382,737) revenue was awarded to Welsh based businesses, 23.54% (£73,021,716) share of income to Welsh residents and 5.29% (£16,402,692) contributed to landfill fees saved and benefit gained. Non-cash benefits include 490 disadvantaged people being helped back into employment, 12,474 training weeks being delivered and 10,937 apprenticeship weeks as a direct result of the contracts being awarded. For every GBP spent by public procurement, the data set indicates that an average total of 81 pence is reinvested back into Welsh based businesses and salaries. Whilst this looks a positive contribution to sustainable development, one of the main problems facing public procurers is that there may be industry voids. A void situation is one whereby there are insufficient skilled suppliers within a specific sector, such as construction, which means suppliers are contracted from outside of Wales. Overcoming these skill gaps or industry voids are important challenges for less wealthy European nations such as Wales.

CASE 2 - Implementing community benefits through public procurement in the Netherlands
About all Dutch central and local governments have a SR policy for public contracts, yet the way SR is required in contracts differs between them. As discussed before, the common denominator is the focus on input-related conditions in the contracts. Most SR policies require a certain percentage (typically 5%) of the contract value has to be re-invested by the contractor to support employment for the mentioned target, but that is where the commonalities end. There is a great variety in ways (and strictness) of how these investments can be made. Examples include hiring unemployed people, investing on training-on-the-job, retaining personnel that would otherwise be laid off in times of a declining economy, and offering internships for students in lower levels of vocational education. SR conditions differ between local governments in the size and calculation method of the required investment, which group(s) of disadvantaged people to invest in, the extent to which contractors are actually obliged to invest, and the means by which contractors may ‘effectuate’ their required investment.
We demonstrate the variation of SR conditions applied by 374 Dutch local governments, collaborating in 81 different tenders, all for the same type of social care services, all tendered throughout the year 2014. All 403 Dutch local governments (municipalities) have had to contract social care as a consequence of a major health care system reform in the Netherlands. This unique circumstance allows us to determine the similarities and differences in the application of secondary policy objectives by similar local governments in the Netherlands, contracting in parallel the same social care services at the same time.

Out of the 81 public tenders, 45 tenders (56%) feature an SR condition. These 45 tenders reflect contracts for 241 local governments (64% of the 374 municipalities in the research). Two of the tenders, corresponding to contracts for ten local governments, do not require SR-efforts in the first year of the contract because of related budget cuts and major transitions in the social care sector. However, starting the second year of the contract, SR is obliged as well. In the other 36 tenders, 30 tenders do not mention SR or they mention SR is considered and is deliberately not applied due to budget cuts in the social care sector that coincide the 2014 tenders. In the remaining six tenders, local governments indicate they will investigate appropriate use of SR conditions, and potentially change the (framework) agreement in a later stage to require SR conditions.

Among the local governments that do require SR there is variety in the exact terms and requirements. Out of the 45 tenders requiring SR, in eighteen tenders contractors are required to make an effort towards involving long-term unemployed. The contract does not specify a required percentage of the contract value to invest. Rather, the contractor is obliged to hand in proposals of how they intend to involve long-term unemployed in their activities. On top of this, some contracts require the contractor to inform the local government of job openings the contractor does not get filled itself. The local government may then propose currently unemployed persons for the position.

The remaining 27 contracts take a much stricter approach in terms of SR requirements. These contracts do not take an open-ended approach, but have hard requirements that will be monitored as part of contract management. First of all, these contracts typically specify the minimum percentage of the contract value the contractor has to invest in social return. Commonly (local) governments apply a 5 percent social re-investment, and in this sample 22 contracts feature this percentage. The remaining contracts require a lower investment: either 2.5 percent or 3 percent of the total contract value. The contracts that take a strict approach to SR also specify in more detail how the investment needs to be achieved. Three approaches for measuring Social Return on Investment are presented:

- **Direct hiring** - requires contractors to hire unemployed people from specified target groups, and simply count the total wages cost for hiring these people for the duration of their appointment. The total wages cost must equal the target reinvestment. For example, for a €500,000 contract the contractor is required to spend at least €25,000 for (temporarily) hiring long-term unemployed personnel. Typically, the target groups include disadvantaged people.

- **Building blocks method** - distinguishes different categories of unemployed persons by duration of their unemployment, the type of social benefits they currently receive and their educational status. Offering (temporary) jobs or internships to people from these groups corresponds to a certain SR value, and the contractor can combine involving people from the various categories in order to achieve the appropriate amount of social investment. This method typically assigns the highest SR value to the people that are least likely to find employment on their own.
c. **Tailored approach** - The third ‘strict’ approach is to require the minimum investment in social initiatives (i.e. the 5% of contract value), but not to prescribe how this investment should be made. Local governments that take this approach require contractors to provide plans and ideas on how they intend to invest in social initiatives. These plans are discussed with local government officials and after approval these officials monitor the actual execution of these plans.

**Practical implications**

In this section, we address the third research question and identify key lessons from the cross-case comparison of community benefits in Wales and the Netherlands. The cases are compared by identifying the similarities and differences for each case in Table 3.

<table>
<thead>
<tr>
<th>GENERAL DESCRIPTIONS</th>
<th>WALES</th>
<th>NETHERLANDS</th>
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<tbody>
<tr>
<td><strong>DEFINITIONS</strong></td>
<td>Community benefits is a term used to ensure maximum value is gained when spending the welsh pound resulting in greater social, economic and environmental impact to the wider community.</td>
<td>Social return means specifying requirements for contractors to make a (minimum) monetary investment in local employment.</td>
</tr>
<tr>
<td><strong>CONTRACT EFFECTS</strong></td>
<td>The threshold for measuring community benefits started at £3 million but this figure has since been reduced to encourage wider participation by local governments. Whilst the total value for 36 contracts amounts to £310,268.443, the total community benefits for these 36 contracts amounts to £75,575,986. Throughout the duration of these contracts in Wales, 490 disadvantaged people were helped into employment with an additional 12,474 training weeks provided.</td>
<td>Applies to all contracts above a threshold: typically, € 250,000, although local policy may deviate (different threshold, ‘comply-or-explain’, etc.). As an effect of these purchases, typically 5% of the contract value is invested by the contracted in community benefits. The number of trainings weeks, number of unemployed people helped into a job are not known.</td>
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<tr>
<th>DIFFERENCES</th>
<th>WALES</th>
<th>NETHERLANDS</th>
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</thead>
<tbody>
<tr>
<td><strong>MEASUREMENT OF CONTRACTS</strong></td>
<td>Wales focuses on the local multiplier effect. Contracts are measured utilising a spreadsheet measurement tool.</td>
<td>The Netherlands does not utilise a measurement tool as the sustainable emphasis is mainly on employment.</td>
</tr>
<tr>
<td><strong>COMPLIANCE</strong></td>
<td>In Wales, 36 contracts (across 11 local governments out of 22) have supported the community benefits policy in public procurement. The level of compliance is not evenly spread across Wales and across sectors which indicates that there is more scope to realise the full impact and benefits of social procurement.</td>
<td>No obligation for Dutch local governments to apply SR. Yet, most local governments have their own SR policy. Out of 81 public tenders, 46 tenders (across 240 local municipalities out of 374) have supported the SR policy in public procurement. Compliance is subject to a ‘comply-or-explain’ policy. Current market conditions in social care explain low compliance in this data set.</td>
</tr>
<tr>
<td><strong>RANGE OF PURCHASES</strong></td>
<td>Construction contracts</td>
<td>All construction and service contracts</td>
</tr>
<tr>
<td><strong>ECONOMIC DOWNTURN</strong></td>
<td>The economic downturn in Wales has become a key driver for placing greater pressure on procurement departments and contractors to measure community benefits.</td>
<td>During difficult environmental conditions the Netherlands reduces the efforts required by contractors during the first year of the contract given the harsh market conditions being faced in the social care industry.</td>
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</tbody>
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<tr>
<th>SIMILARITIES</th>
<th>WALES</th>
<th>NETHERLANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOVERNANCE</strong></td>
<td>Both nations recognise the impact that sourcing locally in the public sector brings.</td>
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</tbody>
</table>
Both nations are advancing in the implementation of community benefits policies. Collaboration is noted as a strong theme for the Welsh political agenda which is aimed to drive economic growth. Aggregation takes place in Wales across local governments. The Netherlands has examples where local governments aggregate tender opportunities as well.

<table>
<thead>
<tr>
<th>COLLABORATIVE ARRANGEMENTS</th>
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<tr>
<td>Collaboration is noted as a strong theme for the Welsh political agenda which is aimed to drive economic growth. Aggregation takes place in Wales across local governments. The Netherlands has examples where local governments aggregate tender opportunities as well.</td>
</tr>
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</table>

**TABLE 3: Similarities and differences between Wales and the Netherlands**

We focus on some specific differences that help identify key lessons. Policy makers in other nations can learn from the differing institutional contexts and how this affected the implementation of community benefits in procurement.

**Measurement of contracts**

The differences between Wales and the Netherlands regarding the measurement of contracts can be explained by different networks of the policy makers involved. The Netherlands chose for SR based on known approaches used in the United States, yet converted the original measurement approach into a policy of requiring certain specified minimum ‘social’ investments. In combination with a ‘comply or explain’ policy this is a relatively easy implementable approach. This tackles common implementation barriers as found by Brammer and Walker (2007), such as limited capabilities, skills and knowledge at the organisational level and organisational attitudes. We assume it to be likely that this simple approach helped in the fast-spreading of SR policies among local governments. On top of this, we assume many local authorities simply copied the policy developed by a few ‘early adopters’: the first local government started using a 5% re-investment in local employment condition under the label ‘Social Return on Investment’ as early as 1998. Their approach seems to have become the template for other local authorities. Institutional theory labels this mimetic isomorphism, and in fact the data in the Dutch case seems to strongly support this theory. In fact, the SR conditions in many of the tenders are exact copies of each other, indicating many local authorities have copied their SR conditions from another local authority. The main lesson we learn from this is that if a nation aims to quickly implement community benefits policies among independent governments, the Dutch approach could function as an example. The disadvantages of such an approach are discussed in the next subsections.

**Economic downturn**

While Wales has put greater pressure on procurement departments to measure community benefits as a result of economic downturn, in the Netherlands there actually is an opposite movement. The entire long term care sector is facing budget cuts up to 25%. Under these market conditions Dutch local governments actually choose not to apply SR conditions, while under normal circumstances they would. The reason can be found in the different nature of the community benefits instruments applied in Wales and the Netherlands. Wales measures the local multiplier effect of contracts. A contract that lands locally will measure a high local multiplier effect, while the contractor does not necessarily have to make additional investments: the high multiplier value comes from ‘spending locally’. Contrary, a contractor that wins a contract in the Netherlands to which SR conditions apply is forced to spend 5% of the contract value hiring new employees. In a declining market, contractors may already have to downsize and let regular staff off. Under such conditions SR obligations may have undesirable effects: it may actually force the contractor to lay off additional regular staff, while having to hire new (untrained) staff for the contract. This is referred to as the ‘carrousel effect’ – and is the reason local governments refrain from SR conditions in times of economic downturn (in particular sectors).
DISCUSSION AND CONCLUSIONS

The study has evidenced the level of commitment by governments in Wales and Netherlands towards creating and developing a sustainable economy. Public procurement for both nations is regarded as pivotal to achieving sustainable development in ensuring that tax payers’ money is spent in a sustainable manner benefitting local communities. Both nations have developed and adopted procurement strategies and tools which ensure adherence to the respective policies. Interestingly, one of the more specific learnings from our study is to highlight two contrasting approaches which differ in terms of the instruments used to obtain local social value through procurement and the level of top-down enforcement. We find evidence of coercive top-down central policy implementation in Wales forcing local governments to apply the community benefits measurement tool when awarding their contracts. In terms of isomorphic pressures, there is a clear coercive force enacting on Welsh local governments. We also note that despite structural constraints (e.g. policy rules in Wales), there is a sense of competition emerging between local authorities, which means innovations in social procurement may be less likely shared. In contrast, there is no central policy that requires local governments in the Netherlands to apply social or sustainable procurement; let alone application of a measurement tool. We recognise a mimetic lateral or bottom up policy implementation in the Netherlands, with organisations copying one another in applying social procurement.

Still, applying social procurement has become common ground for Dutch local governments. There is great similarity in the way local governments in both Wales and Netherlands evidence the importance of social procurement. This key finding confirms the importance and relevance of the normative pillar for institutional theory in that public procurement across both nations recognise and embrace their social obligations, roles and moral responsibility (Theodorakopoulos et al., 2015). Despite the lack of a policy obligation and a prescribed measurement instrument, to a great extent, Dutch local governments apply similar (and often exactly the same) social procurement instruments (i.e. contract conditions). Although we have not further investigated the mechanism by which local governments in the Netherlands adopted social return policy, normative and mimetic pressures seem to have had an impact on local social procurement policy in Dutch local governments. Importantly, our study finds that the absence of policy obligations has not prevented social procurement policy implementation in Dutch local governments on a wide scale. This may demonstrate that a central policy obligation may not be necessary to stimulate local sustainable procurement initiatives. Further research is necessary to investigate the exact drivers (pressures), enabling factors and potential barriers for this ‘bottom-up’ of sustainable procurement.

Considering the implications of our study for theory and future research, one of the limitations of the study is focusing on just two cases. Nevertheless, we have added a depth to our understanding of community benefits, by considering the mechanisms by which institutions change and evolve. Our study does provide us with evidence of fit with all three pillars of an institutional theory perspective, as illustrated in table 4.

We contribute to institutional theory by testing it in a social procurement context, and find evidence to support each of the institutional mechanisms or pressures. Future research could explore normative pressures in more depth; whilst we acknowledge differing professional bodies in Wales and the Netherlands, specific scrutiny of guidance on social purchasing issues could be pursued in a separate study. In addition, more detailed exploration would be helpful of the similarities across countries and policy contexts, and how these fit with an institutional perspective.
Further theories could be brought to bear on social procurement, such as exploring what implementation entails from a dynamic capabilities perspective, or by using stakeholder theory or sense-making theory to explore the groups (buyers, service users, citizens, local politicians) that engage in and make sense of social procurement and community benefits.

<table>
<thead>
<tr>
<th>INSTITUTIONAL THEORY MECHANISMS</th>
<th>COMMUNITY BENEFITS STUDY PROPOSITIONS</th>
<th>PROPOSITION SUPPORTED?</th>
<th>ILLUSTRATIVE FINDINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>COERCIVE</td>
<td>Proposition 1a</td>
<td>1a supported and 1b mainly supported, yet we also found similarities between the countries</td>
<td>Wales (W) &amp; the Netherlands (NL) differ in institutional context and how policy emerged, yet also have some similarities, as shown in table 3.</td>
</tr>
<tr>
<td></td>
<td>Proposition 1b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIMETIC</td>
<td>Proposition 2a</td>
<td>Both supported, but to some extent competitiveness makes it more difficult to learn from best practices</td>
<td>NL: Organisations copy leaders in implementing community benefits. Some ‘early adopters’ in local governments have acted as example for the majority of ‘followers’. W: By contrast, in Wales local governments have become competitive and are less likely to share ideas of best practice about the community benefits each project generates.</td>
</tr>
<tr>
<td></td>
<td>Proposition 2b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NORMATIVE</td>
<td>Proposition 3</td>
<td>Supported</td>
<td>Both countries have demonstrated different approaches to community benefits.</td>
</tr>
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<td></td>
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</tbody>
</table>

*Table 4: Cases analysed from an institutional theory perspective*

Our research seeks to contribute to the small emerging literature on the social aspects of sustainable public procurement, specifically focusing on community benefits. We anticipate this topic will be of growing importance to both practitioners and academics, as governments strive to deliver not only economic and environmental value but also recognise the positive social values which can result from public procurement contracts.

**REFERENCES**


