

2010 National Summit on a People-Centred Economy

Issue Paper #4: Organizing the Social Economy Marketplace

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Background

From May 30 to June 1, 2010, the National Summit on a People-Centred Economy is an unprecedented gathering of leaders and representatives of the community economic development, cooperative and social economy sectors to build a common agenda and focus action for a secure, sustainable economy that puts people and the planet first. The Summit seeks to mobilize networks and organizations by building on the best research, agreeing on a common action plan, and increasing awareness of this sector among politicians, policy makers, non-governmental sector leaders and the mainstream media.

As part of the preparatory process for the Summit, six issue papers were drafted on themes which outline the key strengths, challenges and proposals for action to further reinforce this movement. These issue papers were subject to an engagement and outreach process for feedback and revisions by Summit participants and other stakeholders between March 1 and May 15. The revised papers are being presented at the Summit, where a common declaration and action plan will be developed.

To view the latest versions of the other papers and for more information on the Summit, visit: <http://www.ccednet-rcdec.ca/en/summit>

Organizing the Social Economy Marketplace: Summary

Every purchase has a ripple effect and multiplier impacts, whether unintentional or intentional. Intentional purchasing targeted to social economy businesses can insure the greatest impact opportunities for a people centred economy and healthy communities. The procurement policies and the purchasing practices of the three levels of government, NPO's and private sector should maximize their buying from the social economy, cooperatives and social enterprises. This requires initiating marketing schemes, purchaser and supplier matching, and appropriate incentives to encourage participation in a changing supply chain management model.

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1. Current State of the Field

The marketplace is a complex set of relationships that is based upon the delivery or sales of goods and services in exchange for another value, like money, or for another product or service as in a trade agreement or barter. The exchange of goods and services is defined as the supply chain, where there are producers, the supply side of the process, and purchasers, or the demand side of the process. The “chain” is the relationship link between supply and demand.

The current prevailing supply chain is based solely upon financial exchange evaluation. That is, purely a financial consideration of best (most often meaning lowest) price for the required product (meets required specifications).

However, in a sustainable economy, the exchange is based upon economic value, product value and additionally the creation of social, environment and cultural values. So in the social economy, the purchasing consideration has a more comprehensive analysis in the exchange process: there is a blended value analysis of price, product, and community value.

2. The Key Players

There are existing and growing movements that emphasize sustainable purchasing. They are being led by individual consumers and following are an increasing number of corporate, organizational, government and institutional purchasers. This intentional purchasing has several names, including sustainable purchasing, purposeful purchasing, and corporate responsible purchasing. Examples are the fair trade and direct trade movements across multiple products. This trend toward intentional ‘demand’ for sustainable products, which demands a blending of financial, environmental and social value, offers social economy enterprises, the ‘supply’, a tremendous market opportunity. Purchasers are seeking social economy values in the products and services they purchase.

There are many purchasers that follow ethical and risk management criteria in their purchasing, often referred to as negative screening. But to have a significant move of purchasing toward social economy suppliers requires leadership, marketing schemes,

purchaser and supplier matching, and appropriate incentives to encourage participation in a changing supply chain management model. The implementation process includes items such as targeted purchasing, unbundling of large contracts, and supportive purchasing criteria and evaluation that reward the sustainable product and services. (See www.sepurchasing.ca)

In the **private sector** the growing application of Corporate Social Responsibility, CSR, offers the opportunity to leverage greater engagement. CSR has several levels of application, including doing what is legal, acting ethically, image and reputational risk management, and a newer and growing element of seeking opportunity to use purchasing to create social, environmental and fiscal return on investment. As an example: Business Objects, the software company, historically directs \$250,000 annually to social enterprise caterers in Vancouver's Downtown Eastside. They receive quality product, at a competitive price, and create jobs and economic opportunities in Canada's poorest postal code community. The CSR model needs a major push toward sustainable economy creation as it is traditionally been a negative screening that avoids problems, rather than creating blended value.

In the **NGO sector** the use of purchasing should be a means for mission advancement and real contribution to a sustainable economy. Non-profits spend millions, actually billions, each year on a myriad of products and services. Why would they hesitate, if given the opportunity, to use that purchasing to support building a healthier community based on an economy that helps them meet their mandates? One effort is the Purposeful Purchasing Initiative of a group of non-profits who support persons with disabilities. They are collectively looking at collective buying from their suppliers to insure their suppliers support the needs of the disability community members.

Government purchasing is almost exclusively driven by lowest cost with the least possible number of suppliers. Government sees only a financial return on investment in their purchasing, seeing this as their required deliverable to taxpayers. However, the single ROI analysis actually does an injustice to the taxpayer. If governments examined the opportunity, it is in their purchasing realm to support local food producers, contribute to lower oil consumption, and create full employment. The real taxpayer return on investment would be to have government use their purchasing to contribute to a fully sustainable economy. As an example, Ontario is now exploring how purchasing from social enterprises can contribute to poverty reduction. And the city of Vancouver contract with Starworks for street sign assembly helps secure employment for persons with disabilities.

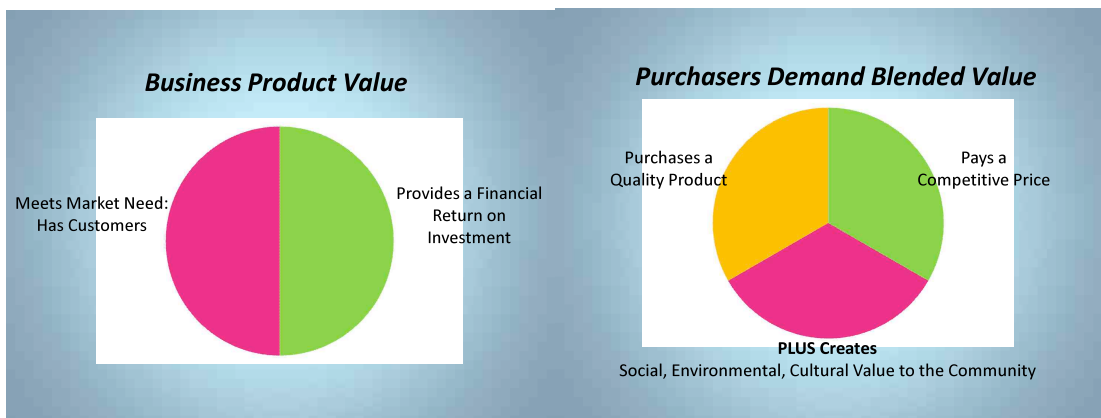
As part of the Manitoba Government's CED strategy, the government introduced the Aboriginal Procurement Initiative, which aims to increase procurement from Aboriginal owned business. The policy directs all government departments to "endeavour to increase the participation of Aboriginal businesses in providing goods and services to the Manitoba Government" and to develop annual objectives and action plans
Manitoba Transportation 2007

3. Top Questions or Issues

Changing the current dominant supply chain practices is a required component of creating socially effective and environmentally sustainable economy. If purchasers added, that is blended, social and environmental considerations at the same level of price and quality then the collective demand would build the existing sustainable supply, and force a change in the rest of the suppliers. As an example, 'demand' for fair trade and organic products by individual food consumers, forces retailers to change their purchasing, 'supply', to include those options. Imagine the impact of this model of purchasing behaviour on a massive scale.

The market opportunity for social economy enterprises is twofold:

1. Maximizing their share of the buying by sustainable conscious purchasers
2. Influencing the traditional purchasing of private, public and social sectors to move to value-based sustainable purchasing.



The amplification of intentional purchasing is the opportunity to grow and increase the market share for social economy businesses.

4. Propositions

The market opportunity is based on the influence and the re-direction of procurement policies and the purchasing practices of the public sector (three levels of government), social sector (non-profit organizations, co-operatives, education institutions, and churches) and the private sector (for profit privately held and shareholder businesses) to maximize their buying from social economy enterprises. Traditionally, the vast majority of purchasing seeks solely a financial return on purchasing based upon lowest price and product requirements. A major re-direction of purchasing that demands sustainable practices will immediately support the growth of the existing sustainable suppliers, which is predominantly social sector enterprises and will eventually influence the practice of all suppliers.

The following recommendations serve to address the challenges to the social economy sector in advancing their demand and supply roles and relationships in the marketplace.

Recommendation 1: Build the capacity of the social economy suppliers to meet growing opportunities by:

- Enhancing business skills
- Supporting suppliers in scaling up for market
- Providing access to appropriate capital investment

Recommendation 2: Create a public policy environment that supports procurement policy and practice of purchasing from social economy businesses through:

- Social Value ‘weighting’ in bid criteria and evaluation
- Targeted purchasing
- Set aside purchasing
- Unbundling options of contracting
- Recognition of sub-contracting to social economy enterprises

Recommendation 3: Build new and enhancing existing market and sales relationships with private and social sector purchasers by:

- Accessing supply chain opportunities, particularly as aligned with Corporate Social Responsibility
- Increasing social economy organizational purchasing from the social economy businesses

Recommendation 4: Develop intermediary services to facilitate access to and increase in markets through:

- Purchasing portals and other business-to-business relationship building services
- The creation of networks and support services

The procurement activity of government, private sector and non-profits has the potential to be a main driver and contributing factor to building a stronger and fairer society.

Using the market place of goods and services is a key factor in the creation of a people-centred economy. Procurement policies and purchasing decisions directed to social economy business products and services will produce a blended ripple effect that creates both a sound economy and sustainable communities. Increasing the “demand” for social economy business “supply” will require increasing their capacity, assuring access to capital, and having in place the appropriate policy environment.

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