



**IMPACT EVALUATION OF WATES'
RELATIONSHIP WITH SOCIAL ENTERPRISES**
EXECUTIVE SUMMARY

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This executive summary is from independent research commissioned by Wates and Wates Family Enterprise Trust. The research was conducted at the end of 2016 and January 2017.

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Introduction

The Wates Group has been dedicated to trading with the social enterprise sector for five years and has set a target to work with a social enterprise on every project. In 2013 the group launched the first national Social Enterprise Brokerage (SEB) site in partnership with Social Enterprise UK (SEUK). Looking to the future, Wates aims to generate trade of £20 million with the social enterprise sector by 2020.

The report sets out the results of an impact evaluation of Wates' relationship with social enterprises to help Wates to understand and articulate the social benefits of increasing the level of trade with the social enterprise sector.

The objectives of the research are to:

- Evaluate the effectiveness of Wates' social enterprise procurement strategy.
- Compare the social value created in Wates' social enterprise supply chain, to that created in their commercial sector supply chain.
- Identify areas for improvement, in order to continue to embed and grow Wates' procurement strategy around social enterprises.

To meet these research objectives, the research has been divided into two streams:

- Stream one: A process evaluation – analysing the tools, strategies, policies and procedures of Wates' social enterprise procurement strategy – to build up recommendations for improving and expanding Wates' work with the sector.
- Stream two: A return on investment (ROI) analysis of the social, environmental and economic outcomes achieved by social enterprises, over and above the achievements of equivalent conventional businesses within Wates' supply chain.

Approach

The general approach to the assessment is outlined in Figure E1 below.

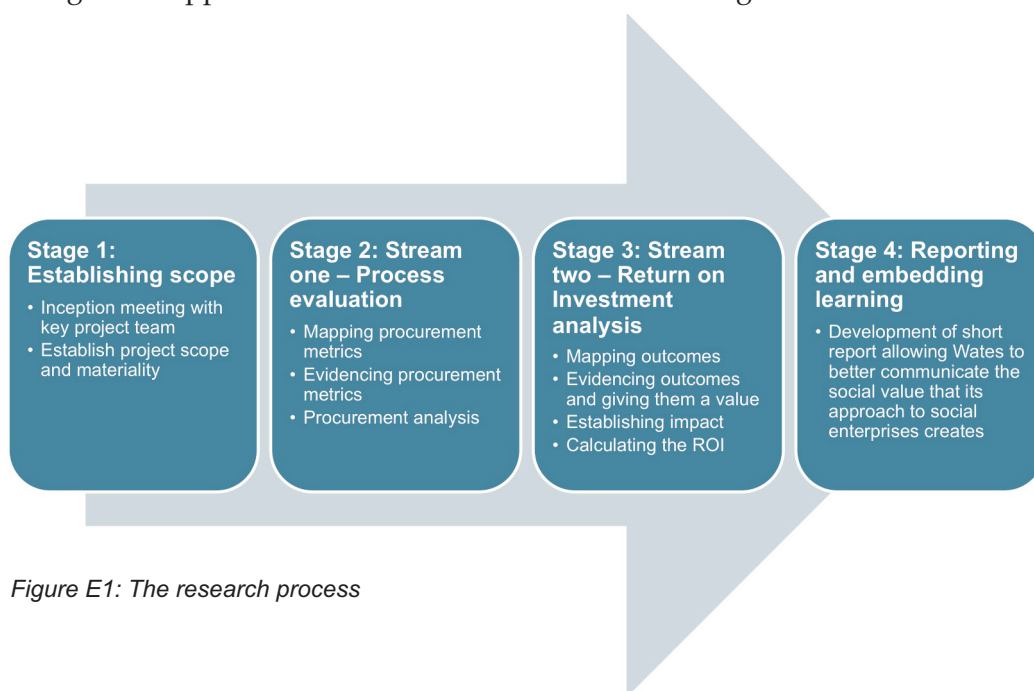


Figure E1: The research process

The Theory of Change for social enterprises

The figure below (Figure E2) is an impact map resulting from the workshop NEF Consulting held with key stakeholders, including a selection of Wates' leading social enterprise suppliers, a representative from Social Enterprise UK, and the Wates staff directly involved in sustainable trading with social enterprises.

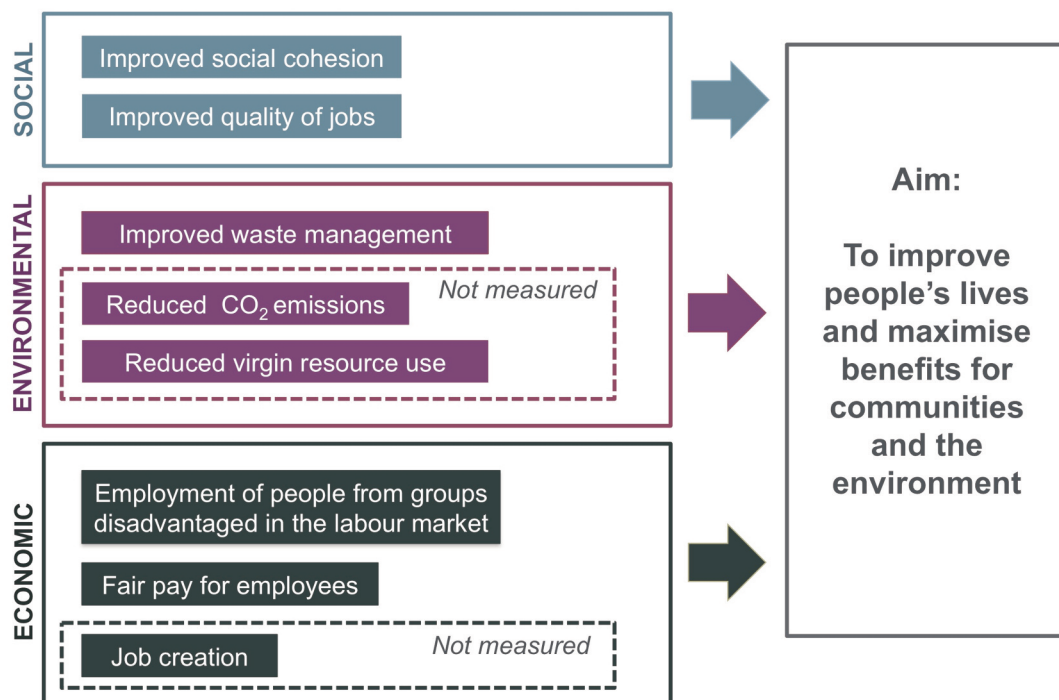


Figure E2: Social enterprise impact map

Social impact

Social value can be created by a number of means. One important way is by maintaining diversity in the workforce throughout the hierarchy of an organisation; another is through improving the quality of jobs so that employees are both happy and have opportunities to grow and learn. There are a number of factors that contribute to job satisfaction. Social enterprises scored noticeably higher on two of these: competence and autonomy; they scored lower on employee engagement, based on opportunities to progress. The latter may have been due to some social enterprises offering only entry-level jobs that have little opportunity for progression.

Economic impact

Social enterprises also create positive changes by strengthening the economy. Most commonly, this is done by employing groups who are marginalised in the labour market and through paying staff fairly for their work. This reduces reliance on the welfare system, and creates economic growth, by giving individuals more disposable income which they inject into their local economies. The average proportion of jobs paid at the Living Wage among the social enterprises surveyed was 71%, compared to 93% among the commercial

businesses and 77% nationally; though it should be noted that many of the social enterprises in Wates' supply chain are doing work in sectors that are dominated by low pay. The ratio of pay between the highest and lowest earning employees averaged 2.4:1 for social enterprises compared to 3:1 in commercial businesses; though these results are based on low sample sizes and should be considered with caution. We measured perceptions of fair pay among employees. The results showed that all employees surveyed from both social enterprises and commercial businesses either 'agreed' or 'strongly agreed' that they were paid appropriately in light of their efforts and achievements at work.

Environmental impact

Four of the businesses surveyed (one commercial and three social enterprise) worked principally in waste management. Two of the social enterprises reused between 47% and 70% of the waste they collected, whereas the commercial business reused none. Many of the businesses surveyed (both social enterprises and commercial) mentioned other ways in which they tried to mitigate environmental damage through their work, including: using environmentally-friendly cleaning products; sourcing from local suppliers to reduce emissions from transport; providing low-emission vehicles; installing bio-fuel heaters; and reducing consumption of things like paper. This is an encouraging reflection on the wider work that Wates has been doing with the Supply Chain Sustainability School, which offers a range of e-learning activities to suppliers interested in learning about sustainability.

The Return on Investment ratio

The Return on Investment (ROI) methodology was employed to generate a ratio of the social value created by social enterprises compared to that created by commercial businesses.

Key findings

When compared to commercial businesses, the average social enterprise included in our survey delivered significantly more social value overall, relative to its size. As shown in Figure E3, the average social value created was £331,304, compared to £187,607 in commercial businesses. The social enterprises in Wates' supply chain are creating £1.77 of social value for every £1 of social value created by similar, commercial businesses – which is an increase of 77%.



Figure E3: The social value created under the 'business as usual' scenario (i.e. investment in commercial businesses) compared to social enterprises

Figure E4 demonstrates that there are also interesting differences in *where* social enterprises and commercial businesses create value. In social enterprises, the majority of the social value is created through employing people who would otherwise find it quite difficult to find employment. Social enterprises' inclusive hiring practices generated over £220,000 of value, compared with just over £90,000 in commercial businesses. Most of this difference stems from the higher proportion of marginalised groups that are employed by social enterprises, though the make-up of the disadvantaged groups employed does vary.

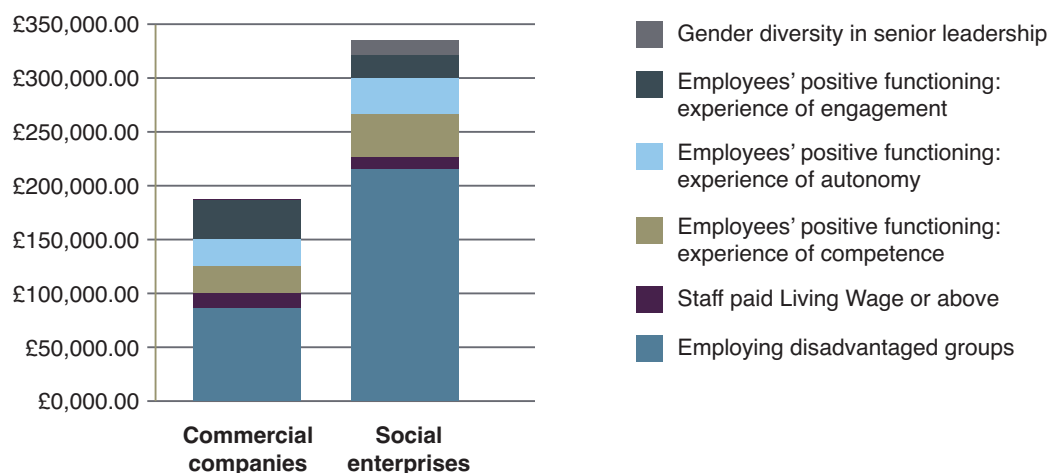


Figure E4: Where social value accrues in commercial businesses and social enterprises

Conclusion

The ROI exercise showed clearly the additional social value in trading with social enterprises, compared to commercial businesses. Social enterprises have societal aims at their core, and use their business activities together with a proportion of their profits, to pursue these aims. Through direct business activities, the average social enterprise created £331,304 of social value per year compared to £187,607 created by the average commercial business – a ratio of 1.77:1. This was driven by greater diversity in the workforce at the top and bottom of organisations, and the provision of better quality jobs, which enhanced employees' wellbeing. By buying services from social enterprises, Wates supports the creation of greater social value in local communities, which in turn helps to build stronger local economies and more sustainable communities.

On the whole, social enterprises like working with Wates, and the organisation scored positively when compared to other companies that social enterprises provide with similar services. The initial positive groundwork has been laid; however there are barriers which need to be overcome, on both the supply and the demand side, if Wates is to expand its procurement in the social enterprise sector.

Over the course of this research, it emerged that Wates finds it a continuing challenge to embed the culture of working with social enterprises firmly, throughout the whole Group. This is partly because construction is an industry where contracting is often based on historic relationships between project teams and individual suppliers, and project teams have to be put together rapidly and

at minimum cost. The research also showed that not all social enterprises are ready to work with Wates. Many do not have an adequate level of industry-relevant knowledge of the construction business. There is also a widely accepted weakness in Wates' feedback system, which fails to tell social enterprises what they need to know to improve their bids. The Social Enterprise Brokerage and Champions are two important channels that need to be fully utilised to remove these barriers to understanding.

Recommendations

The social enterprises which responded to our survey were from a range of sectors including: employment support and training, waste management and cleaning, light manufacturing, and catering. While some of the recommendations following may be applicable to social enterprises more broadly, they are aimed primarily at the sectors listed.

Wates should consider:

- **Data review.** Reviewing its data systems around trade with social enterprises.
- **Supporting social enterprises to map and improve their social impact.**
- **A stronger requirement for project managers to work with social enterprises.**
- **Formalising the preferred supplier approach through a framework agreement.**
- **'Meet the Buyer' events** as a requirement of membership in the framework.
- **Using mentoring and workshops** to support social enterprises in developing business skills.
- **Actively promoting consortia bidding.**
- **Modifying feedback**, to make it a more simplified process.
- **Using the Social Enterprise Brokerage** as another efficient loop for providing feedback.
- **Prompt payment for social enterprises.**