

Strategies to Catalyze Socially Impactful Purchasing In New York City

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Agenda

Scope // Objectives

Project Context

Methodology

Key Findings

Corporate Application

Programmatic Recommendation

Capstone team will research “anchor institutions” as potential markets for “socially impactful businesses”

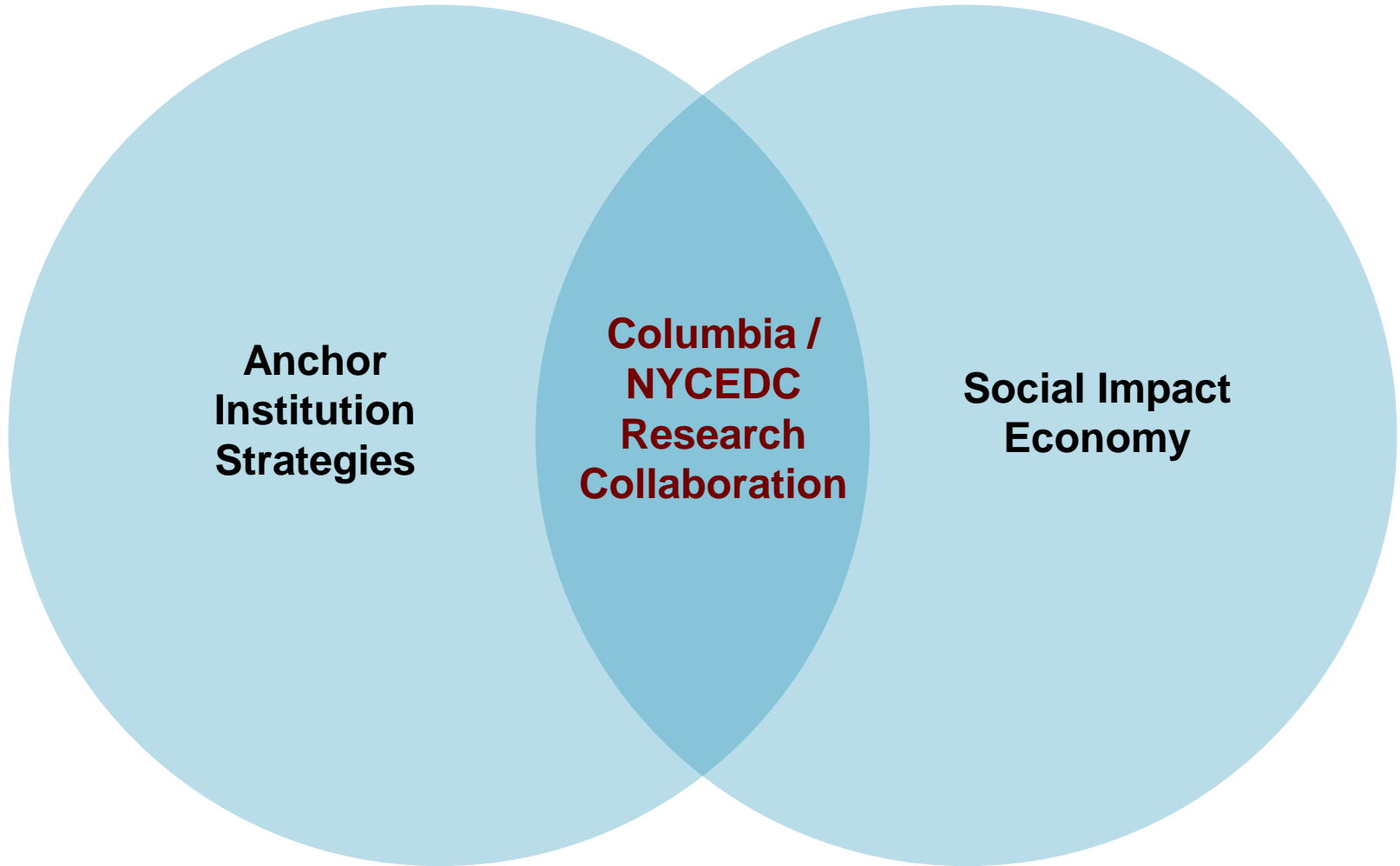


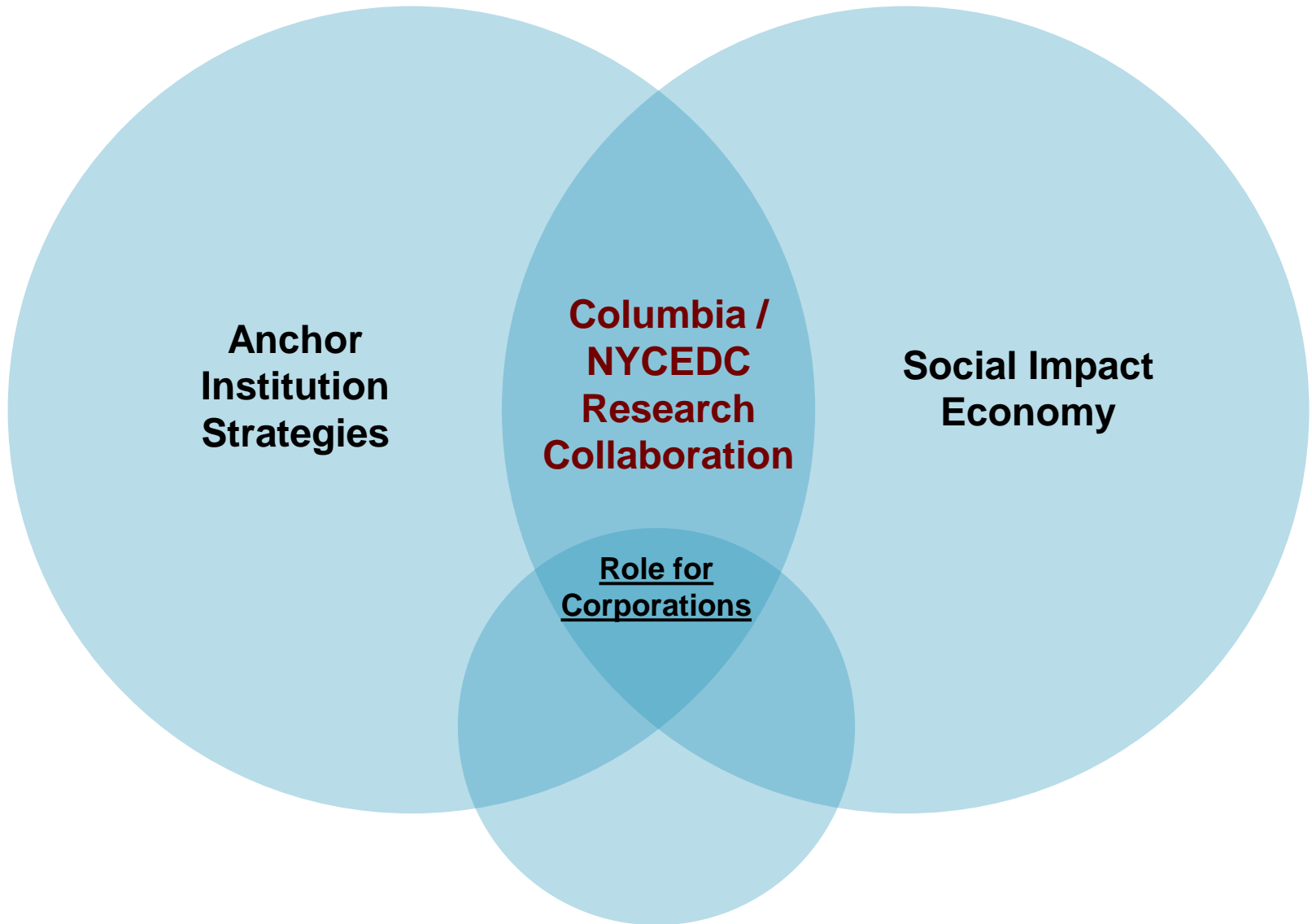
Understand inputs and barriers to institutional decision-making around social purchasing and best practices for implementation

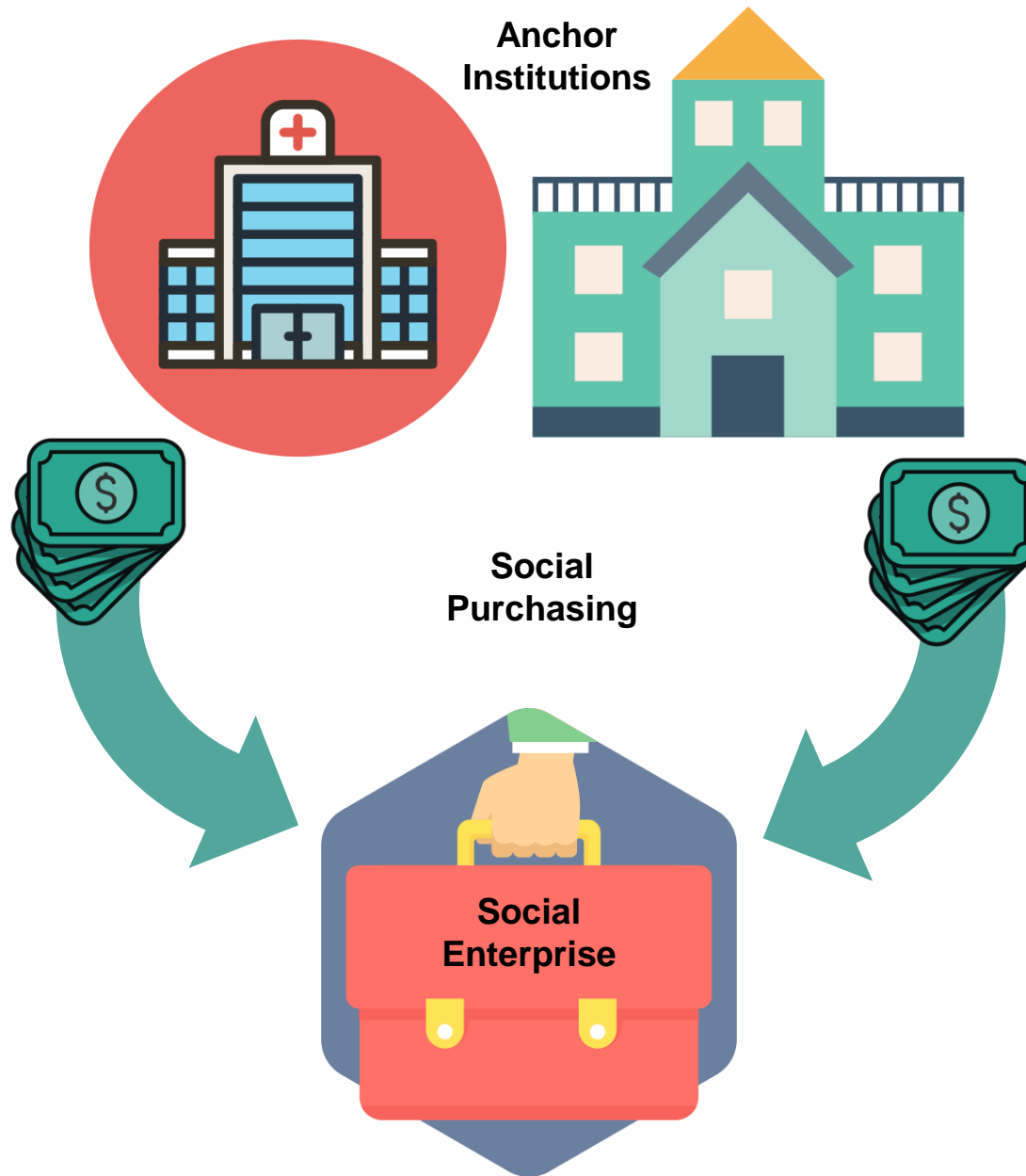
Evaluate the potential for scaling the value proposition of social purchasing throughout institutions' supply chains and tools needed to identify and benchmark progress

Explore potential role for NYCEDC in both actively promoting and mitigating barriers to social purchasing and showcasing impact

Social purchasing considers the multiple social impacts that purchasing decisions can have on areas such as employment, poverty reduction, social inclusion and sustainability.







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In Canada and the U.K., social purchasing more explicitly focuses on businesses that target these specific social impacts as the path to creating value.



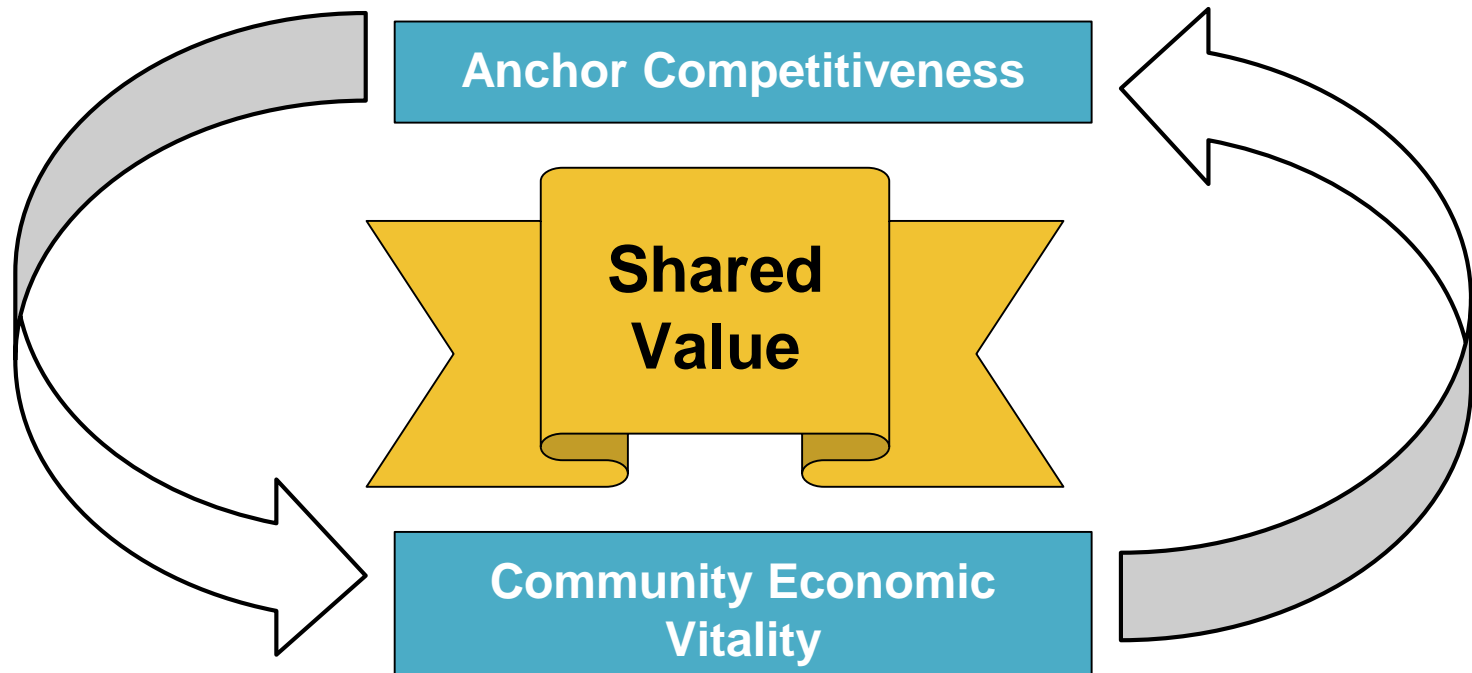
BUY SOCIAL CANADA 

**SOCIAL
ENTERPRISE
UK**



In the United States, there has historically been a stricter definition for the concept of “social purchasing.” Categories such as minority-, veteran-, and women-owned businesses and local businesses were used as targets for achieving social benefit through procurement decisions. Now, with the rise of the “social impact economy” and more socially conscious corporations, there is an opportunity to enrich this definition to include a wider set of impacts.

Anchor Institutions are enterprises that are rooted in their local communities by mission and invested capital, or relationships to customers, employees, and vendors. Anchor institutions depend on healthy communities to reinforce reputation and image, and enhance demand. Healthy communities depends on strong anchors to provide jobs and purchase local goods and services.



Universities

- Over 100 universities in NYC
- Combined buying power of \$8.5 billion annually (excluding salaries)

Hospitals

- 50+ hospitals in NYC
- Top 25 hospitals in NYC have annual operating expenditures of approximately \$18 billion (excluding salaries)

Cultural Institutions

- 100+ museums, performing arts centers, libraries, zoos, and gardens in NYC
- The Cultural Institution Group, an association of 34 major cultural organizations, has a total expenditure of approximately \$0.5 billion annually (excluding salaries)



Social Purchasing Possible Market Size

A 1% increase in anchor institutions' annual expenditure targeted to "impact business" would equal **\$270 million** annually

A social enterprise is an organization or initiative that marries the social mission of a non-profit or government program with the market-driven approach of a business.



A social enterprise is an organization that has a clear social and/or environmental mission set out in its governing documents, generates the majority of its income through trade, reinvests the majority of its profits, is autonomous from the government, is controlled by the interested of its social mission, and is accountable and transparent.

Social enterprises are revenue-generating businesses with a twist. Whether operated by a non-profit organization or by a for-profit company, a social enterprise has two goals: to achieve social, cultural, community economic and/or environmental outcomes; and, to earn revenue.



bc centre for
social enterprise

For our purposes, we want to focus on a broader category of “impact businesses”

Social impact through representativeness

MWBE

Local business

Social enterprise

B-Corp

Aspiring for measurable social outcomes

MWBE:

For-profit corporation that creates social impact by supporting underrepresented categories of business owner

Local business:

For-profit corporation that creates social impact by supporting local economy

Social enterprise:

Corporation agnostic entity that creates social impact by actively pursuing social and/or environmental return in addition to financial return

Benefit Corporation (B-Corp):

For-profit corporation that operates to create a social, environmental, and financial return

Discovery

Research Initiation

*Create Project Plan & Scope
Identify Key Stakeholders*

In-Depth Interview

Interviewed stakeholders to better understand MWBE/local procurement strategies as a proxy for “social purchasing.”

- *Approached anchors in 3 categories:*
 - *Supplier Diversity*
 - *Sustainable Procurement*
 - *Community Commitment*
- *Spoke to broad range of stakeholders about anchor strategies, metrics, social enterprise*

Literature Review

Looked at best practices in anchor strategy, social enterprise, MWBE/local purchasing

Develop Programmatic Recommendations

Deeper Dive

Social Enterprises

- Social Enterprise UK
- Ecologic
- 4th Bin

Convener Organizations

- Cleveland Foundation: Greater University Circle Initiative
- Chicago Anchors for a Strong Economy (CASE)

Anchor Strategy Experts

- Initiative for a Competitive Inner City (ICIC)
- University of Pennsylvania Purchasing Dept.

Social Impact Metrics Programs

- Low Income Investment Fund (Social Impact Calculator)
- Best For NYC (B-Analytics Platform)

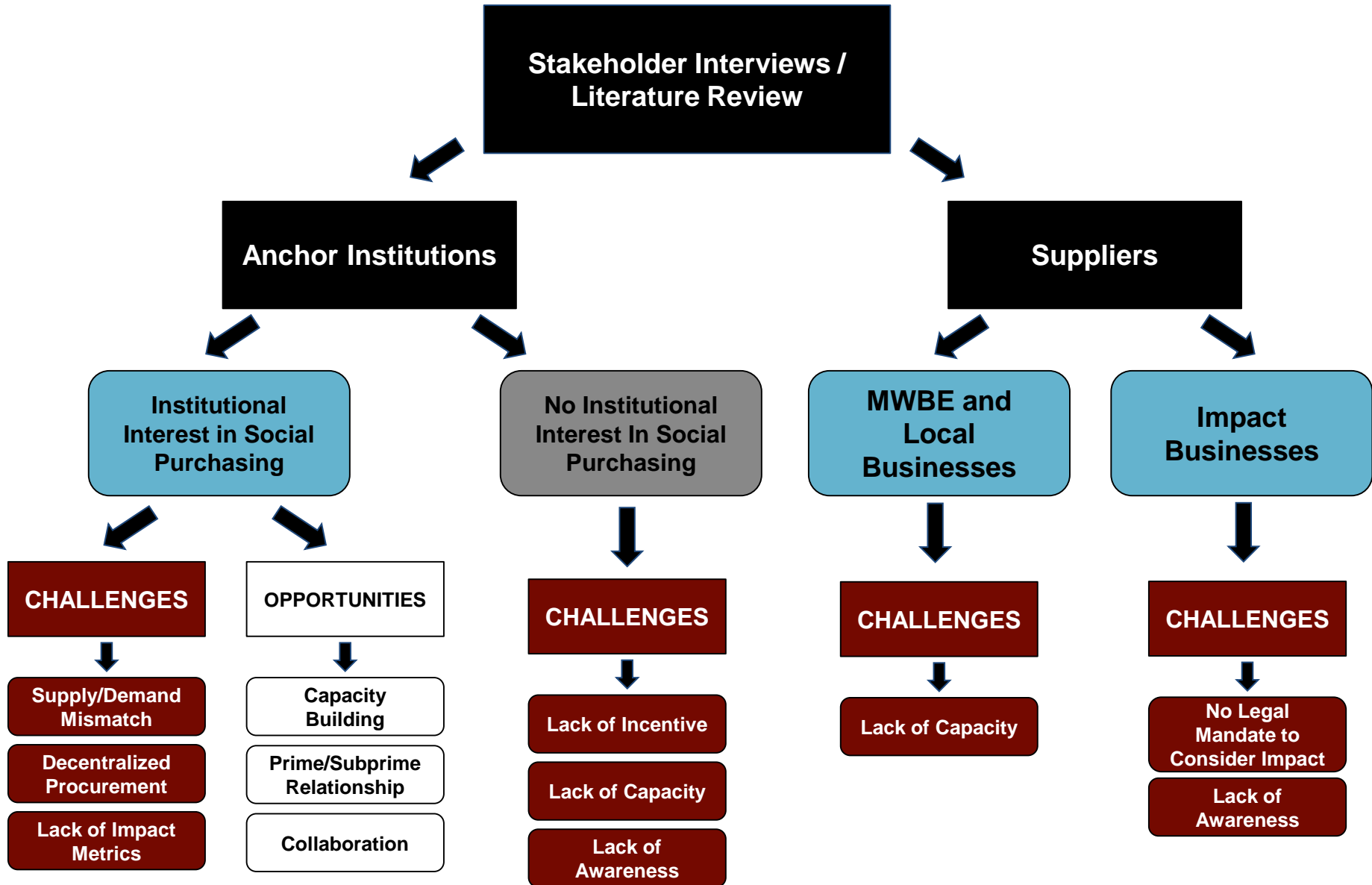
NYC Anchor Institutions

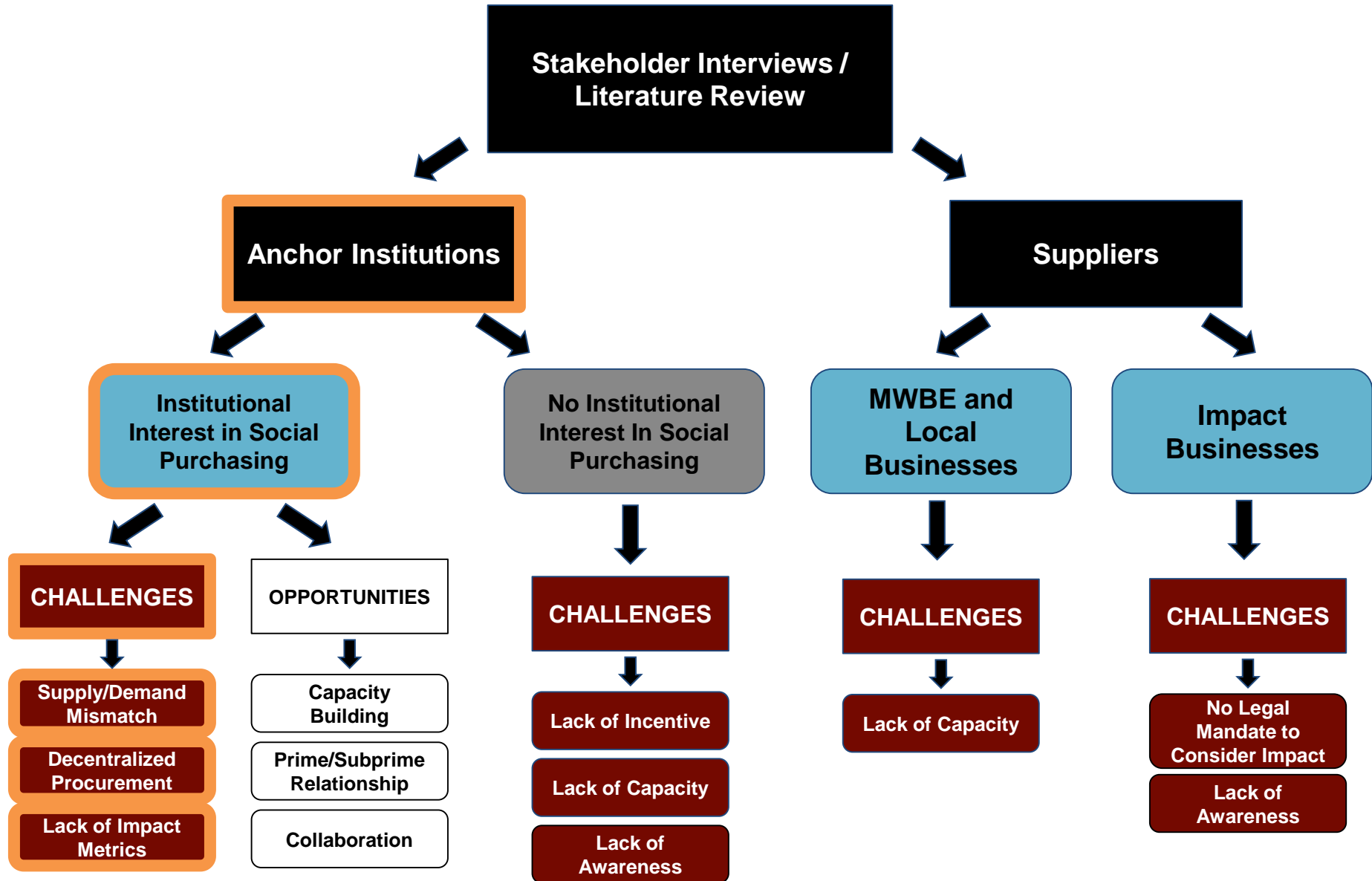
- Universities: Columbia University, Fordham University, Pace University, Lehman College, College of Staten Island
- Hospitals: NYCHHC, Weill Cornell
- Cultural Institution: New York Public Library

Other Stakeholders:

- Sysco Foods
- Department of Small Business Services

Develop Recommendations





Key Findings // Anchor Institutions (With Institutional Interest in SP)

Supply/Demand Mismatch

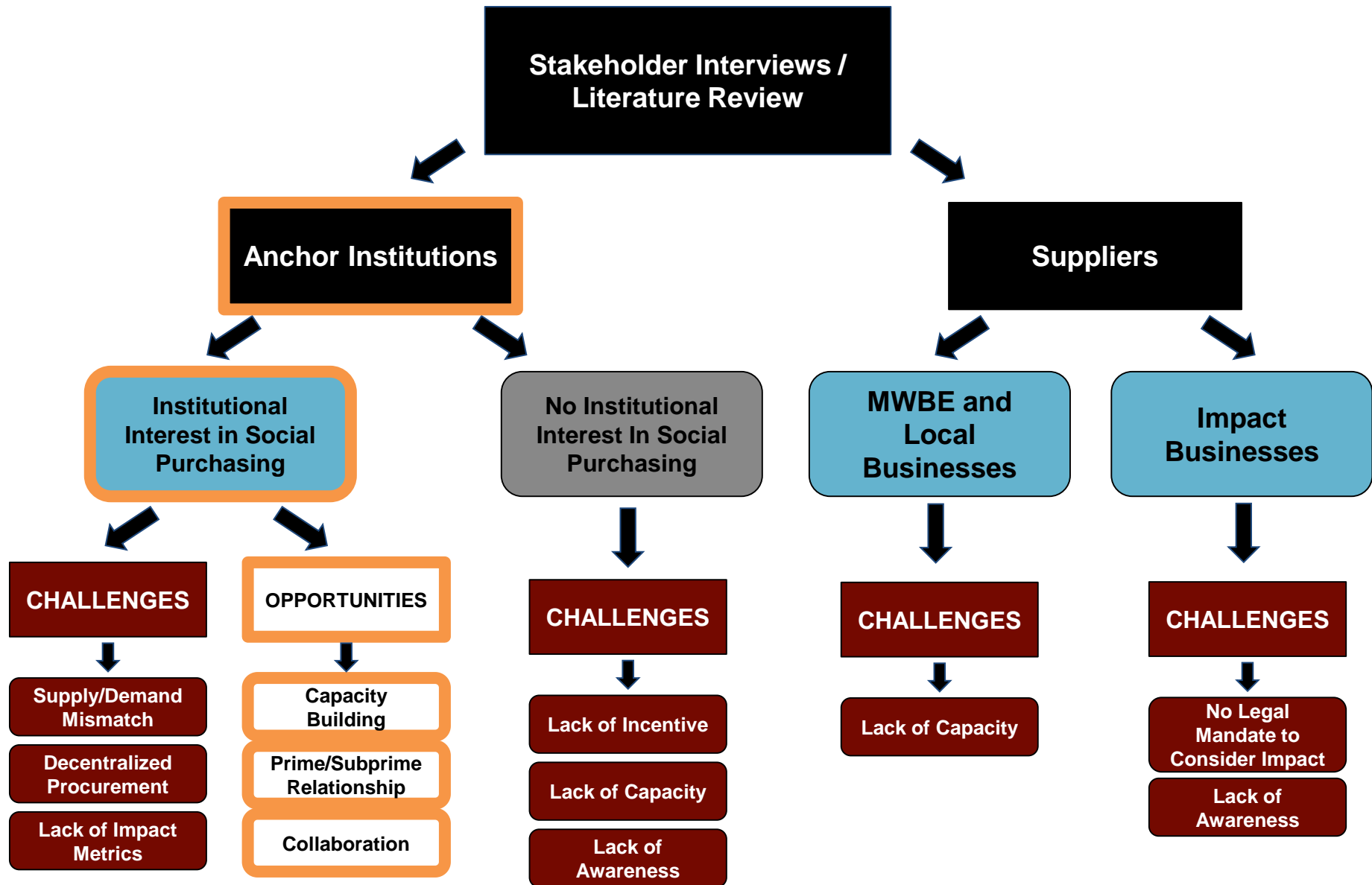
Challenge	Answer
Anchor institutions need a specific product/service but an MWBE and Local Business does not exist that provides it	<i>A group of anchor, government, and philanthropic partners in Cleveland founded multiple worker cooperative businesses</i>
Suppliers are too small to fulfill institutional contracts	<i>University of Pennsylvania teamed a local vendor with national supplier to help it move from sub to prime contractor</i>
	<i>Institutions include smaller vendors in their supply chain as subcontractors</i>
Anchor institutions don't know where to find socially impactful suppliers	<i>Social Enterprise UK developed the Buy Social Directory to easily connect social buyers and sellers</i>

Decentralized Procurement

Challenge	Answer
Multiple people in different departments responsible for procurement	<i>University of Pennsylvania established "economic inclusion" as a central goal of its procurement strategy, and integrated supplier diversity across all of its procurement teams.</i>
Not one overarching institutional social purchasing strategy	
Established vendor relationships differ across departments	<i>Columbia University also recently hired its first Assistant Vice President For Supplier Diversity to perform a similar function.</i>
Many anchors are not showcasing their impact internally or externally	<i>University of Pennsylvania features its local and diversity spend graphically on its website. It also has a searchable database of its suppliers, with categories including "minority-owned," "women-owned," "LGBT-owned," etc.</i>

Lack of Impact Metrics

Challenge	Answer
No shared metrics within or across institutions beyond dollars spent on MWBE or local suppliers	<i>Best for NYC offers a set of metrics anchors can use to assess the social and environmental impacts of their suppliers</i>
No institutional capacity or interest in tracking diversity/local purchasing beyond dollars spent	<i>Stakeholders did not offer defined answer to this challenge</i>
Without shared metrics or aggregated purchasing data, institutions cannot benchmark their progress against citywide goals	<i>Best for NYC provides industry-wide goals for participating businesses to use as benchmark</i>
No ability to track long-term impact of procurement decisions	<i>Stakeholders did not offer defined answer to this challenge</i>



Key Findings // Anchor Institutions (With Institutional Interest in SP)

Capacity Building

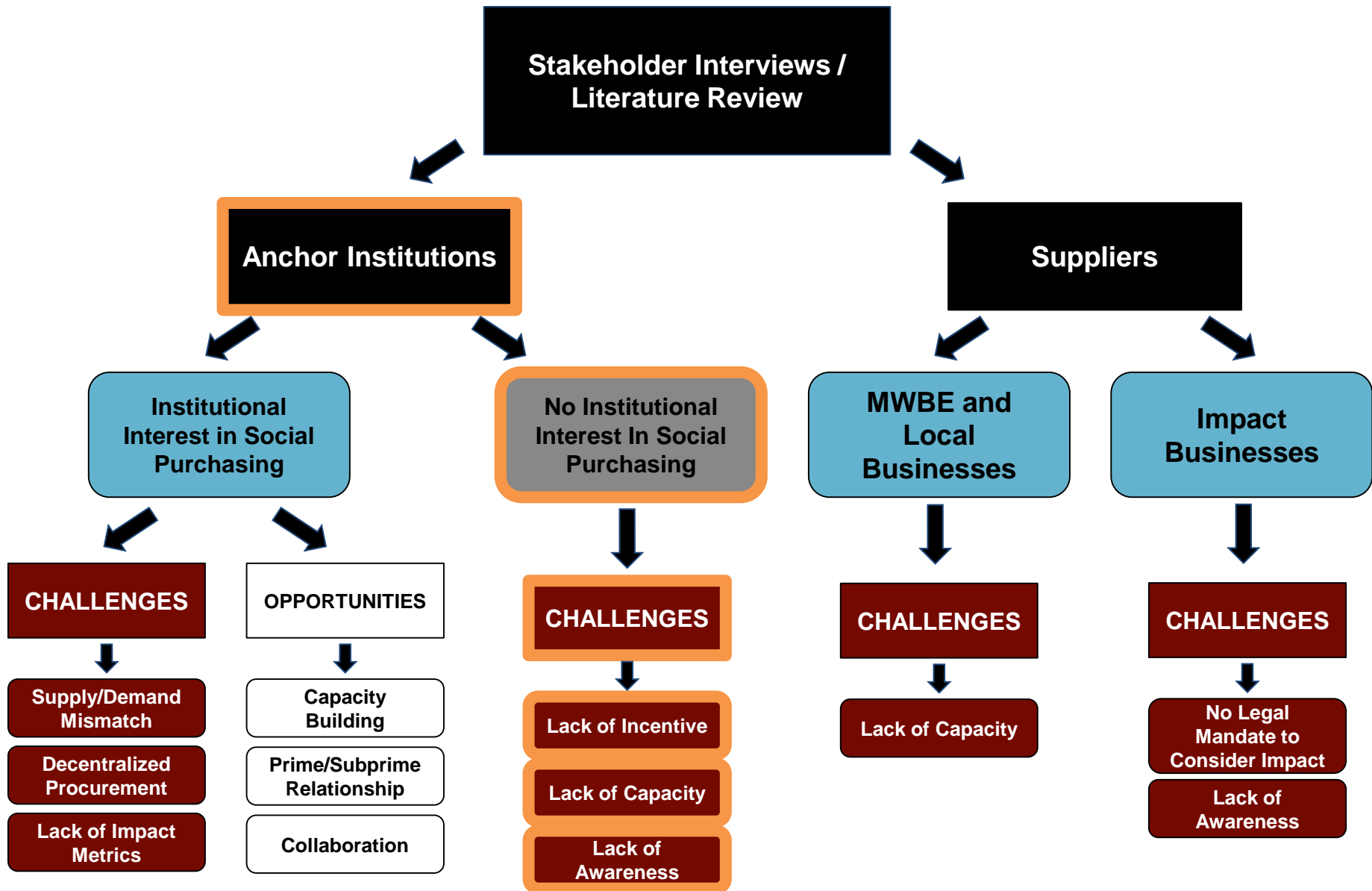
Opportunity	Example
Anchors can use their resources to develop capacity-building programs internally to help diversify their supply chain	<i>Columbia University implemented a mentorship program for MWBE and Local construction firms, which connected them to contracting opportunities at Columbia</i>
	<i>NYU partnered with SBS and Citi to implement an executive business education program for MWBE firms, connecting them with city and NYU procurement teams</i>
Anchors can connect suppliers to other anchors and/or B2B opportunities	<i>SBS Corporate Alliance Program offers capacity building and contracting opportunities with corporate and university partners for MWBE firms.</i>
	<i>Columbia University's Small Business Development Corporation is starting a vendor fair to connect local food businesses with procurement professionals at CU dining, Whole Foods, Fresh Direct, and others</i>

Prime/ Subprime Relationship

Opportunity
Anchors can use their leverage to push primes to work with MWBE and Local Businesses
For primes, buying local is just another item on a menu of products (and supporting MWBEs is standard practice)
Prime contractors help anchors manage relationships with multiple smaller vendors as well as provide quality assurance

Collaboration

Opportunity	Example
Anchor institutions can issue joint RFPs for shared product/service needs, creating a larger market for suppliers	<i>New York Public Library purchases office supplies jointly with Brooklyn and Queens Public Libraries</i>
	<i>Cleveland Greater University Circle Initiative helped multiple anchors issue joint RFPs of such a contract scale that they were able to incentivize national suppliers to locate a branch in Cleveland and hire locally</i>
Anchor institutions can formally or informally collaborate to address economic needs of their community through purchasing	<i>Cleveland Greater University Circle Initiative work together to purchase locally, build worker-owned local businesses, and aggregate their impact</i>
Anchor institutions working in collaboration can more easily address issues of access, information, and transparency for (and about) suppliers	<i>Chicago Anchors for A Strong Economy (CASE) has created a platform to match purchasers and suppliers, connect suppliers to capacity building programs, and help anchors track their supply chain</i>



Lack of Incentive

Challenge

No internal champion or top-down mandate to consider anything beyond price in procurement decisions

Even for institutions that serve the community through programming or philanthropy, they don't view procurement as part of this social mission

Some institutions track MWBE designation of suppliers only because of legal obligation to do so (as part of public funding streams)

Lack of Capacity

Challenge

Institutions don't have the resources to pay a premium to MWBE or local suppliers

Institutions don't have the staff available to seek out more impactful suppliers

Procurement and community relations teams are siloed

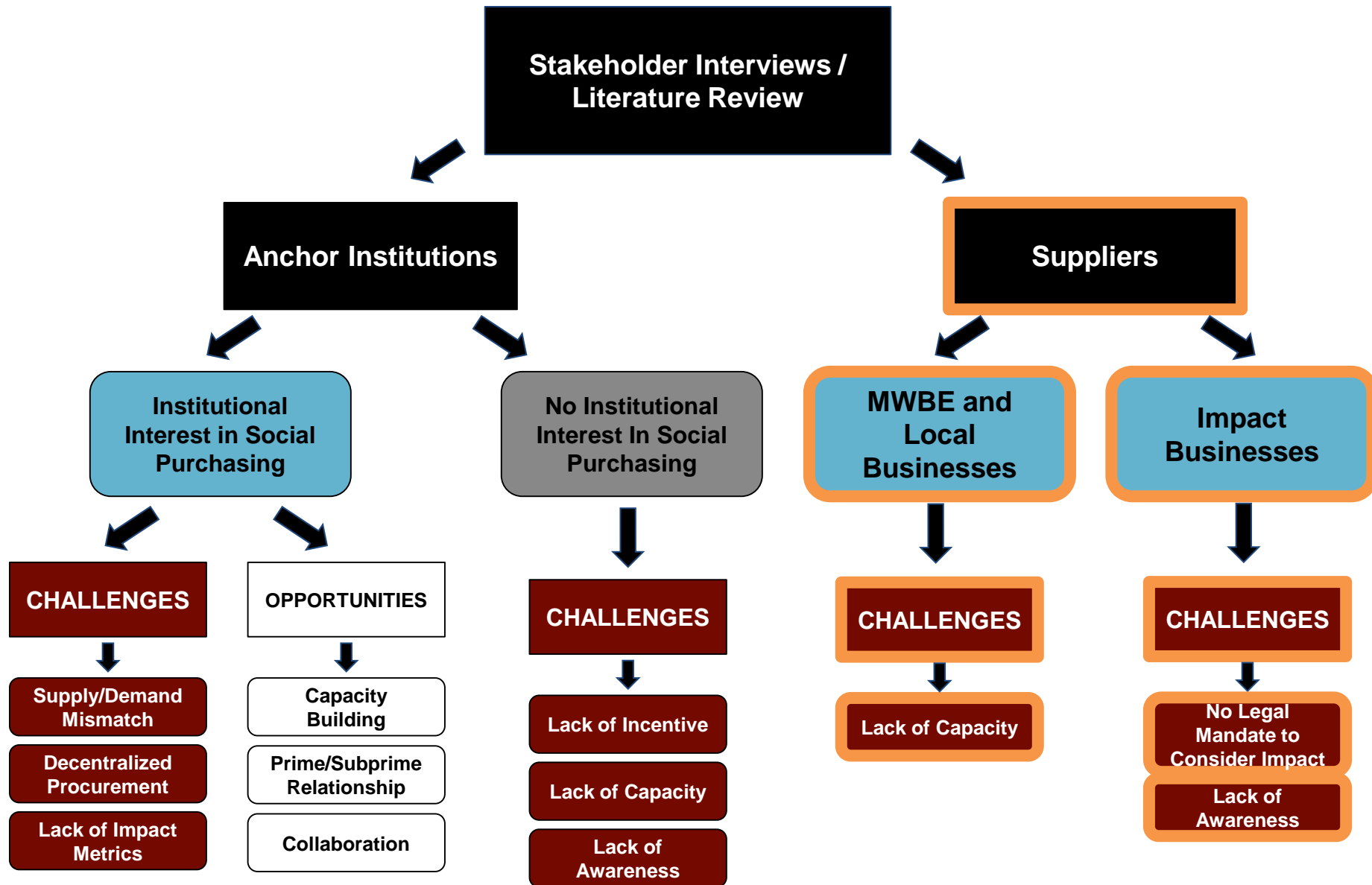
Lack of Awareness

Challenge

Institutions believe that purchasing from impact businesses will be more expensive than other suppliers

Institutions believe that purchasing from newer or smaller impact businesses is more risky than purchasing from larger vetted suppliers

Value proposition of social purchasing has not been made clear



MWBE and Local Businesses

Lack of Capacity

Challenge	Answer
Firms can't afford the resources required to bid on contracts or don't have the cash flow to purchase required materials upfront after winning contracts	<i>Capacity building programs</i>
Firms don't know how to respond to RFPs, or have difficulty with paperwork	
Small firms might not have technological capability to submit paperwork online	
Because of size, MWBE and Local Businesses are not necessarily cost-competitive	
High threshold requirements to work with large institutions (bonding, etc.)	
Firms don't know where to go to find RFPs	<i>CASE matches RFPs from member organizations with relevant suppliers</i>

Impact Businesses

No Legal Mandate to Consider Impact

Challenge	Answer
There is no regulatory framework to mandate purchasing for social impact rather than purchasing from designated business owner categories	<i>Social Value Act in institutionalized the requirement to specifically consider social and environmental impacts of purchasing decisions in public contracting opportunities</i>
Impact businesses are excluded from contracts such as those for MWBEs	

Lack of Awareness

Challenge	Answer
Anchors are not always aware of how to purchase impactfully beyond MWBE and Local Businesses	<i>Social Enterprise UK launched "Buy Social UK," an awareness campaign to highlight the importance of social enterprise</i>
There isn't a publicly available directory of impact businesses like there is for MWBEs	<i>Social Enterprise UK created a directory of social enterprises so that purchasers could easily find SEs in desired categories</i>

	Key Challenges
Awareness Raising	<ul style="list-style-type: none"> ● Institutions are not aware of how to purchase impactfully beyond MWBE and Local Businesses ● Institutions don't know where to find socially impactful suppliers ● Impact is only measured in dollars spent
Institutional Culture	<ul style="list-style-type: none"> ● Procurement is decentralized within institutions ● For some institutions, no incentive or capacity to consider anything beyond price point in purchasing decisions
Transparency	<ul style="list-style-type: none"> ● Impact of institutions are not benchmarked against citywide goals (or against other institutions) ● Institutions are not showcasing impact publicly
Supplier Challenges	<ul style="list-style-type: none"> ● Supply/demand mismatch ● No regulatory mandate for social purchasing means impact businesses are excluded from contracts such as those for MWBEs
	Key Opportunities
Capacity Building	<ul style="list-style-type: none"> ● Anchor institutions are using their resources to build capacity of suppliers in order to diversify their supply chain
Prime/Subprime Relationship	<ul style="list-style-type: none"> ● Social purchasing is often achieved through subcontracting strategy
Collaboration	<ul style="list-style-type: none"> ● Anchors working together can create access to larger markets

Corporate Application

	Key Challenges/Opportunities
Awareness Raising	<ul style="list-style-type: none"> Many companies are trying to establish more diverse and sustainable supply chains, but most in US are not moving beyond MWBE
Institutional Culture	<ul style="list-style-type: none"> Procurement system depends on industry and corporations Price point in purchasing decisions is important for them, but some corporations can accept a premium
Transparency	<ul style="list-style-type: none"> Many companies issue CSR reports A good reputation is a key driver Most corporations do not showcase specific impact metrics publicly
Supplier Challenges	<ul style="list-style-type: none"> Supply/demand mismatch No regulatory mandate for social purchasing means impact businesses are excluded from contracts such as those for MWBEs
Capacity Building	<ul style="list-style-type: none"> Corporate partners often team up with government or community organizations to build small business capacity
Prime / Subprime Relationship	<ul style="list-style-type: none"> Prime contractors usually work with private sector companies as well
Collaboration	<ul style="list-style-type: none"> CSR teams compete with each other

Many corporations are interested in social purchasing



Bank of America has a sustainable procurement program, supplier diversity program, and local sourcing program. In addition, they incubated a social enterprise within the company which hires people with disabilities.



Johnson & Johnson's Social Impact Through Procurement program opens up the company's supply chain to employment-focused social enterprises offering a range of services from catering to grounds maintenance.



Goldman Sachs issued contracts that together totaled \$300 million to MWBEs to build its New York headquarters. It continues to procure from MWBEs through its Vendor Diversity Program.



BNY Mellon has a supplier diversity program, which is committed to purchasing from MWBEs. BNY Mellon also hosts capacity building sessions and networking opportunities for its suppliers.



GE's Supplier Diversity Program was launched in 1974 to work with minority suppliers nationally. Also, GE has innovative group of training centers in China, Bangladesh and India, that offer support for capacity building.



IBM uses a procurement code that establishes minimum social responsibility standards it expects from suppliers as a condition of doing business.

Programmatic Recommendation

(Proprietary content removed; truncated version)

Challenges // Opportunities // Solutions

	Key Challenges	Potential Interventions
Awareness Raising	<ul style="list-style-type: none"> Institutions are not aware of how to purchase impactfully beyond MWBE and Local Businesses Institutions don't know where to find socially impactful suppliers Impact is only measured in dollars spent 	<ul style="list-style-type: none"> Support creation of social enterprise membership network such as Social Enterprise UK Create directory of socially impactful suppliers Utilize B-Lab platform to enrich institutions' idea of impact
Institutional Culture	<ul style="list-style-type: none"> Procurement is decentralized within institutions For some institutions, no incentive or capacity to consider anything beyond price point in purchasing decisions 	<ul style="list-style-type: none"> Support the creation of supplier diversity roles within institutions through financial incentive and development of job description Hold workshops for procurement teams at institutions to introduce social purchasing
Transparency	<ul style="list-style-type: none"> Impact of institutions are not benchmarked against citywide goals (or against other institutions) Institutions are not showcasing impact publicly 	<ul style="list-style-type: none"> Develop citywide shared metrics and impact goals Build technology platform to help institutions' aggregate impact metrics and showcase impact through data visualization
Supplier Challenges	<ul style="list-style-type: none"> Supply/demand mismatch No regulatory mandate for social purchasing means impact businesses are excluded from contracts such as those for MWBEs 	<ul style="list-style-type: none"> Develop programs to match social buyers and sellers Collaborate with anchors to build social enterprises in needed business sectors Build supplier teaming programs
	Key Opportunities	Potential Interventions
Capacity Building	<ul style="list-style-type: none"> Anchor institutions are using their resources to build capacity of suppliers in order to diversify their supply chain 	<ul style="list-style-type: none"> Support cross-sector partnership programs to build supplier capacity
Prime/Subprime Relationship	<ul style="list-style-type: none"> Social purchasing is often achieved through subcontracting strategy 	<ul style="list-style-type: none"> Host vendor fairs to connect social enterprises to prime contractors Encourage prime contractors to use B-Analytics platform to track impact of their suppliers
Collaboration	<ul style="list-style-type: none"> Anchors working together can create access to larger markets 	<ul style="list-style-type: none"> Develop a forum to build trust between institutional leaders over time and encourage them to think about shared needs

Program Design Was Informed By:

	<ul style="list-style-type: none"><input type="checkbox"/> Buy Social Directory helps connect purchasers with social enterprise suppliers<input type="checkbox"/> The “Buy Social UK” helped spur in an interest in B2B opportunities with social enterprise<input type="checkbox"/> Buy Social Corporate Challenge aims to get corporations to spend £1 billion with social enterprises by 2020
	<ul style="list-style-type: none"><input type="checkbox"/> Social Enterprise Alliance has built an online marketplace for consumers to purchase products from SEA member organizations
<p>Chicago Anchors For A Strong Economy (CASE)</p>	<ul style="list-style-type: none"><input type="checkbox"/> Chicago Anchors for A Strong Economy (CASE) has created a platform to match purchasers and suppliers, as well as connect suppliers to capacity building programs.
	<ul style="list-style-type: none"><input type="checkbox"/> Best for NYC has partnered with B-Lab to develop a custom impact assessment for NYC businesses<input type="checkbox"/> These impact assessments are housed on B-Analytics technology platform

Thank you!

If you would like to continue the conversation about Social Purchasing with NYCEDC, please contact:

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