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## **Barriers to Social Procurement: Evidence from Italy**

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## Abstract

Social procurement is a practice employed by public entities and private organizations to create a positive social impact together with the primary purchasing objective. The actor that supplies such services is embodied by a particular form of social enterprise, the type B social cooperative, which pursues financial sustainability to keep its mission of helping people with varied typologies of social disadvantage on going.

Several challenges hinder the proper employment of social procurement and they differ in relation to the actor taken into consideration. While prior studies have delved into such barriers from the procurers' point of view, limited research has achieved to capture the perspective of the supply side. The purpose of this thesis is to address this gap using an exploratory approach incorporating qualitative semi-structured interviews and surveys proposed to the type B social cooperatives operating within the province of Turin, Italy.

The findings contribute to shed light on how the barriers to social procurement directly and indirectly hinder type B social cooperatives from maximising their social impact. Therefore, results can provide some insights for possible solutions, including the one proposed by this thesis which regards the intervention of an intermediary actor.



## Chapter 1. Introduction

Social procurement can be defined as the acquisition of a range of services and products, with the aim of intentionally producing social outcomes, both directly and indirectly (Furneau & Barraket, 2014).

This definition can be broken down into distinctive elements that characterize the topic. To begin, the services and products purchasable belong to every industry sector and they don't refer to just an explicit intent of acquiring social services (Burkett, 2010). In fact, the distinction among direct and indirect identifies the fact that they can create an indirect social value which is on a secondary level with respect to the objective of the contract (McCrudden, 2004). Finally, the social procurement must intentionally attempt to achieve social outcomes, without leaving space for randomness (Commission Notice "Buying Social-a Guide to Taking Account of Social Considerations in Public Procurement (2nd Edition)," 2021). The aforementioned social value creation focuses on the creation of employment opportunities for disadvantaged people who are marginalized in the society and in the labour market, including immigrants, young people, and people with physical and mental disabilities.

The environment where the social procurement practices produce their effects comprehends different actors, including public sector, private organizations, startups, third sector, and society. The public sector plays two fundamental roles within the social procurement context. The fact that the overall European public expenditure accounts for the 14% of the total gross domestic product<sup>1</sup> (around €2 trillion per year), indicates how governments could exploit their purchasing power to participate in the market with the aim of achieving social policy outcomes (McCrudden, 2004). Public procurement, in fact, can require bidders to make use of fair employment conditions and to create job opportunities for socially disadvantaged people (Ludlow, 2016). In addition, governments could implement new effective policies to promote economic, environmental, and social outcomes within the procurement discipline (Arrowsmith, 2010). The private sector, similarly to the public one, could purchase disparate types of services from social enterprises and startups to generate positive social value along with the primary intent of the working relationship. With private organizations are intended the big companies and the small and medium enterprises (SMEs). The former ones represent 1% of all businesses in Europe and, according to the European Union specifications, they must present a staff

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<sup>1</sup> <https://www.gov.scot/policies/third-sector/#:~:text=The%20third%20sector%2C%20which%20includes,communities%20at%20a%20local%20level.>

headcount equal to or greater than 250 employees and a turnover greater than 50 million or a balance sheet total greater than 43 million. This separation also distinguishes them by their ability to apport modifications to their supply chain base because of their dimensions and money streams. Big companies are supposed to generate a great amount of revenue each year, allowing them to take the risk of pursuing new procuring strategies and to be backed by a sound team of experts. At the other side, SMEs have a little knowledge about social procurement practices and find it difficult to embed them in their activities (Lou et al., 2023). Another segment of actors consists of startups, which could play the role of innovators within the social procurement context thanks to their recognized potential to solve important challenges, including social ones. To proceed with the actors' definition, there is the third sector, which belongs to the supply side of the social procurement environment. It includes social enterprises, voluntary groups, and charities, it supports society at a local level by delivering essential services aimed at improving people's well-being and contribute to the economic growth. In the scope of this thesis, only social enterprises will be considered because they provide services to the public and private sectors while operating in their business activities. These players carry out a multitude of services with the final aim of supporting the life of socially disadvantaged people, either through direct intervention and assistance or through a job placement process. To conclude there is society, intended as the aggregate of people living together in a certain community, which enjoys the benefits of the social procurement practices (Troje, 2021).

## 1.1 Sustainable Development Goals of 2030

In 2015, the 193 members of the United Nations agreed on 17 Sustainable Development Goals<sup>2</sup> (SDGs) to be reached within 2030. The concept of “Sustainable Development” has been defined as an evolution that meets the needs of the present without compromising the ability of future generations to meet their own needs (Troje, 2023). This can be obtained only by simultaneously pursuing economic growth, social inclusion, and environmental protection. Social procurement plays a crucial role to achieve the social inclusion outcomes presented by SDGs, hence, this is why they are connected to this research. The private and the public sector, in fact, thanks to their purchasing power can make the difference in this important challenge. Precisely, SDG number 8 encompasses the social procurement discipline and states: “Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work

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<sup>2</sup> <https://sdgs.un.org/goals>

for all”. This is about granting the minimum appropriate working conditions for those who don’t have any and generating new positions for people who need a job for disparate reasons, including belonging to the socially disadvantaged category.

More in general, the 17 SDGs address global challenges with the aim of defeating poverty, to protect the planet and to grant prosperity for everyone. These goals are strictly connected to each other, and their achievement depends on the joint efforts of countries, organizations, and individuals. The 17 SDGs encompass some broad categories:

- People: this category focuses on ending poverty, hunger, and all forms of discrimination, ensuring healthy lives and wellbeing and promoting gender equality and education.
- Planet: this category is interested in conserving life on land and underwater, sustainably managing forests and fighting desertification, and controlling climate change.
- Prosperity: this category’s purpose is to ensure sustainable and inclusive economic growth, fostering innovation, reducing inequalities, and promoting peaceful and inclusive societies.

To recap, it’s evident the centrality of the role of the governments and companies all over the World in addressing these matters and paving the way for reaching the SDGs. Governments, at first, should establish a clear national framework and introduce policies, plans and programs to align the country’s plan with its global commitment. Then, all stakeholders including private companies are expected to take part in the action, focusing on their business strategies and on procurement activities. The monitoring process is being covered by national indicators developed by each government to assess progress made on the goals and targets. Furthermore, every year there is a reviewing process at the annual SDG Progress Report prepared by the Secretary-General of the United Nations. Experts’ estimates say that achieving the SDGs could create 380 million new jobs in a market worth around US\$12 trillion by 2030, including for social enterprises and social entrepreneurs in general. In relation to social procurement, the main subject of this thesis, it’s straightforward to notice the directness and proportionality of the impact of the procurement choices taken by companies, with respect to their purchasing power. About that, the European Commission has recently published a report named “Making Socially Responsible Public Procurement Work. 71 Good Practice Cases”<sup>3</sup>, where there are 71

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<sup>3</sup> <https://op.europa.eu/en/publication-detail/-/publication/e8cf51d0-f632-11ea-991b-01aa75ed71a1/language-en>

examples of how the procurement process worked and added social value in different cases around Europe.

The Impact Action Plan 2030 refers to the fifteen years path to globally pursue and hopefully achieve the Sustainable Development Goals set by ONU in 2015. This is not to be mandatorily followed by companies, however it's clear the importance of the private sector with respect to carrying out such a plan.

According to research conducted by Accenture (2023), where more than 2,800 companies' leaders from 137 countries participated, only 15% of SDGs targets are on track, 48% of the progress is insufficient and the remaining 37% has stalled or gone backwards. Around 44% of leaders claimed they are lacking guidance on where concentrating their efforts and standardized measurement criteria, not only to properly report progress, but also to make accurate strategic decisions based on these insights. When it comes to their perception about what other companies are doing in that regard, only 48% of them state that the private sector is doing enough. This might seem a little controversial when looking at the answers they give about themselves. In fact, 91% of companies say they have committed to at least one SDG, and 78% say they have changed a product or service offering to align with an SDG. This study shows how messy and confusing this topic still be, either for formulating and implementing the Impact Action Plan and for monitoring and assessing it.

Nevertheless, the interest of companies in this matter is real and under increasing attention. It's commonly recognized that sustainability can be a source of competitive advantage, which is required by every form of competing company to grant survival in the market. Customers are demanding more sustainable products and services, making the brand image very important. Investors are transitioning on sustainable companies, thanks to their lower risk and greater pace of productivity and innovation (Fallah Shayan et al., 2022).

## 1.2 Italian policy context

On the 31<sup>st</sup> of March 2023, the Italian government published the legislative decree number 36 (Dgls 36/23), containing the new procurement code.

The measures adopted are all be in force from the 1<sup>st</sup> of July 2023, but some will become effective from the 1<sup>st</sup> of January 2024.



The structure is composed of five books concerning all the matters regarding procurement law.

The first book contains the general principles and new dispositions on the digitalization process of procurement to guarantee its transparency and traceability. One important principle that comes in hand for social cooperatives and enterprises is the one of market accessibility, where buyers should divide their overall service request into different lots to let smaller enterprises take part in the bidding. In addition, the rotation principle guarantees the continuous involvement of new suppliers for a specific service, such as for the facility's canteen management, giving the possibility to more social cooperatives and enterprises to sign a contract. The second book regards the procurement related to works, services, and supplies. In this section everybody can read the common dispositions and modalities for the entire procurement process, also related to social services, such as into the restoration sector. The third book contains the principles relative to the special sector, including gas, electricity, water, and transport. The fourth book is dedicated to the partnerships among public and private sectors and the fifth book regards dispute management and anticorruption dispositions.

Dgls 36/23 entails the repeal of the Dgls 50/2016 and the consequent overwriting also of the dispositions regarding the social clauses in the procurement contract.

In particular, the art. 57 states that for the assignment of procurement contracts for works and services report specific social clauses with which measures are requested, as necessary requirements of the offer, aimed at guaranteeing equal generational and gender opportunities, employment inclusion for people with disabilities and disadvantaged people and the employment stability of the staff employed. In addition, it provides for the inclusion of social clauses that grant occupational stability. These clauses are not included in works of an intellectual nature, for concession contracts, tender notices, and invitations, independently from the condition of being high intensity labour contracts.

Furthermore, it is expected that the supplier undertakes by participating in the tender to allocate 30 percent of hirings both to youth employment and to female employment (see Annex II.3, paragraph 4). A higher percentage threshold can be considered a reward element for the purpose of the award. However, if the contracting authority decides not to include social clauses, it must provide specific and adequate reasons with reference to objectives, for example, of efficiency and cost-effectiveness.

About the mandatory of including social clauses, clarity is brought by art. 57 of the new Code. In fact, it provides for the "obligation" for contracting authorities to include in tender notices,

notices, and invitations, specific "social clauses" which require, as necessary requirements of the offer, measures aimed at guaranteeing the stability of the employed staff. However, this article doesn't refer directly to the inclusion of people with social disadvantages, and hence, it partially covers just a perspective of the social procurement subject.

Finally, the law number 381/1991 recognized by the Article 45 of the Italian Constitution, represents the ultimate definition of the social cooperative's function. This law formalized the concept that social enterprises of "B category" pursue society's benefit by granting access to the workplace to socially disadvantaged people, and, to do that, they need an economic balance and sustainability. To be classified as a type B social cooperative, it must employ at least the 30% of socially disadvantaged workforce. The employment of a disadvantaged workforce is the main entrepreneurial function of these social cooperatives, for which the elimination of the contribution for compulsory social security and welfare insurance on the remuneration paid to disadvantaged workers represents a tangible recognition for the inclusion of people with reduced productivity in company processes (Kiesswetter, 2019). To avoid misunderstandings and an unjustified use of the de-contribution, the legislator had to define the categories of social disadvantage. In Article 4 of the 381/91 law, they are listed and include physically, mentally, and sensorially disabled people, former patients of psychiatric institutions, people undergoing psychiatric treatment, drug addicts, alcoholics, minors of working age in difficult family situations, convicts admitted to alternative measures to detention.

In Italy, laws for municipalities are made by three levels of government. The national government, through Parliament, can legislate regarding municipalities in some specific cases, such as for example in matters of administrative order, budget, personnel, urban planning, environment, and so on. The regions, through their regional laws, can legislate in all cases not expressly reserved to the competence of the State. The municipalities themselves, through their municipal regulations, can legislate in all cases not expressly reserved to the competence of the State or the regions. In the city of Turin, the municipal policy number 307 is in force, and, in the social procurement field, it states that procurement clauses must contain the inclusion of workforce described in law 381/91 (previously listed) and in the European Union Regulations. The latter one regards the disadvantaged workers, which they enter in the category of people who are unemployed or in situations of unemployment hazard, including being the only worker with some people depending, not having school degrees, coming from difficult family situations, and having to work in young and advanced age, belonging to an ethnic minority of another UE member state. It can be noticed that no legal reference has been made to immigrants

and refugees coming from any non-European State. Anyway, they enter into the definition of socially disadvantaged people this thesis refers to.

### 1.3 Problem formulation

Social procurement, the practice of integrating social considerations into public and private purchasing decisions, presents a promising avenue for fostering a positive social impact alongside economic gain. This approach aligns with the core mission of type B social cooperatives, a specific type of social enterprise that prioritizes financial sustainability to sustain its mission of empowering individuals facing various forms of social disadvantage. This category of social cooperatives differs from the “A” type as the latter doesn’t aim to produce positive social impact through job inclusion but it directly addresses the matter of interest. For this reason, this thesis considers type B social cooperatives among the two options.

Despite its potential, several challenges hinder the successful implementation of social procurement. These obstacles can be categorized based on the involved actors:

- Procuring organizations: public and private entities might face limitations like resource constraints, complex bureaucratic procedures, and a lack of awareness or expertise in social procurement practices.
- Supplying side: type B social cooperatives may lack of managerial capabilities and legal expertise, along with a solid structure to compete with for-profit enterprises.

This thesis addresses the literature gap by examining such challenges faced by type B social cooperatives throughout their perspective, identifying the degree of impact they exercise on the ability to maximize the social benefits. In addition to that, the research contributes to increase the limited knowledge about the barriers strictly related to the social cooperatives. To conclude, the study is grounded in Turin, Italy, which is a country that doesn’t publish a great amount of scientific papers about social procurement.

## 1.4 Aim of the research

This thesis aims to contribute to a more comprehensive understanding of the barriers hindering the effectiveness of social procurement practices, according to type B social cooperatives' perspective.

To do that, this study addresses the following research questions:

*RQ1: "What are the documented barriers that hinder the proliferation of social procurement, categorized relatively to public sector, private sector and social cooperatives?"*

*RQ2: "How do such barriers impact and how are they perceived by type B social cooperatives in Turin, Italy?"*

These research questions aim at identifying and understanding the specific challenges faced by type B social cooperatives when engaging with social procurement practices. This includes exploring both the direct and indirect impacts of these obstacles on limiting their ability to maximize their social impact. In addition, by shedding light on the supply-side barriers, this research will offer valuable insights alongside existing knowledge focusing on the procurement side.

The findings can inform policymakers, practitioners, and other stakeholders in developing strategies to enhance the effectiveness of social procurement practices, including the intervention of an intermediary actor, proposed by this thesis. In conclusion, this research can contribute to fostering a more sustainable and inclusive society by promoting the positive social impact of type B social cooperatives through improved social procurement practices.

## Chapter 2. Literature Review

### 2.1 Social Procurement

The concept of social procurement followed a slow-paced evolution throughout history. The first signs date back to the 19<sup>th</sup> century mostly in UK, in France, and in the United States, where the governments attempted to link social justice with procurement policy. In that period, the working class battled to obtain more favourable working conditions, including a working hours cap and fair wage (McCrudden, 2004). Even though such protests lead to greater labour class protection, many traits of the population have been even more marginalized. Those damaged ones were women, children, racial minorities, physical and mental disabled people, which are included in the modern definition of socially disadvantaged individuals. It was the events of the two World Wars that changed the approach of the governments which then appreciated the power of contracting to address the needs of wounded soldiers coming back from the battlefield. An initial mechanism spread in Britain was the one of ‘sheltered workshops’ for disabled workers, where some kinds of goods were produced and then purchased by the governments (McCrudden, 2004). Some years later, the ‘civil rights movement’ of black-Americans attracted the attention of the US’ government, leading to the passing of the Civil Rights Act in 1964. That act consisted of the first federal employment discrimination legislation, which have always been in the hands of a minority of legislators in the federal legislature (McCrudden, 2004). These events paved the way for a greater sensibility among other states about the socially disadvantaged individuals and the passing of new policies which contributed to shaping the modern form of social procurement.

Nowadays, social procurement encompasses varied aspects of society, as reported by Burkett (2010). One of them comprehends people coming from long-term unemployed conditions, especially those with a disability, the refugees, or migrants, the homeless and youth. One indirect strategy to promote the employment of those ones can be to seek suppliers that include such categories of workers. Another social procurement effect on a trait of society should be maximizing the economic stimulus in those regions where the work is being undertaken.

To reach for different traits of society and to trigger their inclusion there is more than just a single way to practice social procurement, depending on the way the activities are carried out. The simplest type is the one described by Burkett (2010): it consists of purchasing social services directly from third sector organizations, which are entities in principle funded to achieve social outcomes. These services range from health to welfare and produce their effects

directly on socially disadvantaged people. Very similar but different from the previous methodology is when the specific category of services acquired is not limited to the social ones but encompasses a broader set of activities. Some examples of such services include facility cleaning and gardening services, catering and canteen management, logistic services and so others. Clearly these would be the primary activities of the contract, while the social value is indirectly created. When the proportion of such services is too big relatively to the dimension of a social enterprise, to come in help some laws permit the division in lots of the entire scope of the contract so that it could be assigned to different contractors. This is a practice mostly employed by public entities because it might increase the price of the contract due to its multiple division (Arrowsmith, 2010). In addition, governments and public entities can embed in the contract an additional indirect social benefit while procuring a specific asset, such as buildings and construction industry products (Erridge, 2007). To conclude, a final type of social procurement can be stretched to the field of Corporate Social Responsibility (CSR), and it involves the management of the supply chain, paying attention on the labour conditions and rights of the supplying companies (Burkett, 2010). However, CSR is not part of the research topic this thesis wants to address, so this part won't be taken into account in the following steps.

## 2.2 Social Cooperatives and Social Enterprises

About social procurement has been pointed out how companies can pursue positive social value creation by procuring a set of services from social cooperatives and enterprises. The aim of this section is to clarify the typologies, roles, and critical aspects of such organizations.

Social enterprises represent the more general category of service provider within the boundaries of this thesis. In the art. 1 of Legislative Decree 112/2017, the legislator defines social enterprises as private organizations that carry out specific business activities of general interest, non-profit and for solidarity and social purposes, adopting responsible and transparent management methods, and favouring the broadest involvement of workers, users, and other stakeholders interested in their activities. Social enterprises' categories are:

- Social Cooperatives Enterprises: there are four types which are strictly related to the concept of social procurement and work inclusion. Hence, social cooperatives are the subject of interest of this thesis, and they will be further analysed in the following steps and chapters.

- **Non-Profit Social Enterprises:** they purchase a social mission which is supported by the income they generate. Most common types are charities, foundations, and community-based organizations.
- **Hybrid Social Enterprises:** they combine elements of non-profit and for-profit models while pursuing a social mission. The most common types are Low-profit Limited Liability companies and social impact Investment Funds. They are like the ones entirely for-profit but with some restriction on their profit distribution, ensuring reinvestment in the social mission.

The normative of reference, law 381/1991, states that social cooperatives aim at pursuing the general interest of the community to human promotion and to integrate citizen within the society, and they are qualified by right as social enterprises. There are four typologies of social cooperative. Type A belongs to the set of direct social procurement given that these cooperatives manage social interventions and services, health interventions and services, socio-health services, education, professional education, and training, as well as cultural activities of social interest with educational purposes. Type B belongs to the set of indirect social procurement as type B cooperatives manage different activities including agriculture, industrial ones, and services, by employing at least 30% of socially disadvantaged workforce. According to the law 381/91 these people are physically, mentally, and sensorially disabled individuals, former hospital patients, psychiatric patients and subjects in psychiatric treatment, drug addicts and alcoholics, minors in working age in difficult family situations, prisoners and convicted prisoners admitted to alternative measures to detention. Type B enterprises also enjoy the possibility of being directly assigned some public contracts with a value lower than € 150,000, thanks to the “determination of direct assignment” policy. Social cooperatives B are the type of social enterprise studied in this thesis. Mixed type (A+B) presents cooperatives which run both types of operations, as long as the managerial organization is clearly separated. The last typology consists of consortium. Consortia are an aggregation of many cooperatives with the interest in being clustered together and guided by a common administration or in being grouped in response to a single social procurement project participation.

According to literature, cooperatives present some considerable benefits. To begin, they promote a greater labour protection by paying a lower attention to profits (Moore, 2000). They are characterized by a countercyclical behaviour to mitigate the negative effects of economic crisis. During such period, in fact, social cooperatives tend to reduce less the occupation with respect other companies, they tend to keep their level of investment steadier, and they sustain

the local economy by reinvesting their revenues within the territory in which they operate (Fontanari & Borzaga, 2013). This is also validated from the data provided by EURICSE, 2015<sup>4</sup>, which showed that from 2008 and 2011, cooperatives have increased their production value around six times with respect to the one of the S.P.A. (companies Incorporated and listed on the stock exchange) and have maintained a greater amount of job positions. Fontanari & Borzaga (2013) explained that this results from the different objectives the cooperatives pursue together with an economic one, along with a democratic and participative democratic structure, and a diversification of the investment sectors. Furthermore, social cooperatives contribute to reducing the welfare expense for the governments, thanks to their involvement within the social environment (Jensen & Kjaer, 2017). In conclusion, social cooperatives can operate side-by-side with traditional for-profit enterprises and contribute to creating a more inclusive and sustainable social environment. There are some modalities according to this might occur, including collaborating in a project, competing for the same services, and influencing the business model (Chiodo & Gerli, 2017).

Along with the benefits, literature also describes some criticalities which characterize the cooperative model. Smith & Rothbaum (2013) address the issues in organizational and managerial aspects of the cooperative decision-making process. The participative and inclusive governance structure, in fact, might lead to an inefficient model regarding communicating, planning, and managing activities, resulting in poor strategic manoeuvres. An effective decision-making process is fundamental for adapting to the continuous market evolution (Chiodo & Gerli, 2017), and the lack of such capability could let the cooperatives to excessively depend on the grants and projects provided by the local public authority (Doherty et al., 2014). In conclusion, through research conducted by Pellegrina et al., (2017), it has been pointed out how cooperatives may face some struggles while accessing to credit for financing their business, in relation to the degree of modernity of their ICT. The study, in fact, shows how banks tend to grant better credit conditions and greater volumes to the enterprises which use ICT more extensively. However, renovating the technologies employed can be difficult due to the high costs of purchasing and consequent integration, lack of competencies and complexity of the systems, especially for older cooperatives.

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<sup>4</sup> <https://euricse.eu/it/publications/economia-cooperativa-rilevanza-evoluzione-e-nuove-frontiere-della-cooperazione-italiana/>



## 2.3 Public Procurement and its Social Implications

Public procurement is a significant tool for governments to acquire goods, services, and works, since public buyers spend 14% of the EU's gross domestic product (WeBuySocialEU: Socially Responsible Public Procurement, 2021). In recent years, there has been a growing interest in using public procurement to promote social objectives, such as the inclusion of disadvantaged groups in the labour market. This has led to the development of social clauses in public procurement, which are contractual provisions that require bidders to meet certain social criteria, such as hiring a certain percentage of workers from disadvantaged groups (Wińska-Rużewicz & Zaborowski, 2018).

There is some evidence that social clauses can be effective in promoting social objectives (Chang et al., 2017), mostly thanks to the fact that they require supplying actors to compete on the social value impact in addition to the technical and economic characteristics (Goel et al., 2020). In particular, the team selection of a project can influence the benefits of a public procurement contract, thus it must result from a fair and objective competition environment (Ballesteros-Pérez et al., 2016). To achieve that, contract awarding methods should include exclusion criteria which apply to bidders who don't comply with social and labour requirements (Montalbán-Domingo et al., 2021). Nevertheless, the effectiveness of social clauses depends on the country constraints and on the accuracy of the way they are designed, which must be aligned with the project's characteristics, objective, and stakeholders' needs (Montalbán-Domingo et al., 2019).

Unfortunately, the process of producing clear and well-defined social clauses and their consequent implementation is considerably hindered by the lack of a standardized method of measuring and evaluating their social impact (Murphy & Eadie, 2019). There exist many studies which propose different assessing procedures and social indexes that should help quantify the social impact in understandable terms for public (and also private) procurers. Some commonly recognized examples are introduced in the following subchapter.

At a European level, the recent increased attention posed on social public procurement and on human rights protection should be backed by an effective procurement policy (Sanchez Graells & Sanchez-Graells, 2018). As an initial attempt, the European Commission published a list of 71 real examples of how social public procurement had been already successfully brought in action in its guide (*Making Socially Responsible Public Procurement Work: #WeBuySocialEU*,

2020). The objective was to sensitize the member states with respect to the implementation of the social public procurement tool and to provide a standardized framework on how to achieve positive results. The lack of such common language has been displayed by Montalbán-Domingo et al. (2019), who investigated the peculiarities of 451 tendering documents published within ten countries and highlighted that health and safety criteria are the ones recognized at a global level, while the inclusion of other social criteria varies accordingly to the country and contract dimension.

Despite the EU's role in producing guidelines and laws within the social public procurement, countries prefer to develop and follow national regulations because they can prioritize specific local needs and be more tailored to the resources available, and they can be more flexible and responsive to other local policies (Chahed, 2023). At the Italian level, the public procurement is regulated by the Legislative Decree No. 36 of March 31, 2023, known as the "Public Contracts Code". Some key changes with respect to the one of 2016 aim at enhancing the social public procurement discipline. As explained by "ANAC" the new law mandates the use of electronic platforms for all stages of the public procurement process, from the publication of tender notices to the submission of bids and contract management (*ANAC - New Code of Public Contracts - General Principles and News*, 2023). One official platform is the "Official Gazette" website<sup>5</sup>, in the public contracts section. Another change introduces simplified procedures for contracts with a lower value, aiming at reducing administrative burdens for both public authorities and businesses. In addition, the new law prioritizes the evaluation of bids based on the "most economically advantageous offer" (MEAO) criteria, considering not just price but also social and environmental factors along with quality and technical merit. In conclusion, the new Decree strengthens the provisions regarding social clauses, which are mandatory contractual ones aiming at promoting social benefits through public procurement.

Despite the increasing awareness of the European public entities with respect to social procurement, some barriers keep hindering its full exploitation. These obstacles belong to the different stakeholders that populate the procuring environment and will be analysed throughout the whole thesis.

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<sup>5</sup> <https://www.gazzettaufficiale.it/home>

### 2.3.1 Social Value Assessment

The principal scope of social procurement is to add social value to society, thanks to the social clauses that are integrated into the procurement contracts.

Differently from the case of economic value, measuring and assessing the social outcomes of a procurement process is not that straightforward. To identify the right approach for developing measurement tools, it's important to understand the concept of social value. Researchers have provided many definitions of that topic throughout the years, starting from a general and broader point of view to more precise and logical parameters. Roughly speaking, social value is usually derived from the indirect impact of the primary activities and refers to soft, intangible effects they have on the wider communities and environment. Furthermore, the definition of social value is dependent on the type of services and products being delivered by a specific organization within a specific community of stakeholders (Kara, 2015). A more articulated definition is the one delivered by the UK Cabinet Office (2012) which states that social value consists of the additional positive social, environmental, and economic benefit to the society deriving from a procurement process over and above what would have happened anyway, considering the negative impact of an activity. The latter concept could be easily visualized with this formula:

$$\text{Social Value Added} = \text{Total Outcomes} - \text{What would have happened anyway}$$

Once social value has been defined, it would be easier to familiarize ourselves with the different sets of evaluation metrics that have been produced according to literature at the time of this thesis.

A commonly accepted interpretation of "measurement" is that it should follow a systematic collection of data to provide logical and objective results. However, in terms of social benefits, the evaluation of the outcomes comprehends a complex combination of issues including how to capture the added value, how to understand 'efficiency' in such field, and to attribute achievements when many stakeholders are involved in the process. In addition to that, a shared language must be developed so as every player is aligned and refers to the same units of measurement (Hall, 2014).

The following are some indicators proposed by many researchers according to the literature.

Derived from the cost-benefit analysis, which can be used to evaluate the proficiency of an investment, Social Return on Investment (SROI) has been one of the most employed assessment

approaches and has influenced other similar ones (Krlev et al., 2013). SROI is an economic measure which applies accounting principles to provide a ratio value of the financial costs with respect to the monetized social value created thanks to the procurement process. In more practical words, it helps to understand how effectively an investment creates positive value for the community (Luke, Barraket & Eversole, 2013). The following formula helps to visualize the concept:

$$SROI = \frac{SIV}{IIA}$$

Where SIV is the Social Impact Value in monetary terms and IIA stands for Initial Investment Amount. Here it's evident the criticality of the definition of social value for the standardization of the indicator and for implementing a shared method to attribute a monetary value to that concept. Some multicriteria methods have been developed and they present some commonalities in how they should be applied to calculate the SIV, however, not a definitive approach has been fully recognized yet.

A quicker, low cost, and high-volume way to measure the social value added is provided by the Social Earnings Ratio (S/E) (Social Value Act Review-Report, 2015), developed by the Centre for Citizenship, Enterprise, and Governance (CCEG), a British institution. It differs from the SROI because it is calculated by dividing the social value by the money spent directly on it, considering easily available information such as the CSR budget, the carbon reduction, the number of people helped and so on.

Another economic indicator is the Local Multiplier 3 (LM3). It's been developed by the Bloomberg New Economic Forum to help public and private sectors to assess the impact of their procurement decisions and to identify where such impact could be directed to. LM3 links the social value added and economic benefits to map organizations' source of income, how it is spent, and the effects on the local area.

Besides economic measures, there are also satisfaction ones, which try to point out how people are happy and satisfied to evaluate the social impact of procurement.

One known satisfaction index is the Wellbeing Valuation assessment tool, developed by the Housing Associations Charitable Trust (HACT), a British charity institution. This tool tries to answer to the difficulties in attributing a monetary value on non-market qualities by consulting large data set from national surveys. To derive the 'equivalent amount of money needed to increase someone's wellbeing by a certain amount', the income data of the reference person is

cross analysed with the isolated effect of a particular factor of the person's wellbeing, obtained thanks to the surveys. These values could be used to compare the impact of different programs to identify the bidder which proposes the more social value adding project (Halloran, 2017).

Finally, some sector-specific measures have been proposed to post assess the effects of a particular intervention by comparing the results of several similar initiatives. An example that should help absorbing this concept is the one of offenders. Some offenders could be hired for a procurement contract and then monitor their propension to reoffend in the future, comparing that with non-working offenders.

Measuring in a unique way the social impact generated by a social enterprise is useful for many reasons (Chiaf, 2015): for example, ex-ante, to take decisions regarding whether commit to a project or not, or ex-post, to evaluate the results of a collaboration and to inform the relative stakeholders.

## 2.4 Barriers to Social Procurement

Many researchers have been addressing their studies with respect to the barriers that hinder the growth of social procurement. Hence, the purpose of this section is to delve into the literature to identify such barriers. Since the social procurement processes involve the public sector, the private sector, the third sector, startups, and society, barriers will be classified according to the relative actor they are connected to, exclusion made for startups and society.

To proceed in order of appearance, the first actor taken into consideration is the public sector. It encompasses public procurement and policymaking. The main barriers identified relatable to this sector regard the carrying out of the second function, thus it will be analysed how laws can hinder the growth of social procurement. Policymakers play an important role in defining the guidelines and in setting the objectives in the private procurement process. SDG number 8 is the clear example of how local European governments must follow the regulations and guidelines of the EU in social matters and develop an internal framework to respect them. In addition to that and to facilitate this duty, EU published the “*(Making Socially Responsible Public Procurement Work: #WeBuySocialEU, 2020)*“ book, which contains the guidelines to help governments achieve positive social outcomes in public contracts. However, despite the

increased awareness of the UE and Governments in the social procurement field, many critical points have been identified.

As asserted by Ludlow (2016), the constant mutual evolution of law at EU and national level generates indirectly important difference in how the new procurement rules have been received at the sub-national level. Indeed, the process of transposing EU law into national legal systems is intimately intertwined with national negotiations positions and other broader national policy objectives. Therefore, in cases where the Member States are less persuaded about the benefits of a given EU direction, they can choose to minimally implement the relevant rules, or pursue alternative agendas that diminish the conflict with the European one. Trough some interviews conducted in the Swedish construction sector, Troje (2021), delved deeper into the concept of policy misalignment. Many of the interviewees said they were not certain about what social procurement was meant to achieve due to unclear final objectives and shared common goals. From another perspective of the same matter, different places may have different needs and problems, making social procurement policies less appropriate to meet local needs. In response to the result of these interviews, Troje (2021), suggests the policymakers how to address the tensions between implementation of policy and practice. In fact, before implementing procurement policies, they should consider aligning the sector prerequisites, the local labour market conditions, and the prerequisites of people the social policy is targeting. Furthermore, misalignment can also emerge when the policies are ill-fitting with certain projects, usually the more complex ones which require high-skilled tasks. For example, newly immigrated people often have poor language skills, which becomes problematic considering the high demand for safety procedures to be understood and respected (Troje, 2021).

Moving from the interpretation of the governments of EU guidelines to the way they actually commit to implementing a favourable social procurement environment, a picture of a general situation can be taken. Procurement law can represent a barrier for socially sustainable infrastructure growth because policy and regulation either don't exist or they exist, but they are not binding, sufficient, or enforced. A lack of such laws has been identified by Ghadge et al. (2017), and this has hindered the embedment of social criteria within the procurement procedures and, on the other hand, some too discretionary regulations which are already in place still permit less sustainable options to be implemented (Treviño-Lozano, 2021). That policy horizon won't trigger procurers to implement social procedures but only the managers who are strongly socially committed will (Ghazilla et al., 2015). A straightforward possible solution is suggested by Álvarez Jaramillo et al. (2019) who claim that only by obliging procurers to

include social clauses in their contracts will really make the way projects and services are awarded evolve in a more socially responsible dimension.

To sum up, the current understanding of EU's social policies is vague and strictly related to the nations' interpretation and sensibility towards the subject. This may result in misalignment of local policies with respect to the European agenda and sector characteristics and this could prevent procurers to seek for social outcomes because of the unclarity of the laws regulating the environment. In addition, the absence of a complete existent set of regulations leaves too much liberty of choice to procuring entities, especially the ones of the private sector.

The next actor that will be considered is the private sector and its related barriers to social procurement. The behaviour of private companies is strongly influenced by the laws in place and their business operations already on deployment.

Over the last 20 years, regulators and policymakers have sought to stimulate companies to respect human rights and reduce the risk of business-related abuses, by addressing the efforts on their value chains. Such inclusive global growth is characterized by responsible business conduct, a positive contribution to economic, environmental, social progress, and decent work<sup>6</sup>.

Social procurement represents the most direct approach for companies to intervene in their supply chain. The procurement process, in general, is made up of three main phases. The first one is the procurement planning, which includes the setting of technical specifications, definition of award criteria and delineation of contract performance conditions. The second phase, tendering, comprises the awarding and conclusion of contract terms, while the third phase consists of the contract life-cycle management (Methven O'Brien & Martin-Ortega, 2019).

According to procurement law regimes, these three phases are regulated by policies intended to emphasize some important long standing procurement pillars, including the achievement of value for money (efficiency), non-discrimination between tenderers, and open competition (Arrowsmith, 2010). Consequently, procurement law lacks to shield the supply side from decisions based on incomplete, inadequate, or false information and doesn't really protect workers or others harmed by business activities (Sanchez Graells, 2018).

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<sup>6</sup> <https://www.ilo.org/global/topics/decent-work/lang--en/index.html>

In more practical words, the concept laying beyond this framework can be depicted by the greater importance of protecting competition and market-based ordering with respect to social and other “horizontal” objectives (Martin-Ortega & O’Brien, 2017). As Arrowsmith (2010) explains, these horizontal clauses are intended as some requirements that go beyond the primary objectives of the contract, and they could generate new costs that must be weighed against any benefits.

Typically, these costs are faced by the purchasing party, i.e. the procuring company, which might see an increase in the contract price. While the reasons for social procurement are clear from a society’s point of view, they don’t directly affect the primary objectives of the contract, preventing a non-socially committed company from pursuing it. There are diverse natures of procuring process, depending on the services required, duration of the collaboration, and its value, making it difficult to extend some principles to different situations and keeping a veil of uncertainty regarding this field. Arrowsmith (2010) describes some direct and indirect costs that may deter the seek for horizontal objectives. First, the supplying party may offset a possible price increase by reducing the quality of the service provided. Additional costs may arise when suppliers are asked to include extra features to provide social or environmental benefits. Sometimes, complying with a clause requires a business to rethink and change its production methods, eventually leading to not participating in the bidding process. If many suppliers withdraw from the procurement process, competition is hindered, and purchasers will probably have to deal with higher prices. Finally, other costs consist of checking for compliance, assessing additional award criteria, and measuring social performance.

Referring to this last issue, the social performance definition and measurement are crucial to align the procurement objectives with the social value adding ones. Social value might include community benefits, core labour standards, disability equality, employment and training issues, fair trade, gender, and race equality (Barraket et al., 2009). In a review ran by Wilkinson & Kirkup (2009), in which they seek meaningful measures of sustainability that can be used in the procurement process, the findings suggested that social indicators were not successful because most suppliers don’t follow a coherent approach to achieving or measuring social benefit. The difficulties in developing a standardized language to evaluate the social benefit, and, consequently, to measure the degree of which the social clauses have been respected during the collaboration, can lead to the arising of disputes that can be costly in terms of money and time wasted.



Another barrier highlighted by previous studies is represented by the big companies' awareness with respect to social procurement, which is a twisted subject full of biases and misunderstandings.

During the closure of a deal for service provision, different stakeholders are in place and their interests may vary. This is the reason why for the success of the collaboration the commitment and the objectives set must be mutual understood by all the parties involved (El-Gohary et al., 2006). That is also proved by the research of Loosemore et al. (2022), which found that there is a low level of engagement and a high degree of suspicion by the key stakeholders that also deters collaborative efforts. In fact, they perceive social procurement as more of a risk for creating harm by ineffective implementation than an opportunity, raising numerous cautionary concerns which deter the big companies from overcoming the non-awareness barriers.

A direct awareness enabler is represented by a progressive education of the stakeholders with respect to the real effects of the social procurement in the eyes of each party, both throughout a single collaboration life cycle and by further collaborations with other projects and external organizations such as the government and professional facilitators (Bohari et al., 2020).

Another possibility to lower the non-awareness barriers for the big companies is the knowledge sharing tool, which consists of the social interaction between employees and other participants who contribute to the sharing of knowledge, experiences, and skills (Lin, 2007). This can be obtained in the form of formal and informal training, benchmarking, progress meetings and educational sessions (Robichaud & Anantatmula, 2011).

Furthermore, even when the companies of private sector are perfectly conscious of the presence of social enterprises and have the instruments to implement it, another element can obstacle it from happening. Precisely, this is the resistance to change. All the organizations already outsource different services according to their strategical operations, and changing the established business relationships, can result in effort consuming procedures which lag the adoption of social procurement, especially the older incumbents (Lou et al., 2023).

To sum up, social procurement can lead private entities to face greater costs within the purchasing stage and throughout the whole working relationship, especially in tenders, disincentivizing them to pursue additional social benefits when the regulation doesn't demand it. Measuring social impact represents another important obstacle. Nevertheless, this involves all the actors of the value chain, thus it will be considered as a "global" barrier. Social procurement practices slightly differ from the "ordinary" ones and, thus, practitioners should

be fully aware of the ways to manage them. In this case, barriers may arise when stakeholders are unengaged and, furthermore, when they suspiciously perceive the pursuit of social goals as an excessive risk. A latter consistent obstacle consists of the resistance to change the supplying procedures by the private companies.

The last actor which presents significant barriers to social procurement within the scope of this research is the one of social enterprises. While there is a great amount of literature that encompasses the barriers related to public and private sector, limited studies on social cooperatives have been found. The latter organizations, in fact, should be fully committed in trying to sign for as many as possible business deals, however, they present some barriers to that.

To recall the criticalities of the cooperative model, two main aspects can be identified. Initially, the inclusive cooperative participation of partners might lead to poor managerial and organizational manoeuvres Smith & Rothbaum (2013). This consists of a sudden confirmation of the study previously conducted by Karjalainen & Kemppainen (2008), where they demonstrated that the lack of administrative capacity and legal expertise of the small enterprises usually was connected to a poor success rate in tendering. From a public sector point of view, another research highlights that the fact that small enterprises usually lack human resources contributes to reducing the level of engagement with public buyers, reducing the possibility of closing business deals (Flynn et al., 2015). The other critical aspect regards the difficulties of cooperatives in accessing financing sources such as bank loans because of their minor level of technological implementation, which at the other hand, it would represent a high investment cost (Pellegrina et al., 2017).

The ones just described can considerably hinder the social enterprises while trying to obtain new contracts. In addition to that, if they don't get revenues from their operations they must rely on other financing sources, including governmental grants and donations of the partners. However, this research identifies two important gaps which are not sufficiently covered by the current scientific community: the price/quality ratio and the communicating channels which connect social enterprises to procurers.

These elements are thus proposed by this thesis and will be further analysed together with the other barriers derived from literature. The first element is a dealbreaker when purchasing a service, in fact, buyers' demand is a function of price and quality, among other characteristics

(Voros, 2019). If that ratio was not comparable with the one of other for-profit enterprises, it would represent a solid barrier for social cooperatives to obtain contracts. The second element simply addresses the channels through which social and non-social procurers could effectively get to know social enterprises and communicate with them. A lack of communication, in fact, would ex-ante hinder the formation of business relationships, even when really wanted.

To sum up, social cooperatives may lack of managerial capabilities to efficiently participate in tenders and directly engaging with procurers. This could be a consequence of a low human resources number and of a too inclusive decision-making process. In addition, social enterprises may face more difficulties in getting financed to support their investments, causing a slower evolution pace. According to this thesis, also price/quality ratio and communicating channels can represent important barriers to the growth of social procurement.



## Chapter 3. Panoramic Overview

The aim of this chapter is to show some numbers which will help to understand what the social environment in Italy is, identifying socially disadvantaged people and the type B cooperatives.

Deriving a precise estimate of the totality of socially disadvantaged people in Italy is a delicate task because of the lack of precise definitions regarding the different categories, the limitation in finding the updated data in governmental websites, and the presence of possible data redundancy and people who have not been registered. These are the reasons why this thesis provides all the sets of information coming from official sources and limits to keeping separated the categories of disadvantage, when present. It also must be highlighted that in the statistics also elderly people who have passed their working age are included.

The broadest estimate is given by ISTAT<sup>7</sup>, which in 2022 created a new statistic in response to a greater interest towards the SDG of 2030. The Italian statistical database, in fact, shows that in 2022 the number of “people at risk of poverty or social exclusion” was around 14,305,000 individuals, consisting of more than the 25% of the total population. This estimate alone should give an accurate proportion of the Italian social scenario, however, for sake of completeness, the following analysis depicts the numbers of people entering in each category of the Article 4 of the 381/91 law.

The first segment of social disadvantage is represented by the one of people with mental disorders and physical disabilities. This is such a vast field, full of different shades of illnesses and degrees of criticality. The “Ministry of Health<sup>8</sup>” is the body in charge of evaluating this environment, and annually it publishes a comprehensive record of the Italian scenario, named “Mental health report”. During the year 2022, 776,829 people have been assisted in psychiatric centres throughout all Italy. Women accounted for the 54% of the patients and the more frequent mental disorders were schizophrenia, mental retardation, depression, substance abuse, affective and neurotic disorders. In 2021, the average annual cost per resident of psychiatric assistance is equal to €69.8. Mental disorders are usually analysed together with physical disabilities, being two health conditions which hinder the regular carrying out of working activities. According to a report of ISTAT<sup>9</sup>, in 2019, the overall number of people affected by mental

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<sup>7</sup> <http://dati.istat.it/Index.aspx?QueryId=42387>

<sup>8</sup> [https://www.salute.gov.it/portale/documentazione/p6\\_2\\_2\\_1.jsp?lingua=italiano&id=3369](https://www.salute.gov.it/portale/documentazione/p6_2_2_1.jsp?lingua=italiano&id=3369)

<sup>9</sup> [https://www.istat.it/it/files//2021/03/Istat-Audizione-Osservatorio-Disabilit%C3%A0\\_24-marzo-2021.pdf](https://www.istat.it/it/files//2021/03/Istat-Audizione-Osservatorio-Disabilit%C3%A0_24-marzo-2021.pdf)

disorders and physical disabilities was around 3,150,000 individuals (1.5 million of over 75 years old).

Drug addiction is another social disadvantaged category which can bring people to enter the category of mentally disordered. A deeper dive into this segment can be done thanks to the “Ministry of Health<sup>10</sup>” which, in the document named “Drug Addiction Report” showed that there were 130,168 substance dependent subjects assisted in Italy in 2019 by the Public Addiction Services, 86% of the total patients were male. Heroin remains the primary substance most used by all users in treatment,

The alcoholic people are monitored by the “Higher Institute of Health<sup>11</sup>”, which, in 2021 reported that 7.7 million Italians over the age of 11 (20% of men and 8.7% of women) have drunk quantities of alcohol such as to expose their health to risk. More in depth, 750,000 of them have been identified as harmful alcohol consumers with alcoholism disturbs, and just a total of 63,490 of them has been intercepted under the care of the National Health System (NHS) services, with a constant and worrying decrease.

An article published by “La Repubblica<sup>12</sup>” analysed a survey conducted by “Save the Children” regarding the scenario of working children in Italy. Data showed that in 2023, 336 thousand children and adolescents between 7 and 15 years old have had work experience. Around the 27.8% of 14–15-year-olds claimed they were involved in work activities that were harmful to their school career and psychophysical well-being. This is approximately 58,000 adolescents.

In Italy, the maximum capacity of all the prisons is of 60,000 inmates and, through the years, this number has been often exceeded. The “Offices of External Criminal Detention” (UEPE) oversees managing the convicted admitted to alternative measures of detention, including social work, semi-liberty, and home detention. According to the “Adults in external detention area<sup>13</sup>” report of the 2023 of the “Ministry of Justice”, 23,573 convicted were employed exclusively for social works.

On the 1<sup>st</sup> of January 2022, approximately 5 million foreign citizens reside in Italy, constituting 8.5% of the resident population, which the 83.8% of them are concentrated in the Centre-North

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<sup>10</sup> [https://www.salute.gov.it/imgs/C\\_17\\_pubblicazioni\\_3159\\_allegato.pdf](https://www.salute.gov.it/imgs/C_17_pubblicazioni_3159_allegato.pdf)

<sup>11</sup> <https://www.epicentro.iss.it/alcool/relazione-parlamento-2022>

<sup>12</sup> [https://www.repubblica.it/solidarieta/diritti-umani/2023/04/05/news/lavoro\\_minorile\\_in\\_italia\\_336\\_mila\\_bambini\\_e\\_adolescenti\\_tra\\_i\\_7\\_e\\_i\\_15\\_anni\\_quasi\\_1\\_minore\\_su\\_15\\_hanno\\_praticato\\_un\\_mest-395018279/](https://www.repubblica.it/solidarieta/diritti-umani/2023/04/05/news/lavoro_minorile_in_italia_336_mila_bambini_e_adolescenti_tra_i_7_e_i_15_anni_quasi_1_minore_su_15_hanno_praticato_un_mest-395018279/)

<sup>13</sup> [https://www.giustizia.it/cmsresources/cms/documents/Adulti\\_in\\_area\\_penale\\_esterna\\_15.02.2023.pdf](https://www.giustizia.it/cmsresources/cms/documents/Adulti_in_area_penale_esterna_15.02.2023.pdf)

(ISTAT<sup>14</sup>). Of them, the non-EU citizens were approximately 3.5 million. This data doesn't really show how many of them live a situation of social marginalization, but still, they all are potentially at risk. A more significant statistic is provided by the "Department of Civil Liberties and Immigration<sup>15</sup>" which showed in a report that the number of new refugees amounted for 84,289 people in 2022, and the total number of immigrant refugees in 2023 was around 350,000 individuals.

Table 1. Categories of social disadvantages.

Category of Social Disadvantage	Estimated number	Year	Source
People affected by mental disorders and physical disabilities	3,150,000	2019	ISTAT
Drug addict people	130,168	2019	Ministry of Health
Alcoholic people	750,000	2021	Higher Institute of Health
Working minors in situation of family difficulty and exploitation	58,000	2023	Save the Children
Convicted admitted to alternative measures of detention	23,573	2023	Ministry of Justice
Immigrant refugee people	350,000	2023	Department of Civil Liberties and Immigration

According to the scope of this thesis, a panoramic overview of type B social cooperatives can be derived from the register of cooperatives presented by the "Ministry of Economic Development<sup>16</sup>". The document contains all the cooperatives already registered at the date of consultation, including the ones in liquidation state. The source of data is the "Company

<sup>14</sup> <https://noi-italia.istat.it/pagina.php?L=0&categoria=4&dove=ITA>

<sup>15</sup> <http://www.libertacivilimmigrazione.dlci.interno.gov.it/it/documentazione/statistica/i-numeri-dellasilo>

<sup>16</sup> <https://dati.mise.gov.it/index.php/lista-cooperative?resetfilters=0&clearordering=0&clearfilters=0>

register” daily updated by “InfoCamere”, the IT consortium company of the Italian Chambers of Commerce.

In Italy there are 10,684 type B social cooperatives, 4,952 of which belong to the “A + B” type and 5732 are type B exclusively. The following table shows the numbers relative to each region. Campania hosts the greatest amount of such entities, while Valle D’Aosta has the lowest presence. The regional average is of 534 cooperatives per region. The regional capital with more type B social entities is Rome, with 661, followed by Naples (524), and Cagliari (427). The regional capitals average at the Italian level is 201.

Turin is the province closest to the average with 222 social cooperatives, and Piedmont is the second closest region to the national regional average with 461 of such organizations. This is one of the reasons that elect Turin as a suitable testing ground for the aim of this thesis.



Figure 1. Number of type B social cooperatives for each Italian region (Liguria 240). Source: Chambers of Commerce.



A report published by “Euricse<sup>17</sup>”, the institute of research on cooperation, shows the figures regarding the annual trend of the Italian cooperatives, separated by their sector. About type B social cooperatives, during the year 2021, the overall amount of revenues generated was € 15,608,345,000 with an added value of € 9,454,749,000. The average income per social cooperative was € 1,330,400 and the average added value was € 805,900. Nevertheless, the average figures should be evaluated with caution because the revenues generated differ a lot from each other and they are chaotically dispersed with respect to the average.

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<sup>17</sup> [https://euricse.eu/wp-content/uploads/2023/06/2023.06.19-Rapporto-Italia-editato-finale\\_web.2.pdf](https://euricse.eu/wp-content/uploads/2023/06/2023.06.19-Rapporto-Italia-editato-finale_web.2.pdf)



## Chapter 4. Methodology

This research follows an exploratory approach which incorporates qualitative semi-structured interviews and surveys proposed to type B social cooperatives, aimed at better understanding the existing barriers that hinder social procurement within the province of Turin, Italy. Qualitative analysis's explorative characteristic allows to study how participants interpret and experience a particular phenomenon (Casula et al., 2021), which is aligned with the purpose of this thesis. Furthermore, the flexibility of this method is useful for describing complex events and is responsive to local conditions and stakeholders' needs (Johnson & Onwuegbuzie, 2004).

The choice of survey administration and of on-call semi-structured interview has been inspired by the fact that it is a methodology widely applied by previous researchers who addressed the barriers to social procurement (Lou et al., 2023). Type B cooperatives have been targeted to test how such barriers impact and influence their operativity in Turin and to address the literature gap about their internal perspective with respect to the subject. This particular form of social enterprise deals with the job placement of people who present social disadvantages (ENAC<sup>18</sup>). All the surveys and phone calls have been conducted in Italian, then transcribed into English.

The consequential steps of this study are illustrated in the following table.

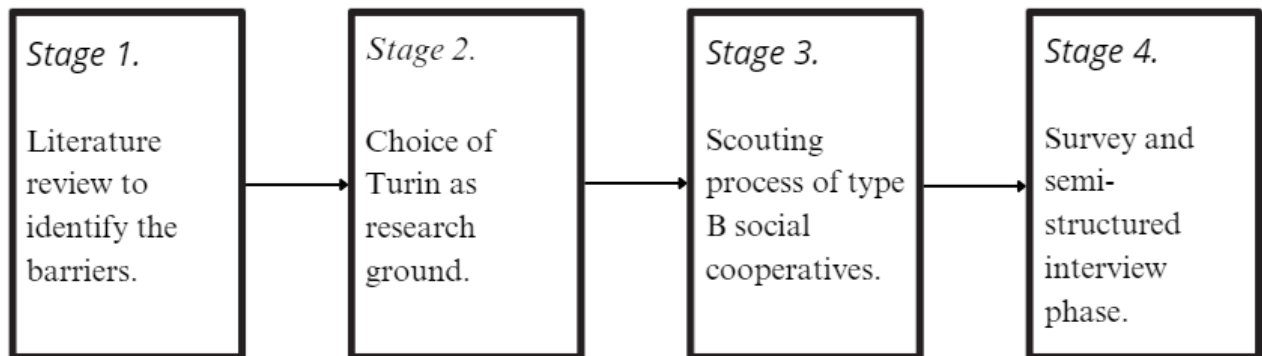


Figure 2. Consequential steps of the thesis.

<sup>18</sup> <https://enac-online.it/cooperative-sociali-ets/>

Stage 1. Literature Review.

A comprehensive literature review has been carried out to ensure that this thesis is well-grounded in the current scientific knowledge and that every tool employed has been validated by previous researchers (Dellinger, 2005). Relevant studies have been analysed with a view to addressing the findings relatively to their actor of influence: public sector, private sector, and type B social cooperatives. Such division helped to organize the scope of the work in distinct important elements.

Therefore, this first step provided the necessary guidelines to produce the final survey and, after a revaluation of the relative answers, some more in-depth semi-structured interviews have been proposed to six social cooperatives to further investigate the identified important elements.

In addition, the thesis proposed two more potential barriers that belong to the social cooperatives' dominion, in order to test the degree of severity of which they could hinder social procurement. The complete overview about the questions formulation is given in the subchapter "Interview formulation".

The following table displays the barriers identified and the two more proposed in this study.

Table 2. List of barriers to social procurement identifies in literature.

<b>Actors related to the barriers</b>	<b>Category of Barriers</b>	<b>Barriers</b>
Public Sector	Policymaking	Misalignment
		Unclarity
		Insufficiency
Private Sector	Purchasing stage	Cost of Social Procurement
	Awareness	Lack of stakeholders' engagement
		Risk perception and suspicious
Choice of supplier	Resistance to change practices	
Social Cooperatives	Lower contract awarding rate engagement with public sector	Lack of management capabilities & Legal expertise

	Financing	Reduced credit accessibility
Thesis proposal	Thesis Contribution Proposal	Price/quality ratio comparability
		Communication channels scarcity

Stage 2. Selection of the Province of Turin.

The Italian type B cooperatives are 10,684, updated to February 2024 (Ministry of Economic development). Since it is a huge number, the scope of the “data selection” process has been narrowed down to the province of Turin.

Among the other Italian ones, the province of Turin has been selected because it hosts 222 type B social cooperatives, which is the closest number to the national average of the one of the regional capitals of 201. In addition to that, starting from 2018, Turin has promoted the implementation of the “Social Inclusion Plan” aimed at creating an integrated system of public and private organizations to support citizens in need in a unified way. Precisely, it wants to fight poverty, intended either as material deprivation and social marginalization, demonstrating to be a social-friendly province, thus adapt for research on social procurement.

Stage 3. Screening of Social Cooperatives

The references of all the 222 social cooperatives have been found on the “Ministry of Economic Development”, then considered one by one. An initial screening phase consisted of eliminating all the cooperatives in liquidation phase, as they were ceasing their activities. The period of contacting the interviewees went from December 2023 to March 2024, either by email, website, and phone calls. The complete overview of the cooperatives which participated to this research is presented in the subchapter “The Respondent”.

The following table gathers some sets of information regarding the 25 interviewees.

Table 3. Overview of the type B social cooperatives which participated into the research.

Feature	The Respondents
Working Experience (public/private)	<ul style="list-style-type: none"> <li>• Only public: 10%</li> <li>• Only private: 14%</li> </ul>

	<ul style="list-style-type: none"> <li>• Both: 76%</li> </ul>
Number of socially disadvantaged employees	<ul style="list-style-type: none"> <li>• Total sum of the 25 cooperatives: 675 people.</li> <li>• Average: 27 people/enterprise.</li> </ul>
Services (according to EU)	<ul style="list-style-type: none"> <li>• Textile: 2.</li> <li>• Food and Beverage: 2.</li> <li>• Catering: 3.</li> <li>• Logistics: 4.</li> <li>• Facility management: 12.</li> <li>• Waste management: 4.</li> <li>• Furniture: 3.</li> <li>• Other specific services: 6.</li> </ul>
Revenues	<ul style="list-style-type: none"> <li>• Comprahended between € 100,000 and € 500,000: 7.</li> <li>• Comprahended between € 500,000 and € 1 million: 4.</li> <li>• Comprahended between € 1 million and € 1.5 million: 2.</li> <li>• Greater than € 1.5 million: 12.</li> </ul>

#### Stage 4. Analysis of the Results.

Once a sufficient number of answers have been obtained, they have been collocated on a spreadsheet to compare them accordingly to the topic. Two types of questions have been proposed: a closed one and an open one.

The closed evaluation consisted of representing the answers with graphs and diagrams to show the different perceptions of the respondents. That was possible thanks to the closed form of the majority of questions which were directed on a 5-points Likert scale (from “strong disagreement” to “strong agreement”, and intermediate positions).

The open analysis regarded the open questions and six semi-structured interviews and limited its elaboration to collecting the answers and reorganizing them to show the most shared points of view with respect to each topic.

## Chapter 5. Results and Analysis

### 5.1 The respondents

After the first phases of screening, 145 type B social cooperatives have been contacted by email, website, and by phone calls to propose them the survey or the semi-structured interview, right after excluding all the cooperatives in liquidation phase (37), as they were ceasing their activities, and dropping all the ones without a website or “money free” ways to get their email or phone number (40). In the end, a total of 25 social cooperatives participated to this research. They operate in the province of Turin, and they have been found on the “Ministry of Economic Development”, then considered one by one. The period of contacting the interviewees went from mid December 2023 to February 2024. The type B social cooperatives which participated are:

- Il Margine SCS.
- Cooperativa Sociale PG Frassati SCS.
- ValeUnSogno2.
- Attivitabile.
- Vastè SCS.
- StranaIdea SCS.
- S-nodi.
- Exeat SCS.
- Cooperativa Sociale I.So.LA.
- Ecosol SCS.
- Marca SCS.
- Extraliberi SCS.
- Dalla Stessa Parte SCS.
- Patchanka SCS.
- And 11 more who wanted to remain anonymous.

Being type B social cooperatives, they need to hire at least the 30% of socially disadvantaged employees. The total number of them within these 25 enterprises is 675 people, accounting for an average of 27 socially disadvantaged employee per social cooperative. Among them, all the different “legal” types of disadvantages are included. To recall Article 4 of the 381/91 law: physically, mentally, and sensorially disabled people, former patients of psychiatric institutions,

people undergoing psychiatric treatment, drug addicts, alcoholics, minors of working age in difficult family situations, convicts admitted to alternative measures to detention.

The services provided by such entities are gathered under the classification proposed by the European Commission in Making Socially Responsible Public Procurement Work: WeBuySocialEU (2020), which includes: Textile, Food and Beverage, Catering, Logistics, Facility management, Waste management, Furniture, and Other specific services. For the services' explanation refer to Appendix A. The following table displays the services proposed by the social cooperatives interviewed, demonstrating a significant prevalence of "Facility management". According to the respondents, the "Other specific services" include:

- Vending machines production, installation, and control.
- Management of receptions.
- Packaging and reselling of corporate gifts.
- Social projecting.
- Porterage.
- Interior decorations.

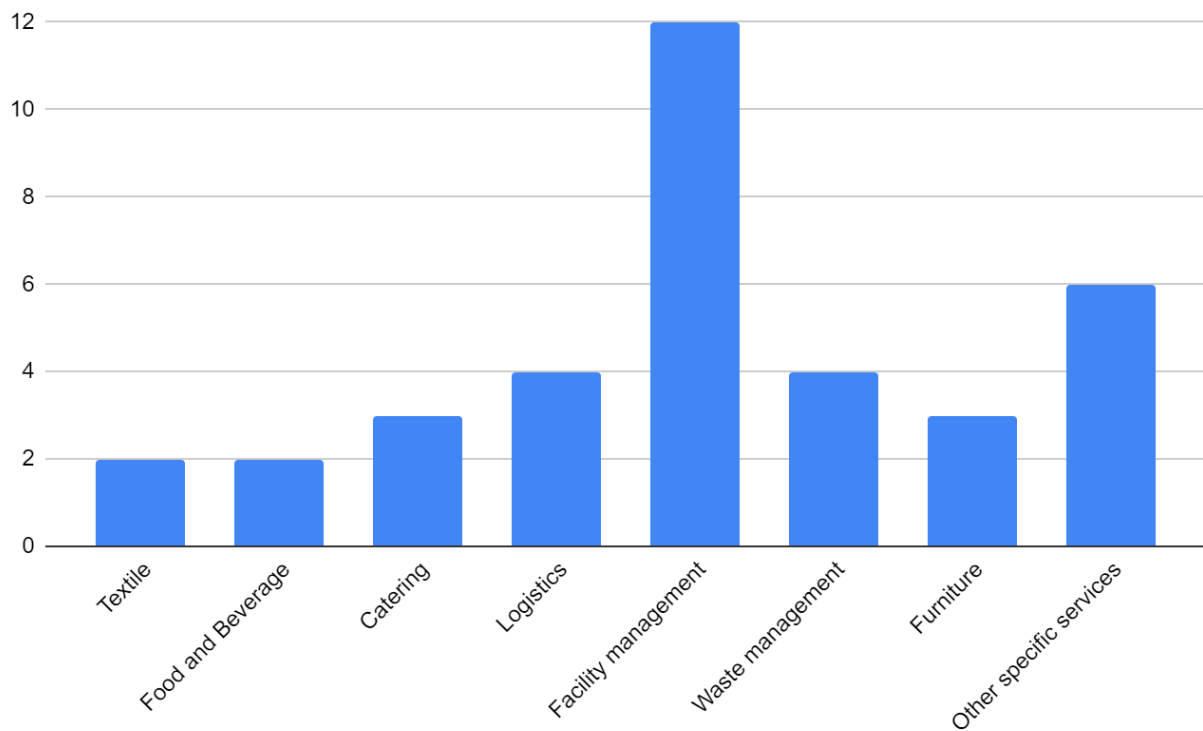


Figure 3. Histogram of the proposed services of the type B social cooperatives which participated into this research.



Among the 25 type B social cooperatives, the 76% has experience both with public and private sector, 10% only with the public one, and 14% only with the private one. Cooperativa Sociale PG Frassati SCS explained that the private contracts are more preferred since they grant greater revenues and longer-term collaborations with respect to public ones.

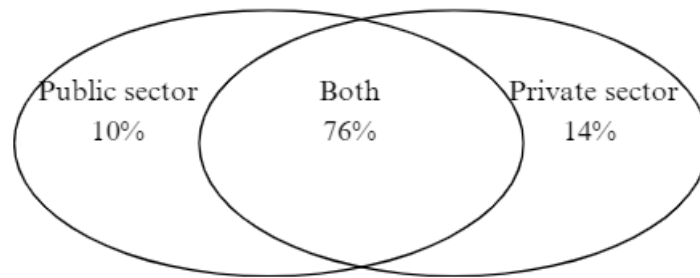


Figure 4. Venn diagram representing the working experience of the type B social cooperatives which participated to this research, collaborating with public sector, private sector, or both.

The ranges of revenues are shown in the following table below. Il Margine SCS is the cooperatives with the greater revenues which accounted for € 24,339,629 in 2022.

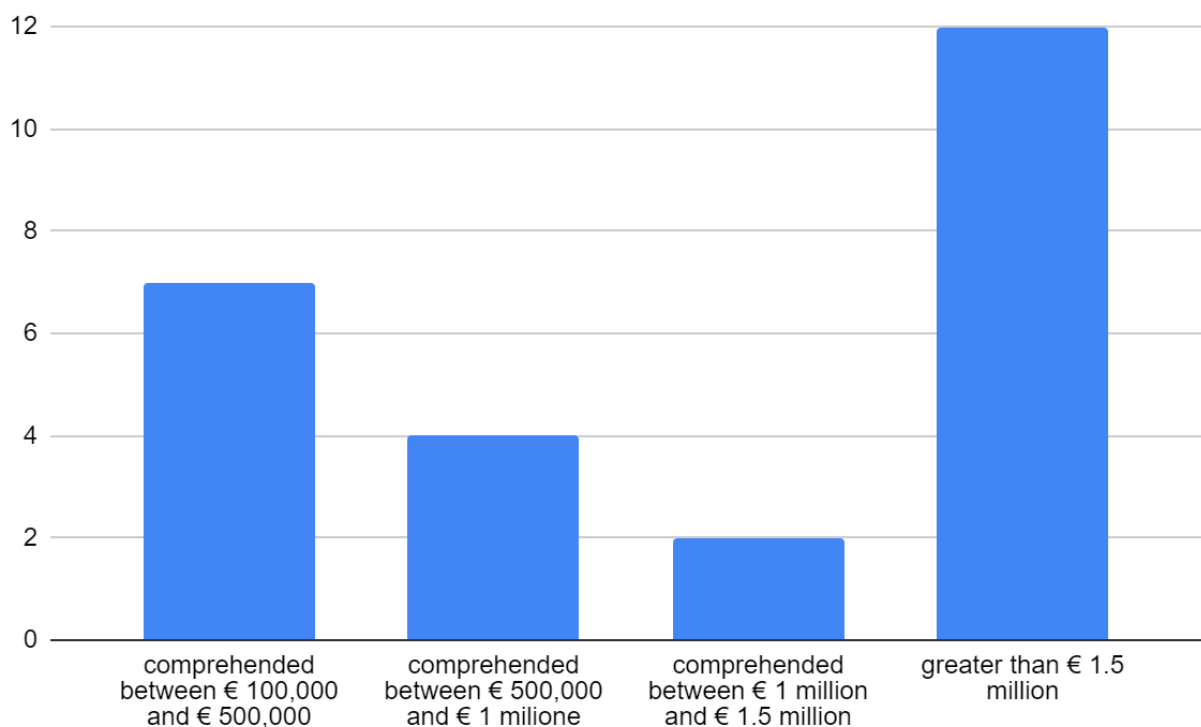


Figure 5. Histogram representing the ranges of revenues of the type B social cooperatives interviewed..

To conclude the overview about the social cooperatives which participated to this research it's been addressed the dynamicity of such enterprises with respect present and future perspectives. They have been asked, in fact, to provide their degree of agreement with respect to their willingness to hire new socially disadvantaged people (1c) and with respect to their intentions to expand their business in the next few years (1d). In the first investigation, the results say that 92% of the respondents would increase the number of employees, in accordance with the results of the second analysis, where the 76% of the interviewees claimed they are planning to grow within the near future. The graphs show that type B social cooperatives are “alive” enterprises with expansions strategies just like the for-profit businesses.

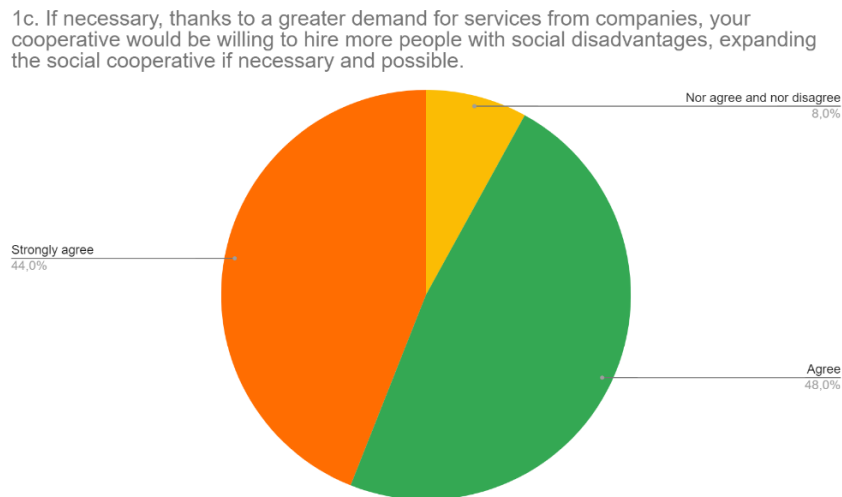


Figure 6. Pie diagram showing the propensity of cooperatives to hire new socially disadvantaged employees.

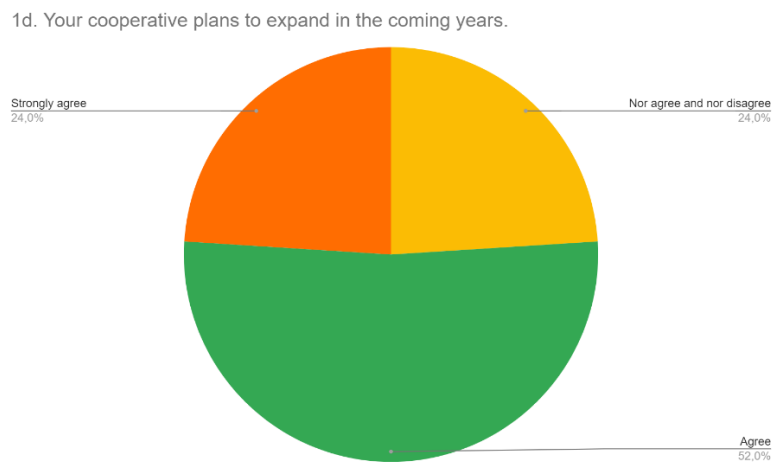


Figure 7. Pie diagram showing the intention to expand of the social cooperatives interviewed.

## 5.2 Interview formulation

This subchapter is the linking element which consents to connect the findings derived from the literature review process and the Italian panoramic overview with the formulation of the interview for social cooperatives. According to the research of the barriers related to the different stakeholders of the social procurement, the interviews respect such structure, with the addition of the two more investigations presented in the methodology chapter.

A mixture of open and closed questions has been prepared and proposed to the targeted entities. The closed questions are all based on a 5-point Likert scale, ranging from the lowest degree of accordance, “very much disagree”, to the highest one, “very much agree”, passing from an indifference degree, “don’t disagree and don’t agree”. These interviews have been proposed in the form of a survey and semi-structured interviews by phone calls during December 2023 and January/February/March 2024. One of the primary tasks was to test the results of the analysed research papers in the environment of Turin, to see to what degree some assertions are valid within a different context. It’s important to keep in mind that no big company has been interviewed, thus the questions related to their behaviour have to be elaborated through the eyes of the social cooperatives.

The survey was organized into five sections, comprehending one introductory for the respondent, three regarding the different players of the social procurement environment in Turin, and one related to the opinions of the interviewees.

All the survey’s questions and semi-structured interviews’ ones are listed in Appendix C and Appendix D respectively.

### **Section 1: General Information about the Cooperative**

This first section contains is aimed at knowing the cooperative by scanning it through some general aspects. The subjects of interest are the categories of socially disadvantaged people it works with and their percentage with respect to the total number of employees, the types of services the cooperative could provide to both private and public sector and their experience in public/private working relationships.

Once the general picture of the cooperative's activity is drafted, a more precise set of questions is presented to delve deeper into the entity's position about its future perspective in those working relationships. To introduce the topic, it is asked the opinion of the respondent with respect to the importance of the job placement of socially disadvantaged people to included them into the society. Then, two questions aim at understanding whether the social cooperative would be willing to hire new social disadvantaged people if there was an increase in the demand of services and if the cooperatives is planning to expand within the following years. That inquisition could provide a proof of how social purposes don't preclude any company from pursuing growth and stability, by assessing how social entities are vital and behave like the other for-profit ones.

## **Section 2: Public Sector and Policymakers.**

The investigation of the regulatory environment rotates around three interrelated elements: policy unclarity, policy insufficiency, and Turin's situation. Unfortunately, analysing the policy misalignment problem is too difficult when interviewing the social cooperatives. In fact, that should be asked to policymakers and big private companies rather than to enterprises with a narrower business scope. Thus, to avoid unreliable answers derived from unprecise questions, this topic won't be addressed.

"Policy unclarity" is evaluated by asking to the respondents if the understanding of Italian policies in distinctly both public and private procurement subject is easy and not misunderstandable. This is integrated with the investigation of "policy insufficiency" by asking the interviewees if private companies, when procuring for a specific service, always ask for a set of requisites that involve the employment of socially disadvantaged workers. These two questions aim at understanding whether the procurement departments have the power to manoeuvre their contract awarding procedure due to the complete lack of laws or because they can be easily deceived. To recapitulate, from the subchapter "Italian Policy Context", some evidence of undefined obligations with respect the social purpose of contracts has been highlighted. Social clauses, indeed, must be included in the contract for the awarding criteria, however they can be omitted in works of an intellectual nature, for concession contracts, tender notices, and invitations, independently from the condition of being high intensity labour contracts. Furthermore, procuring companies may decide not to include social clauses if they provide specific and adequate reasons with reference to objectives, for example, of efficiency

and cost-effectiveness. Given these inputs, now it should be clearer the role of the question on the understandability of Italian's procurement policies, in the eyes of the actors which daily cope with them.

The third element consists of getting a more detailed picture of how the province of Turin is embracing social entrepreneurship, either trying to favour it or not. The life of an enterprise starts from its establishment and keeps going during its operational years. This is the reason why the interview inquires whether the province of Turin sustains and simplifies the process of founding a social enterprise and suddenly helps it to sustain its activities with ad hoc policies and initiatives. Read together, the initial statements want to better understand if social entrepreneurs feel incentivized in creating and then running a social enterprise, or if they are treated like all the others. From the perspective of policymakers, treating socially disadvantaged people doesn't represent only an ethical mission, but it also coincides with an investment on the public welfare expense relative to social services and social assistance (Jensen & Kjaer, 2017). This is why they should incentivize social entrepreneurship with efficient policies and initiatives, otherwise, rational entrepreneurs which perceive it as riskier, will address their investments somewhere else (Miller, 2007).

### **Section 3: Private Sector and Procuring Procedures.**

The evaluation of the barriers related to the private sector regards the different aspects of the procuring practices implemented by such companies. The first key barrier derived from literature depicts how private organizations usually avoid "horizontal" objectives because of the additional costs they would incur if they pursued them. This is from where the first question of this section of the interview takes its inspiration. In fact, it analyses the degree which private companies try to include social enterprises in their procurement practices, especially in tenders. The aim is to understand the qualitative portion of current social procurement practitioners within the context of the province of Turin.

To proceed, the other barriers are analysed by directly addressing them by asking the opinion of the respondents, which should provide interesting insights thanks to their position of "interns" within the supply side. A general question, in fact, inquires why the private companies tend not to stipulate contracts with social enterprises by decomposing such phenomenon into the different causes. To recap, the latter are:

- Companies' suspicious attitude and risk perception in working with social enterprises and diffidence with respect the quality of their services.
- Companies' unawareness of the social option in their procuring practices due to stakeholders' low engagement.
- Companies' resistance to change due to their supplying practices already in place and they have no need to substitute them.

The results of that part of the interview should help in qualitatively assessing the different impact of the barriers related to the private sector in the province of Turin, from the less social procurement hindering to the most one.

#### **Section 4: Social Enterprises and Service Delivery.**

The analysis of the barriers related to the social enterprises regard their ability to deliver a particular service and the way they provide it. The interview's questions touch the two categories of barriers identified in literature and investigate also the additional obstacles proposed by this thesis.

The "management and legal expertise" capability should help the social cooperatives in deploying the right strategical and legal operations to efficiently contracting and closing deals with the procuring entities. To start this section, the first question aims to assess the level of suitability that social cooperatives have in participating in tenders, taking inspiration from the research of Karjalainen & Kempainen (2008). That is coupled with a further inquisition with respect to the legal side of a business relationship, more precisely, whether social enterprises have the sufficient knowledge and to treat legal matters and guarantee their protection.

According to the "financing sources" category, it would be too difficult to correlate the accessibility to credit with respect to the level of ICT implemented by the cooperatives. Thus, the interview limits to gather the different financing sources, including operating revenues, governmental grants, donations, and some others, with posing an accent on the ease to get bank loans, following the research of (Pellegrina et al., 2017).

To proceed with the interview, the comparability of the price/quality ratio of a specific service with respect the ones provided by other non-social enterprises is asked. It is evident that the answers must be taken with a lower degree of reliability because they are derived from their personal perspective. Fortunately, the qualitative methodology of this thesis allows to treat the

individual perceptions and provides high-level insights with respect the investigations made (Anosike et al., 2012).

The following question wants to analyse the “communication channels” and their preferability of use with respect to one another. The objective is to derive what are the common methods in place that allow procurers entities to seek and buy services from social enterprises. The interviewees’ opinions will be gathered to identify potential common points and to address whether such channels are effective or still lack of connecting power. To further evaluate the efficiency of the communication channels, it is suddenly inquired whether there would be more business collaborations in case procurers were able to find the more suitable social enterprises for the desired service faster and more precisely. The logic behind lies upon the fact that if such parallel method existed and the number of contracts would not change, the current communication channels are enough. To complete this section, the latter question has been reverted and proposed in the eyes of the respondents. It demands, in fact, if social cooperatives would be interested in having the possibility to know which private companies are looking for social procurement and in which fields specifically, especially to assess upfront investments. That scenario would consent the time and opportunity for suppliers to tune the service provision in for the more suitable procurement option, cutting down the required manoeuvres to provide a distant service from their capabilities. In this case, the logic shows that if this parallel method existed and social cooperatives would not be interested, it is because they are already suitable to service requirements and don’t need ulterior communicating aids.

The results of that part of the interview should help in qualitatively assessing the different impact of the barriers related to the social enterprises in the province of Turin.

### **Section 5: Open Questions and Opinions.**

“Open questions and Opinions” represent the last section of the survey. As the name suggests, it is composed of five open questions comprehensive of some broad aspects of the social procurement situation in the eyes of respondents. The way those concepts are demanded is voluntary undetailed to let a free interpretation to social cooperatives and enterprises. That part ensures the possibility of interviewees to describe their personal perspective, fundamental for a qualitative analysis as it contains ulterior internals’ insights.

The five questions are:

- What are the most significant challenges that social cooperatives face in Turin when it comes to securing contracts with the public sector?
- What are the most significant challenges that social cooperatives face in Turin when it comes to securing contracts with companies?
- What are the more efficient strategies that social organizations can adopt to obtain more contracts with companies in Turin?
- How would you suggest measuring the social impact of a service provision in terms understandable for private companies?
- If any, please feel free to express opinions or comments.

Answers might trigger some new important insights. Furthermore, being these questions optional, only strong opinions will be written down.

### 5.3 Answers

All the social cooperatives identified during the scouting process have been contacted multiple times by email, website, and phone calls and asked to answer the survey. Among the total of 145 targeted entities, 25 participated in the research, amounting for a 17.24% of the total number. This subchapter carries out the function of displaying the answers received by the interviewees. Graphs and tables are the tools employed to provide a faster and clearer idea to the reader about the topic of interest. The following graph is an example of a pie diagram that refers to the “ice breaker” question, which asks whether working performs a socially inclusive function towards people at risk of marginalization. The result is unsurprising, and no further comments will be needed.



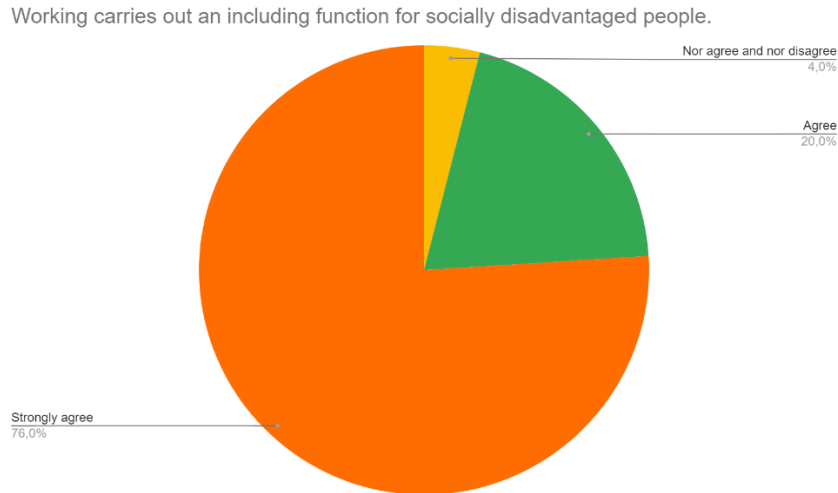


Figure 8. Pie diagram regarding the including function of working for socially disadvantaged people.

All the other answers are represented below and are structured accordingly to the social procurement actor they refer to, as in the survey. The discussion is further integrated with the open comments freely left by some respondents.

## Section 2. Public Sector and Policymakers.

The analysis of the barriers related to the policymaking starts by considering the degree of clarity of the Italian policies regarding both private and public procurement. As shown by the overall portion of respondents disagreeing to question 2a, the 71% of them doesn't feel that understanding the Italian procurement law is an easy and linear task. This result safely confirms the presence of "uncertainty" barriers (Treviño-Lozano, 2021) within the province of Turin, and thus, under the Italian regulation. This investigation has been coupled with the one regarding the complete absence of sufficient policies, on top of their clarity. In this case, the 82.6% of the interviewees stated that private companies tend not to include requirements that involve socially disadvantaged workers when procuring (graph 2b: 43.5% disagreed and 39.1% strongly disagreed). In addition, many respondents described that today, in Turin, the most important element which consents to be awarded of a procurement contract is the lowest price. The reason behind it is straightforward and consists of a lack of binding procurement regulations with

respect to the freedom of manoeuvre of procurers. Hence, the “policy insufficiency” barrier (Álvarez Jaramillo et al. 2019) is confirmed.

2a. Understanding Italian policies regarding public and private procurement is easy and not misunderstandable.

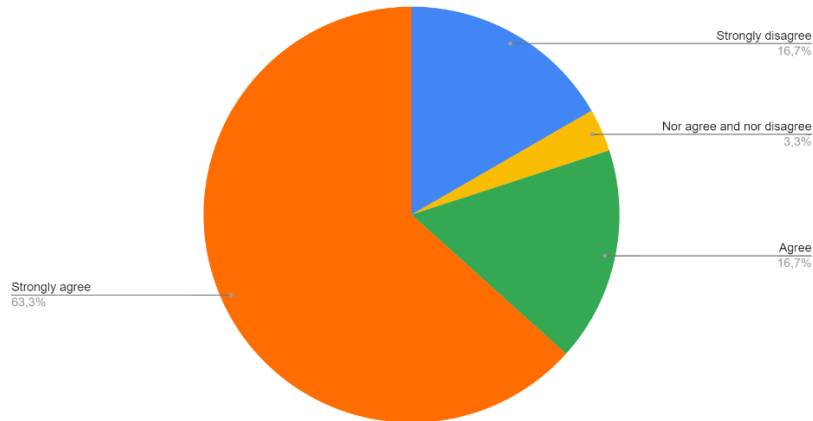


Figure 9. Pie diagram about the Italian policy clarity according to respondents.

2b. Generally, when private companies look for a supplier for a specific service, they always include a series of requirements that involve the hiring of socially disadvantaged workers

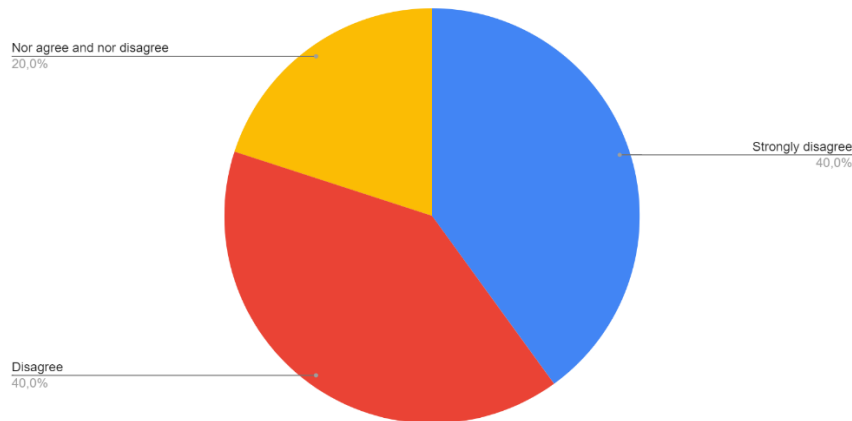


Figure 10. Pie diagram about the procurement behaviour perceived by the cooperatives of the research.

The discussion proceeds towards the phase of opening and then operating a social cooperative in the province of Turin, to understand whether this is a social oriented environment which helps and protects the related operators. As displayed by both graph 2c and 2d, more than the half of the answers falls in the “nor agree and nor disagree” region. It’s not deducible if the

respondents didn't have an opinion with respect to the matter or if they perceive the influence of the policies as "negligible but not damaging". Furthermore, the other answers don't really pick a side, preventing from concluding that Turin helps or doesn't help social cooperatives during their life-cycle phases. However, it can be pointed out that this situation is far from the most desirable one, where the common opinion should be towards the "feeling backed" side.

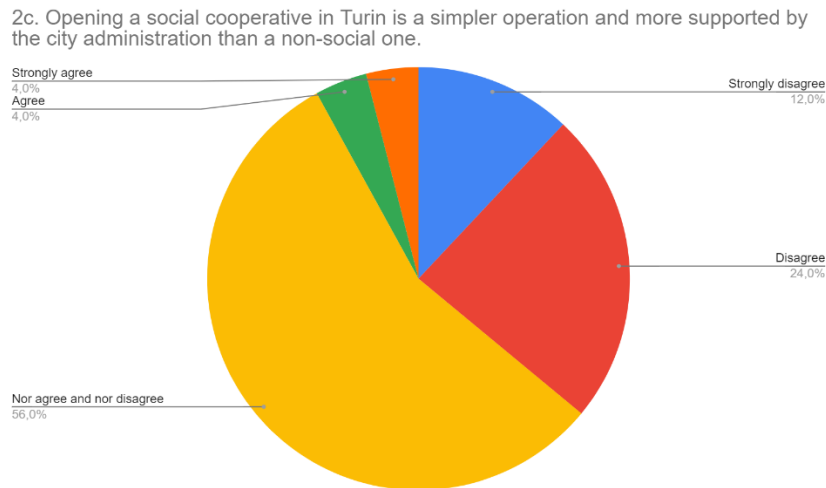


Figure 11. Pie diagram about how the respondents find it simple to open a social cooperative in the province of Turin.

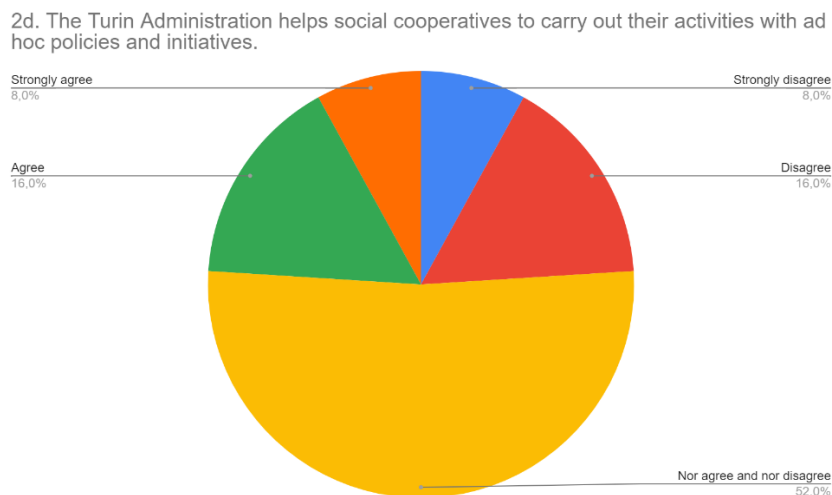


Figure 12. Pie diagram presenting the perception of the interviewees about the sustain provided by the city of Turin during their life cycle.

### Private Sector and Procuring Procedures.

The discussion of the barriers related to the private sector starts by identifying if private companies involve social cooperatives when procuring. Since the policy framework is not sufficient to trigger procurers from pursuing horizontal objectives, this section is useful to evaluate the portion of companies which are actually committed to work with social entities (Ghazilla et al., 2015). As displayed in graph 3a, 66.6% of the respondents said that it doesn't really happen, while only the 4.2% thinks it is a common practice. This preliminary investigation confirms the presence of barriers related to the procuring procedures of the private sector in Turin. Hence, the obstacles can be further addressed.

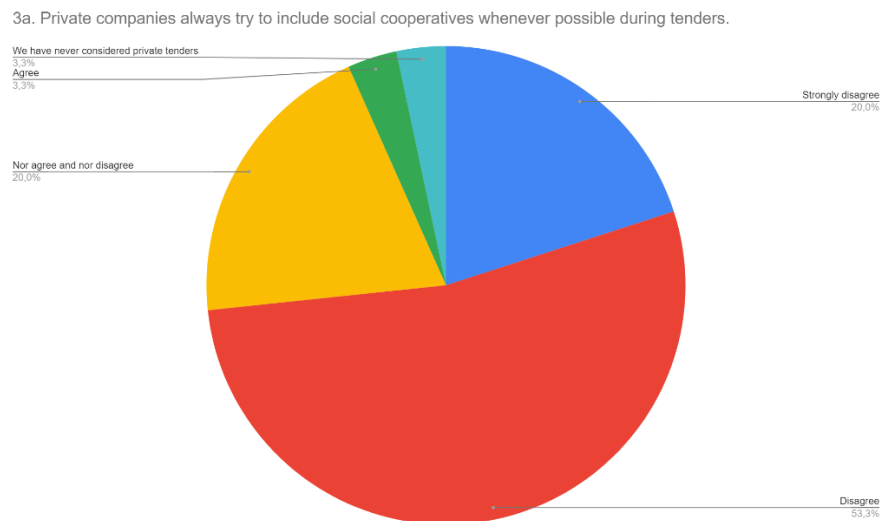


Figure 13. Pie diagram regarding the perception of the respondents with respect the tendency of private companies to include type B social cooperatives when tendering.

The analysis now delves deeper into the causes perceived by the respondents, which occupy an intern position within the bidding side of social procurement tenders. The first category of barriers is the one of “awareness”, subsequently divided in two obstacles. To start, one of them consists of the “risk perception and suspicious behaviour” (Loosemore et al., 2022) belonging to the procuring departments. According to the graph 3b, the 61% of the respondents recognises that this is one of the reasons which hinders the employment of social procurement practices. This encompasses the majority of answers if “nor agree and nor disagree” ones are excluded (21.7%). The other obstacle regards the stakeholders’ engagement with respect to social procurement practices (Bohari et al., 2020). In relation to that, the 77% of interviewees

confirmed that procurers usually are not aware of the possibility of purchasing from social cooperatives due to the lack of involvement and interest in the subject. Hence, the latter results are sufficient to assume the presence of awareness barriers in the Turin’s environment.

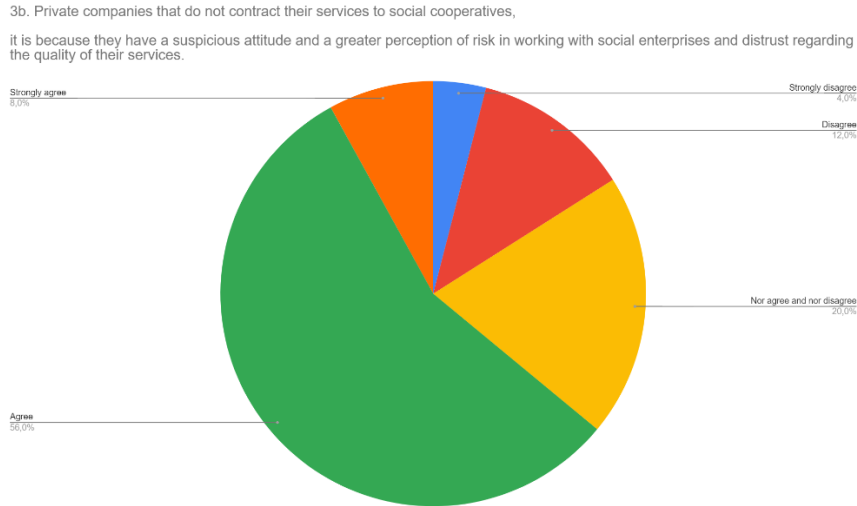


Figure 14. Pie diagram analysing the distrust of private companies towards social cooperatives perceived by respondents.

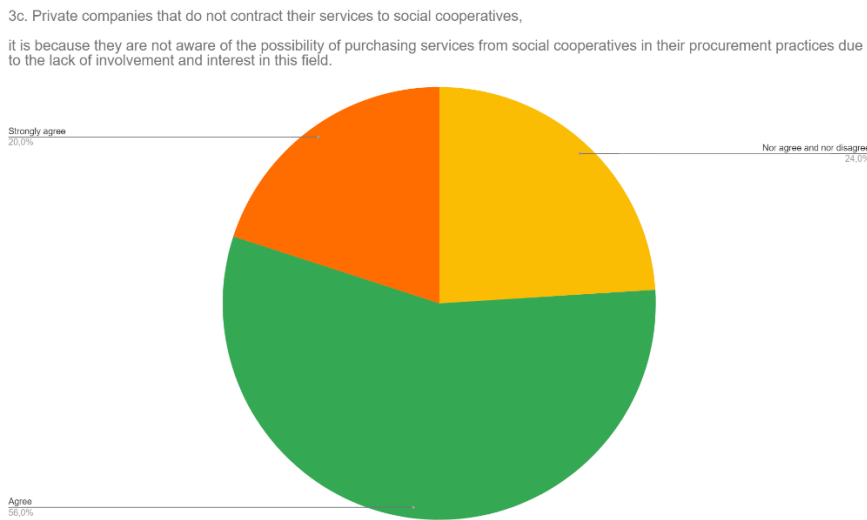


Figure 15. Pie diagram analysing the disinvolvement of private companies towards social procurement practices, perceived by the respondents.

The final barrier related to the private sector is represented by the procurers’ “resistance to change” (Lou et al., 2023). In other words, graph 3d shows that the majority of respondents (46.2%) agreed to the fact that procurers are satisfied with the current delivery practices already in place and don’t need to replace them. For this case, a great presence of “nor agree and nor

disagree” positions is noticeable (38.5%), meaning that insiders don’t really perceive the resistance to change as an unbreakable barrier.

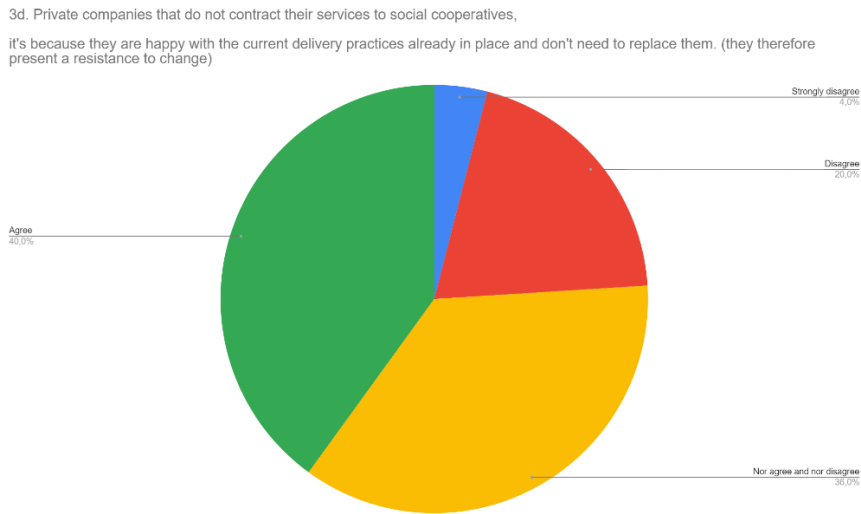


Figure 16. Pie diagram analysing the resistance of private companies to change procurement partners, according to the interviewees.

### Social Enterprises and Service Delivery.

The analysis of the barriers directly related to the social cooperatives wants to address the portion of fault they have in hindering the social procurement practices. Even though such enterprises are fully embedded within this environment, they might also be responsible of rising some obstacles.

The first barrier identified from literature is the “lack of managerial and legal expertise” (Smith & Rothbaum, 2013), which considerably reduce the private contract awarding rate and the engagement with the public sector. This concept is further divided in the managerial capability to participate in private tenders (4a), and in the legal expertise to manage safely the contract’s obligations and legal clauses. As shown in both of the following graphs, the number of respondents who chose the “nor agree and nor disagree” option is around the 30%. Such a high presence of this answer suggests that some of the interviewees didn’t really know the answer, otherwise they would have at least picked a side. Nevertheless, by keeping separated the answers according to the range of revenues, one element can be immediately noticed in histogram 4a. Social cooperatives which generate more than € 1.5 million tend to have the right structure to participate in private social tenders, while smaller ones don’t present this

characteristic. A similar qualitative interpretation cannot be given to the histogram 4b, which still presents a greater number of “big” social cooperatives having a sufficient legal expertise, but this trend is also shown by the majority of the cooperatives generating between €100,000 and €500,000. That might be the consequence of the limited number of social cooperatives which participated into this study. This preliminary study doesn’t directly give striking insights, however it implicitly pictures how just a few social cooperatives have a good management and legal expertise, often the biggest ones, while the other produce a background noise that contribute to hinder the social procurement practices.

4a. It is easy for social cooperatives to participate in tenders because they have the right organizational structure and knowledge to do so.

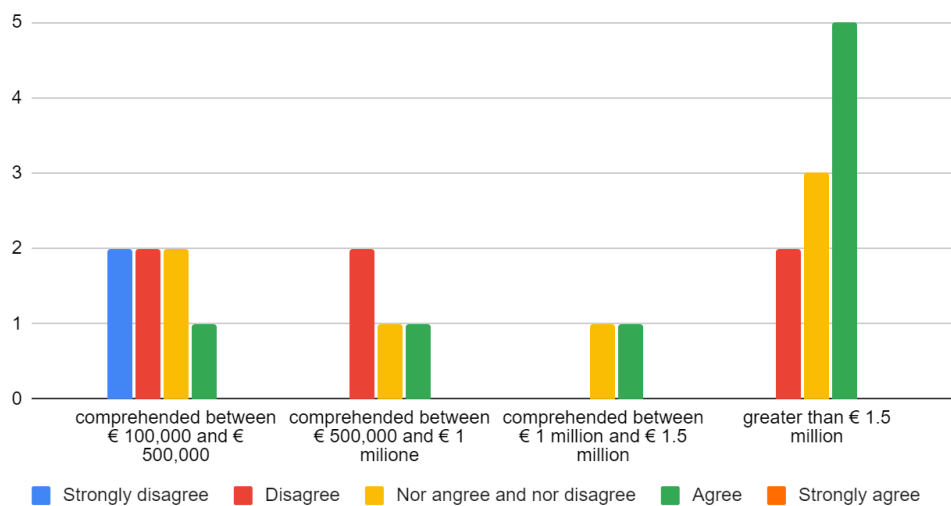


Figure 17. Histogram representing the tender suitability of the social cooperatives in relation to their range of revenues.

4b. Social cooperatives have sufficient legal skills to manage all legal issues relating to private and public contracts, which guarantee a correct commercial relationship and ensure their protection.

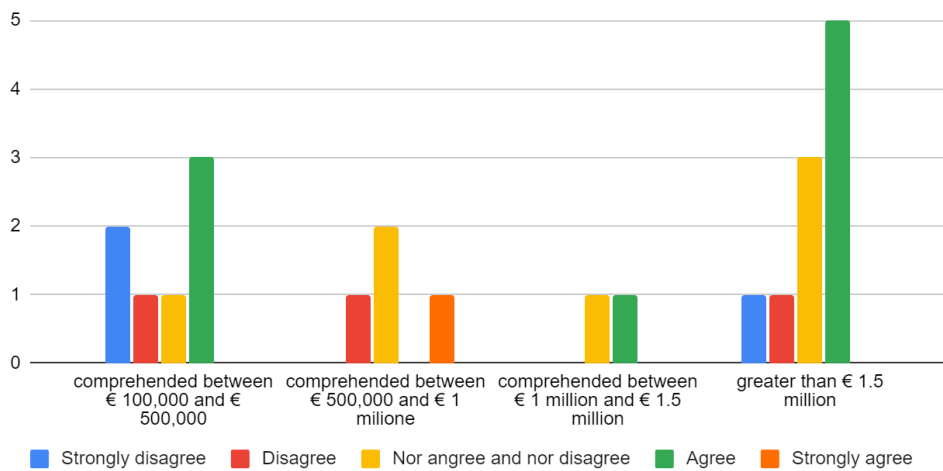


Figure 18. Histogram representing the legal expertise of the social cooperatives in relation to their range of revenues.

By proceeding with the barriers derived from literature, there arrives the one regarding the “difficulty in obtaining fundings, especially from banks” (Pellegrina et al., 2017). Among the respondents, slightly less than the 70% doesn’t get financed by getting bank loans. The reason explained by many of them is that obtaining credit from bank is costly, difficult, and risky, since they can be asked to provide personal guarantees. Some others said they don’t need other funding sources out of the ones they already have. From the side of those who employ bank loans, the perspective is different, as imaginable. They answered, in fact, that it’s easy to get credit, especially from the “ethical bank”, an institution which prioritizes social and environmental well-being alongside financial profitability. Nevertheless, the portion of such social cooperatives is way smaller with respect the totality (30%), confirming the presence of this barrier within the Turin environment. In addition, loan users are equally distributed among the different revenue’s ranges, suggesting that it is not the size the matters, but probably, it is the internal capabilities of the people working. What has been unanimously declared was that the first and most important funding source is represented by the revenues generated through the provision of services, with a preference towards the private contracts as they provide greater gains with respect to public procurement. Other secondary funding comes from private donations and little capital injection of the members of the cooperative.



### Thesis proposition.

The investigation of the social cooperative related barriers passes by the two proposed by this thesis: the price/quality ratio and the lack of communication channels. The first one is more of getting how the respondents perceive the price/quality ratio of the services proposed by them with respect the one of other for-profit enterprises. By looking at the graph 4c, it's immediate to get that nobody thinks they provide services in a worse way then the standard competitors. That is really important, in fact, if price/quality was not competitive, procurers would never choose them for signing a working deal.

4c. The quality/price ratio of a specific service when provided by a social cooperative (compared to the same service offered by a non-social cooperative) is:

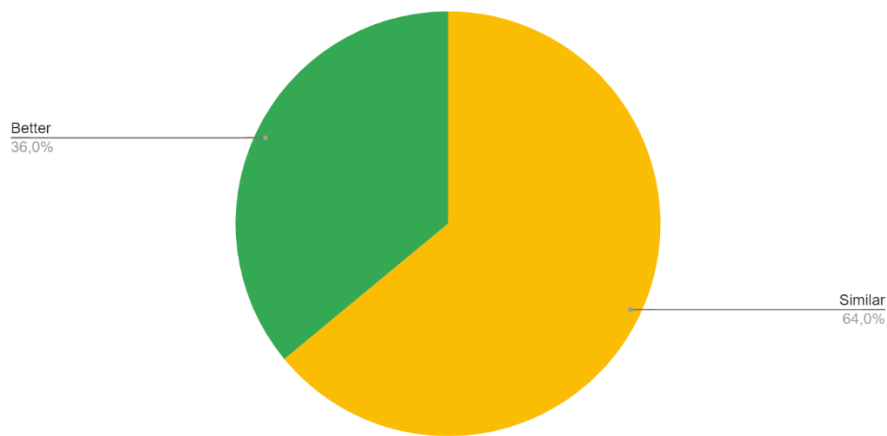


Figure 19. Pie chart representing how the respondents perceive the price/quality ratio of the services proposed by their cooperative.

The second obstacle is defined by a possible insufficiency of communication channels which links social cooperatives to private and public procurers. The respondents have been asked which such channels are and which of them they think are the more efficient. The existing connecting methods are currently five, the weights are assigned according to their employment with respect to the total, and include tenders (W= 25.93%), word of mouth (W= 22.22%), website (W= 22.22%), meetings (W= 22.22%), and consortia (W= 7.41%). That suggest that the most important way in which social cooperatives get a service provision deal comes from participating in tenders, while word of mouth, website, and meetings are slightly less more efficient and equally preferred among each other. The consortia, intended as an enterprise which operates as an agent for a restricted group of social cooperatives is considerably less useful. The great portion of respondents which identified the word of mouth should capture the attention,

since today this is one of the more employed methods in this business sector. Histogram 4d gives a qualitative idea of how the different revenue's dimensions influence the preference with respect to the communication channels. It is immediately noticeable that consortia only operate in favour of the smaller social cooperatives ( $100,000\text{€} < \text{revenues} < 500,000\text{€}$ ). This is a consequence of the fact that they can count on a limited amount of resources and thus need the help of dedicated organizations to identify working opportunities. Nevertheless, such cooperatives are the ones which employ every form of communication channel, to try to get more visibility in an environment where they are the smaller fishes by the moment. The graph also shows that tenders are especially preferred by the social cooperatives with revenues  $> \text{€} 1.5$  million. It is not to say that between  $500,000\text{€}$  and  $1$  million revenue cooperatives don't participate in tenders at all because only six of them participated in this research. However, the ones which responded showed they are keen on participating in meetings and getting contacts directly thanks to them. To clarify this concept, in Turin there is an example of meeting venue named "Social Renaissances Torino", where representants meet and discuss about social entrepreneurship subjects. The "central" zones of the histogram don't really provide in depth keys of reading but noticing that every revenue's size employs the relative methods.

4d. What are the main communication channels through which clients can purchase services from social cooperatives?

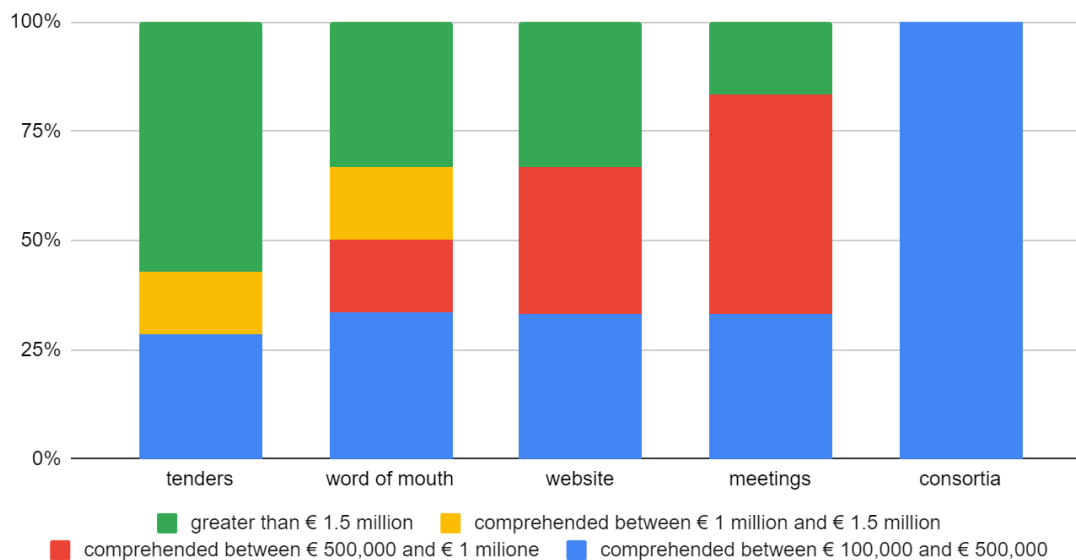


Figure 20. Histogram representing the main communication channels in relation to the revenues of the social cooperatives interviewed.

The analysis of communication channels proceeds by qualitatively assessing how the respondents currently perceive the effectiveness of the ones in place today. Graph 4e shows that overall, the interviewees think that if companies were able to find social cooperatives in a faster and more precise way there would be more deals (60%), a portion of them picked the middle answer, probably because they didn't know what to say (32%), and the remaining small percentage (8%) said that companies would still not consider social procurement. This numbers consent to confirm that, in the eyes of cooperatives, the communicating channels lack to completely fulfil the interaction among potential buyers and suppliers, reducing the number of social procurement deals.

In addition to that, almost all the respondents declared they would be interested in knowing which companies are currently seeking to award a social contract and for which service (graph 4f). This means that social cooperatives might need communication aids to ex-ante understand what to expect and what they could do to obtain the interest of a private organization and thus closing a business deal with it.

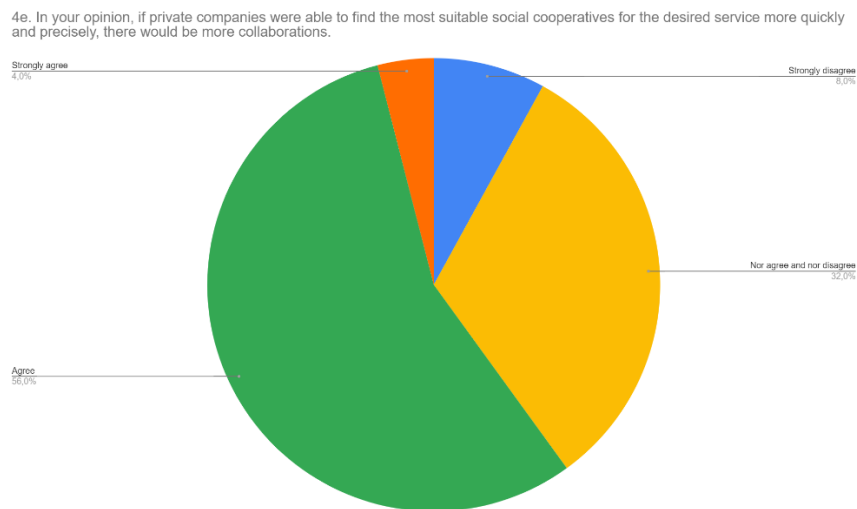


Figure 21. Pie chart about the opinion of the respondents with respect to the interest of private companies in finding social cooperatives more easily.

4f. Social cooperatives are interested in having the possibility of knowing which private companies are looking for "social procurement" and in which sectors specifically, also to evaluate any initial investments.

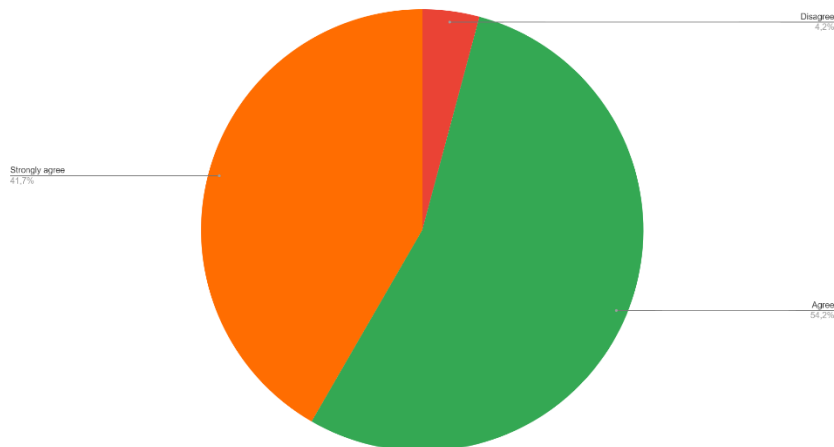


Figure 22. Pie chart showing the interest of social cooperatives to know which private companies are looking for "social procurement".

### Open Questions and Opinions.

This is the ending section of the survey and gathers the answers derived from open facultative questions. More than half of the respondents wrote down their opinions according to the questions, allowing this study to identify some common traits within the different perspectives, today in Turin.

Regarding the challenges related to winning a contract from the public sector, the interviewees are aligned with the fact that the key criteria is the lowest bid. One respondent explains that public administration allocates just a few funds for social procurement and thus it is obliged to seek the minimum offer price. Others specified that in some cases, a body called "Purchasing Unit for Social Procurement" intervenes for social public procurement tenders, tailored for social cooperatives, and awards the best quality proposition offer.

Remaining in the topic of challenges, but now referring to the private sector, the interviewees pointed out three of them, in order of hindering power. The heaviest obstacle is the diffidence of the private companies with respect to the social entrepreneurial form and some accompanying prejudices. One respondent clarified this result and said that the distrust comes from a long historical path and companies don't realize that social cooperatives have the same types of managerial duties and logics. The second position is occupied by the difficulty in finding private organizations which are strongly interested and committed towards social procurement practices, out of the non-awareness and disinvolvement zone where are situated

the other companies. The last challenge consists of the concurrence of the other non-social suppliers, which take away a share of private contracts. The investigation then considers the possible strategies proposed by the interviewees to successfully conclude more private business deals. The most nominated one regards the organization of specific meetings among buyers and suppliers to speed up the process of communicating and directly knowing new possible business partners. This is not surprising because the meetings were one of the already employed communication channels identified with the interviews. Secondly, respondents explained how the promotion of the representative bodies can actually increase their involvement in private business deals. Such bodies can be consortia and public cooperative leagues (e.g. ConfCooperatives). To move forward, the third identified challenge consists of obtaining more visibility thanks to communication channels, social networks, and publicity in order to show the quality of their services and the reliability of their organizations to the procuring actors. While these three strategies belong to the barriers of awareness and communication channels, the following and last one involves the policymaking obstacles. One respondent, in fact, directly suggested that there is the need for complete binding laws which oblige private companies to reserve part of their procuring activities for enterprises which employ disadvantaged people.

The section concludes with how the interviewees would measure the value impact in a way that the procurers would understand. Despite the difficulty and broadness of the question, the respondents commonly said that they would count the number of socially disadvantaged people included in the working environment. This is not an economic measure, but it can be coupled with the money saved from public social services related expenses in order to provide a money dimension. A few interviewees said that every contract is different, thus a case-by-case analysis of the social results should be accurately presented in the financial statements, published online according to the law. Hence, the difficulty in measuring the social impact in a standardised way and the consequent absence of justifying reasons for buyers to pursue social procurement constitute a solid barrier for the total exploitation of the potentiality of such practices. This obstacle has been presented as global because it is valid either for public and private contracts.



## Chapter 6. Discussion

According to the findings obtained by the literature review, barriers to social procurement have been identified and assigned to the actor they belong to, including public and private sector, and type B social cooperatives. Then, these obstacles have been tested through the employment of surveys and semi-structured interviews proposed to 25 type B social cooperatives of the province of Turin, Italy. The objective was to confirm their validity and to assess the degree at which they hinder social procurement practices. The survey contained open and close questions to qualitatively understand the perspective of the interviewees with respect to the cases proposed. The close answers consisted in a five points Likert scale, measuring the level of agreement and disagreement.

According to the inventor of this interviewing tool, Rensis Likert, it is possible to assign a numeric value to each answer in order to assess the level of importance from the point of view of the respondents (Likert, 1932). It is common use to attribute positive values for every answer and then summing them to obtain an overall score for the proposed case. Nevertheless, this thesis employs the following numeric evaluations:

Table 4. Numeric evaluations assigned to the qualitative closed answers.

<b>Closed questions' answers</b>	<b>Relative numeric evaluation</b>
Strongly disagree	-5
Disagree	-3
Nor agree and nor disagree	±0
Agree	+3
Strongly agree	+5

The use of negative signs derives from the fact that a negative overall score for a question would signify that the case in exam is wrong, and the more negative the sum, the more valid is the opposite meaning. It can be convenient to redraw the “icebreaking” question to provide an example. The purpose was to understand the importance of the job placement for socially disadvantaged people to let them feel more included in the society. In that case, 19 people

“strongly agreed”, 5 “agreed”, and 1 “didn’t agree and didn’t disagree”, bringing to these calculations:  $19*5+5*3+1*0=110$ . In relation to the positive or negative form in which questions have been posed, the scores will be converted in positive signs, meaning that the greater the value, the more hindering the barrier. To conclude the evaluations, scores have been translated into “word” terms according to the following ranges:

- From 0 to 10: very weak hindering power.
- From 11 to 30: weak hindering power.
- From 31 to 50: medium hindering power.
- From 51 to 70: strong hindering power.
- Greater than 71: very strong hindering power.

The final barriers with the relative scores are shown in Appendix B.

Once again, the discussion is divided according to the actor of social procurement considered. Answers always depict the social cooperatives’ perspective.

### Public Sector and Policymaking.

The two barriers tested about the public sector and policymaking are “policy unclarity” (Treviño-Lozano, 2021), and “policy insufficiency” (Álvarez Jaramillo et al. 2019). The former obstacle describes how not precise regulations permit less sustainable options to be implemented (2a), while the latter one allows not socially committed procurement management too much freedom in not awarding socially responsible enterprises (2b).

Policy (un)clarity’s total score is -58, that reverts the positive form of the question posed, which stated that the Italian regulations are easy to understand. Hence, the value is converted into positive 58, and the hindering power is “strong”.

2a. Policy unclarity. Score= 58.

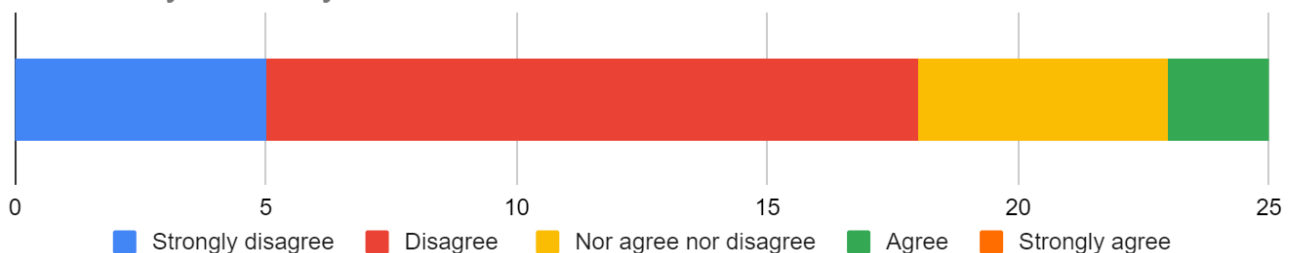


Figure 23. Score calculation of "policy unclarity" barrier.



Policy insufficiency's total score is -80, that also in this case reverts the positive form of the question. Hence, the value is converted into positive 80, and the hindering power is "very strong".

## 2b. Policy insufficiency. Score= 80.

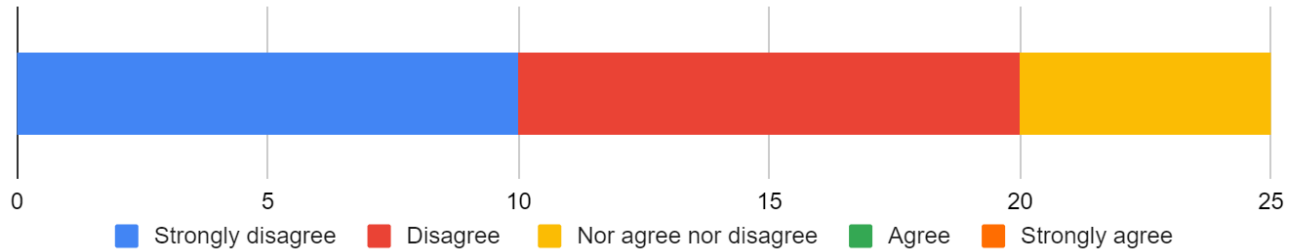


Figure 24. Score calculation of "policy insufficiency" barrier.

Despite the current state of social procurement regulations could obstacle the growth of such discipline, many social enterprises have been able to enter the market and sustain their business one way or another. This demonstrates that, with the sufficient knowledge of the subject, it is possible to overcome the barriers and practice social entrepreneurship. As a logical derivation, it means that new regulations represent a big opportunity for the social enterprises to proliferate and grow, and not just a threat to be dealt with. Particularly, the regulatory environment and an adequate implementation of legislation significantly influence social and sustainable procurement and, as consequence, they could enable the alignment of the government's goals to the single project's ones (Lou et al., 2023). In addition to that, policymakers should intervene in the procurement regulation by integrating non-voluntary environmental and social criteria into the supplier selection process, along with a transparent monitoring of supplier economic and value adding performances (Renukappa et al., 2016). In fact, that type of intervention will help to achieve sustainable infrastructure, because, if social procurement is more supported by governmental law, public sector organizations are more likely to pursue it (Brammer & Walker, 2011).

### Private Sector and Procurement Procedures.

After having confirmed that private companies tend not to include social cooperatives when procuring for a service, three causes of such behaviour have been analysed. To begin with the "awareness" category of obstacles, the "risk perception and suspicious behaviour" (Loosemore et al., 2022) has been evaluated. This concept represents the present distrust the procuring

companies pose onto social cooperatives, thus avoiding them when searching for new business partners (3b). The second and last barrier belonging to the awareness category is the “stakeholders’ engagement with respect to social procurement practices” (Bohari et al., 2020), which described how many social procurement initiatives don’t take off due to the lack of interest of practitioners (3c). The final barrier related to the private sector is represented by the procurers’ “resistance to change” (Lou et al., 2023), which encompasses the fact that procurers are satisfied with the current delivery practices already in place and don’t need to replace them (3d).

Risk perception and suspicious behaviour’s total score is 38, which defines a medium hindering obstacle.

3b. Risk perception and suspicious behaviour. Score= 38

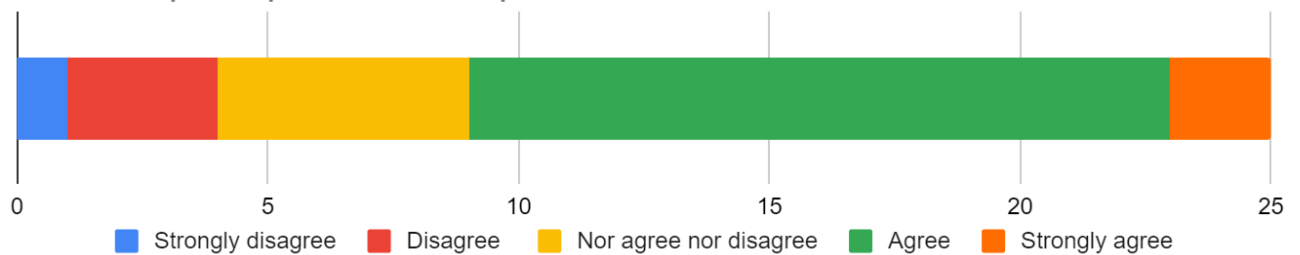


Figure 25. Score calculation of "risk perception and suspicious behaviour" barrier.

Stakeholders’ engagement with respect to social procurement practices’ score is 67, considerably greater with respect its cousin of the risk perception. This defines a “strong” hindering power.

3c. Stakeholders' engagement. Score= 67

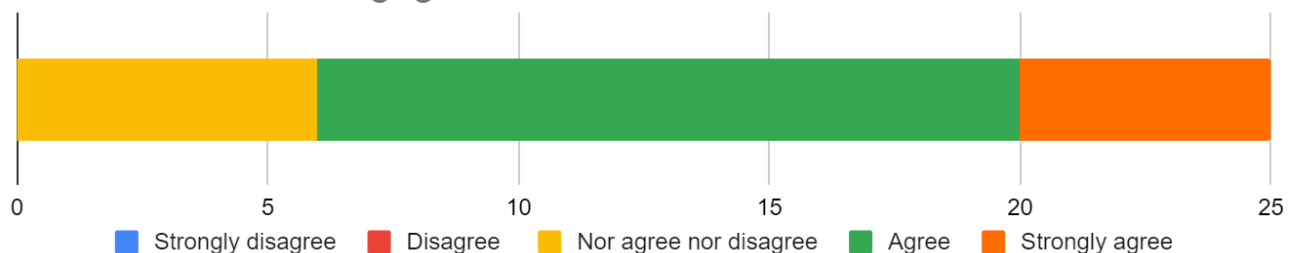


Figure 26. Score calculation of "stakeholders' engagement" barrier.

Resistance to change’ score is 10, which indicates a “very weak” hindering power with respect to social procurement, according to Turin’s social cooperatives’ point of view.

## 3d. Resistance to change. Score= 10.

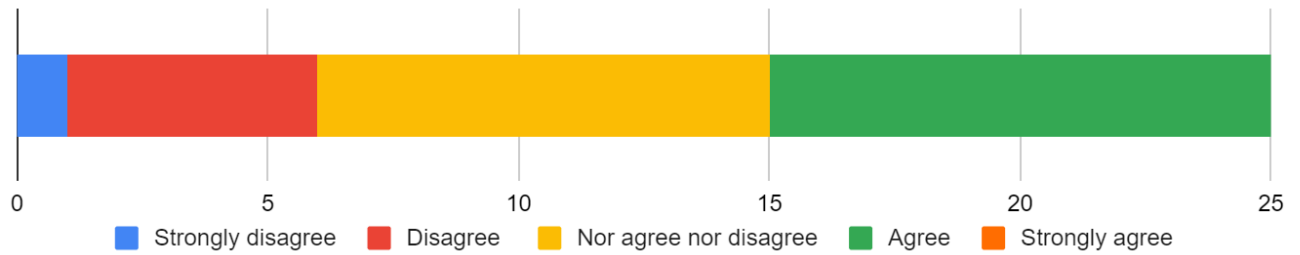


Figure 27. Score calculation of "resistance to change" barrier.

### Social Enterprises and Service Delivery.

The first two barriers identified from literature is the "lack of managerial and legal expertise" (Smith & Rothbaum, 2013), which considerably reduce the private contract awarding rate and the engagement with the public sector. To clarify this concept, a further subdivision between the managerial capability to participate in private tenders (4a), and in the legal expertise to manage safely the contract's obligations and legal clauses has been made (4b). When proceeding with the barriers derived from literature, there arrives the "difficulty in obtaining fundings, especially from banks" (Pellegrina et al., 2017). The majority of respondents, in fact, doesn't make use of bank loans because obtaining credit is costly, difficult, and risky, since they can be asked to provide personal guarantees.

Managerial capability's score is -4, that reverts the positive form of the question posed. In other words, the respondents think that this barrier slightly hinder social procurement. Hence, the value of the score is converted into positive +4, and the hindering power is "very weak".

## 4a. Lack of managerial capabilities. Score= 4.

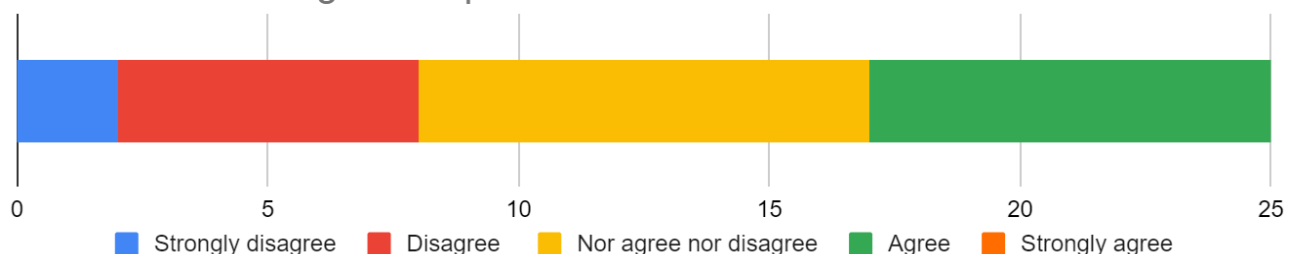


Figure 28. Score calculation of "lack of managerial capabilities" barrier.

Lack of legal expertise's score is 8, which's positive value confirms the positive form of the question. In other words, the interviewees don't think cooperatives lack of legal expertise, even

though there is no great distance from zero. Hence, this obstacle is slightly rejected in Turin’s environment and the value of the score is then converted into the negative form -8.

4b. Lack of legal expertise. Score= -8.

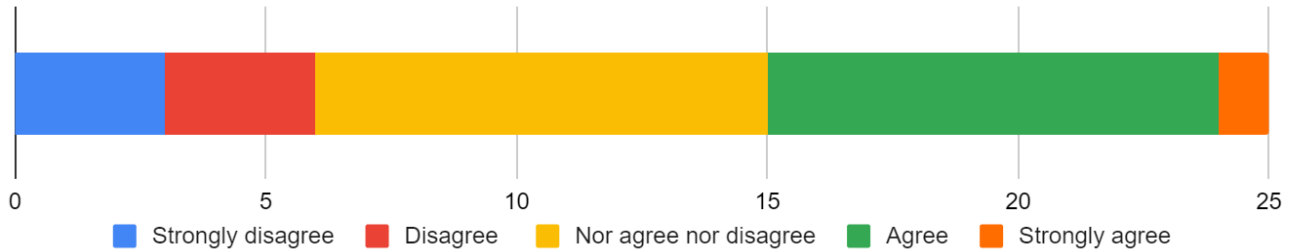


Figure 29. Score calculation of "lack of legal expertise" barrier.

The difficulty in obtaining fundings, especially from the banks has been evaluated with open questions, thus translating them into a Likert scale would be wrong. Hence the power this barrier won’t be compared to the others but kept separated, even though it is noticeable that it significantly hinder social procurement practices in Turin, exercising a “strong” power. The 70% of the social cooperatives interviewed, in fact, doesn’t get credit from bank.

Difficulty in getting loans from bank.

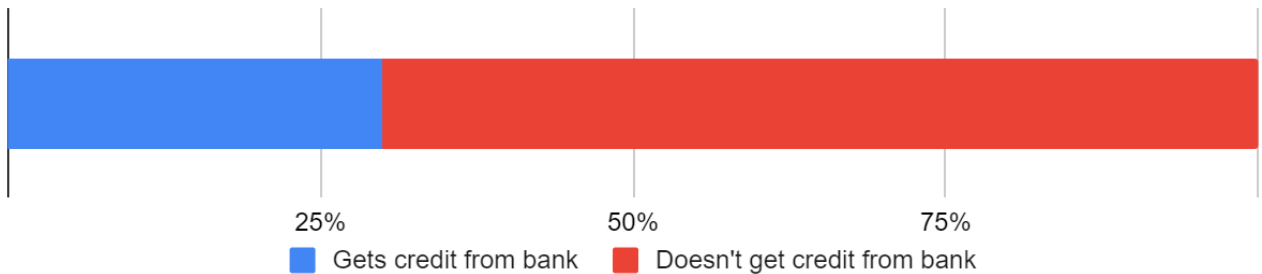


Figure 30. Score calculation of "difficulty in getting loans from bank" barrier.

**Thesis proposition**

The first barrier proposed by this thesis is the price/quality ratio which aims demonstrated how the respondents perceive their one similar or better with respect the one of other for-profit enterprises (4c). The second and last other barrier consists of the communication channels’ scarcity, which is defined by the insufficiency of links between procuring companies and social cooperatives (4e).

Price/quality ratio comparability' score is 27, which means that respondents think their level of price and quality of services is overall better than the one of the for-profit enterprises. Since the question was in a positive form and thus this is not a barrier at all, the value of the score is converted to negative: -27.

4c. Price/Quality ratio comparability. Score: -27.

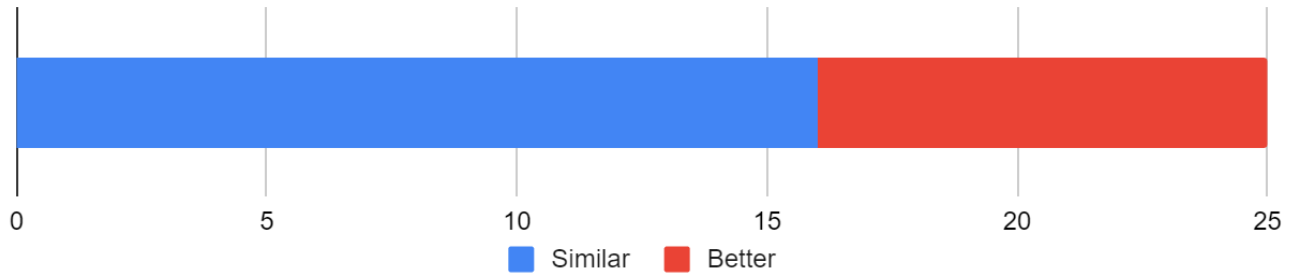


Figure 31. Score calculation of "price/quality ratio comparability" barrier.

Communication channels scarcity's score is 37, which is a medium-high value, also considering that two respondents "strongly disagreed" with the presence of such obstacle. Hence, the hindering power is "medium".

4e. Communication channels' scarcity. Score= 37.

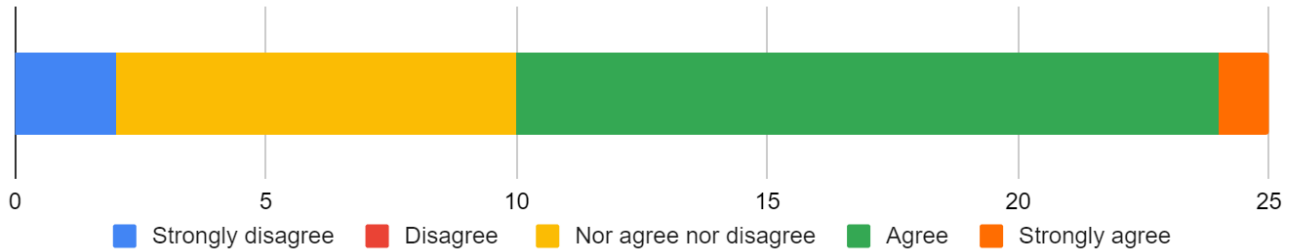


Figure 32. Score calculation of "communication channels' scarcity" barrier.

**Open Questions and Opinions.**

The value of this section is brought by the openness of the questions and the relative answers provided by the respondents. In fact, they were free to explain their perspective with respect to the challenges and the strategies to be considered when dealing with social public/private procurement in Turin. For the nature of this section is not possible to assess the hindering power of a barrier, however some insights can be derived.

To start with the public sector, a new obstacle was unanimously identified: the low bid price. It refers to the tendency of social public procurement to award the enterprise which asks for a lower price, due to a lack of public funds. This barrier enters with full right into the ones proposed by this thesis.

The investigation about the private sector didn't introduce new barriers, but put the accent on three found in literature, in particular the "risk perception and suspicious behaviour", "low stakeholders' engagement", and "communication channels scarcity". The effects of this result are helpful to emphasize the power of such challenges for every reader who is willing to assess their hindering impact to try to find solutions to overcome them.

This section concludes with one relevant suggestion about how to measure social value impact when procuring. The respondents were oriented towards counting the number of socially disadvantaged people employed and, for an economic perspective, evaluating the savings in public expense related to social services. This insight can be used by policymakers when thinking about new policies that regard the inclusion of social clauses within procurement contracts.

## 6.1 Proposed Solution

All the previous steps led to better understanding which the barriers that hinder social procurement in Turin are and at what degree they influence the environment. The list is presented in Appendix B.

This research proposes three possible actor that can intervene and increase the number of contracts between type B social cooperatives and public/private procurers. These actors are Intermediary player, University, and AI service solution. To understand which of them could possibly be the best solution, it is useful to present the features that would characterize their operations, according to this thesis.

### **Large database.**

A complete and updated database of type B social cooperatives can facilitate research by companies that need specific services. The database should include information about the cooperatives, such as the services offered, experience gained, staff skills and references. Categorization and advanced search can help companies quickly find the cooperative that best

suits their needs. The same reasoning holds for the cooperatives that want to know which companies are looking for services and the related set of information. The confront of the database feature with respect to the actors is the following:

Table 5. Comparison of the actors with respect to the database feature.

<b>Large database</b>	
Intermediate Actor	It has the advantage of already having a database of users with detailed information.
University	It can collaborate with clients to create a database, but this process takes time.
AI	It can analyse a large volume of data and identify the cooperatives best suited to companies' needs. This has a similar result of a large database.

### **Experience.**

The considered actor can validate the cooperatives based on experience in the reference sector and other quality criteria. It may request and evaluate references from satisfied customers, quality certifications and other indicators of reliability. It can act as a guarantor of the experience and competence of the cooperatives it proposes to companies. The confront of the experience feature with respect to the actors is the following:

Table 6. Comparison of the actors with respect to the experience feature.

<b>Experience</b>	
Intermediate Actor	It has a cumulated experience that allows it to best understand and interpret different situations.
University	It has the knowledge and power to study the client's request and provide a suitable solution. This has a similar result of a great experience.
AI	It can develop systems that help the client, basing on passed cases. However, it doesn't apply transitional human interpretation for the new cases.

### **Reliability.**

The considered actor must operate by transparent and impartial principles in order to provide the best possible services for the buyers. Its reliability is fundamental to maintain a high degree

of credibility while enacting the legitimacy of the cooperatives and companies it treats. The confront of the reliability feature with respect to the actors is the following:

Table 7. Comparison of the actors with respect to the reliability feature.

<b>Reliability</b>	
Intermediate Actor	It builds its reliability by constantly proving itself worthy of that.
University	Its reliability is part of the institution.
AI	It might be too early to rely on it for complicated services in a constantly evolving environment.

### **Ease of use.**

The considered actor should provide a simple and functional experience to the clients, which require its services because they cannot reach the same results on their own. In fact, it must understand the necessities of the user and develop the right solution for it. The confront of the ease-of-use feature with respect to the actors is the following:

Table 8. Comparison of the actors with respect to the ease-of-use feature.

<b>Ease of Use</b>	
Intermediate Actor	It should be easy to work with it. The intermediary would perfectly fit as a bridge between customers and cooperatives.
University	It should be easy to work with it, but it would require too much time.
AI	It should be easy to work with it since users are supposed just to write the prompt and not to develop the code.

### **Proposed solution.**

Once that the features and the relative confronts have been made, the proposed solution is found and presented with the help of the following table.

Table 9. Decision matrix: Proposed solution.

<b>Solutions</b>	<b>Database</b>	<b>Experience</b>	<b>Reliability</b>	<b>Ease of Use</b>
Intermediary player	✓	✓	✓	✓
University		✓	✓	



AI	✓			✓
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Hence, this thesis proposes the intervention of an Intermediary Actor to facilitate and enhance the social procurement scenario in Turin, Italy.

### 6.1.1 Intermediary Actor

“Brokers” have long been recognized as key players in facilitating connections and exchanging information within networks. They act as intermediaries between different actors, bridging gaps and fostering collaboration.

Stovel & Shaw (2012) defined brokerage as the role of intermediating between two or more otherwise unconnected actors.

Obstfeld et al. (2014) identified three distinct behaviours according to which the broker can play its role. First, the intermediary can serve as a bridge between separated actors to facilitate information flow and knowledge sharing. This behaviour is named “Conduit”, meaning a channel for conveying something. A second form is the so called “Tertius Gaudens”, a well-known proverb which says that when two quarrel, the third rejoices. From this paraphrase is easy to understand the sly intentions of the broker which leverages network gaps for its own good, often by playing actors one against another or by voluntarily keeping them separately. The last behaviour, “Tertius Iungens”, is represented by the act of directly connect the other actors by introducing one to the other, according to the translation of the term which means the third who joins others.

These behavioural strategies reflect the diverse ways brokers influence the interactions between network actors, and they are constantly evolving with the changing of network’s dynamics. Furthermore, they are not mutually exclusive and often interplay depending on the situational context (Obstfeld et al., 2014).

Hamilton et al. (2020) contributed to the assessment of the brokerage role by focusing on the extent to which the actors within a network mediate among pairs of otherwise unconnected ones. To address this matter, they defined the concept of brokerage “activity” and brokerage “exclusivity”. With activity they intend the overall number of communications bridged, while with exclusivity they refer to the number of brokers dividing the same network. When there is a situation of low brokerage activity and exclusivity, brokers are called “Sideliners”, and they often belong to tightly knit groups and they exercise a limited influence. At the opposite side

there the “Powerhouses”, which combine a high brokerage activity and exclusivity at the same time. This set of brokers is frequently connecting different parts of the network and may influence the whole environment thanks to the resource exchange between far-flung groups. In the middle of these two archetypes of brokerage there are the “Connectors” and the “Linchpins”. The first ones have high brokerage activity but low brokerage exclusivity, indicating they frequently connect different parts of the network but often within similar communities. The second ones have low brokerage activity and high brokerage exclusivity, suggesting they rarely connect actors, but their connections are unique and bridge otherwise disconnected parts of the network. Their influence is significant even though if they connect only a few pairs (Hamilton et al., 2020).

Gould & Fernandez (1989) suggested five possible brokerage situations by analysing the potential influence of that actor with respect to the other ones (assuming a group of three actors, including the broker and two communicating parties). The first role is the one called “Coordinator”, when all involved actors belong to the same group. Coordinating involves facilitating communication and collaboration to let an organization work smoothly and to assure experience sharing. To enable a company to perform well it’s of extreme importance that all the colleagues are aligned on their activities and learn from each other (Oh et al., 2004). When the broker acts as a mediator between two actors of the same group but belongs to an external one, it will take on a “Consultant” role. In this scenario, the intermediary actor offers expertise and insights from its external perspective to compensate the existing knowledge gaps and to assist the decision-making process within the group. Even though both coordinator and consultant intermediate between actors belonging to the same group, their influence and effects are quite distinctive from one another (Becker & Bodin, 2022). The remaining brokerage roles concern only situation in which the communicating parties come from different groups. The “Representative” consists of a figure which belongs to the same group of the actor which desires to contact an external one. This role involves acting on behalf of its group to connect with external stakeholders and gather information, resources, and support. The mirroring role of the representative is played by the “Gatekeeper”, when the broker facilitates an incoming connection from an actor of another group. The gatekeeper should manage the access to its group and ensuring that only relevant information and connections are made, thereby protecting the group’s interest and cohesion. The remaining situation is when the broker is external and connects actors from different groups. This role is played by the “Liaison”, a fundamental figure for achieving effective governance and tackling complex issues, as it allows for the exchange

of knowledge, perspectives, and resources across multiple sectors and organizations. According to Reagans & McEvily (2003), when the members belonging to different groups have direct contact with each other, the firm will enhance its performance thanks to that extension of knowledge and know-how sharing across the business units.

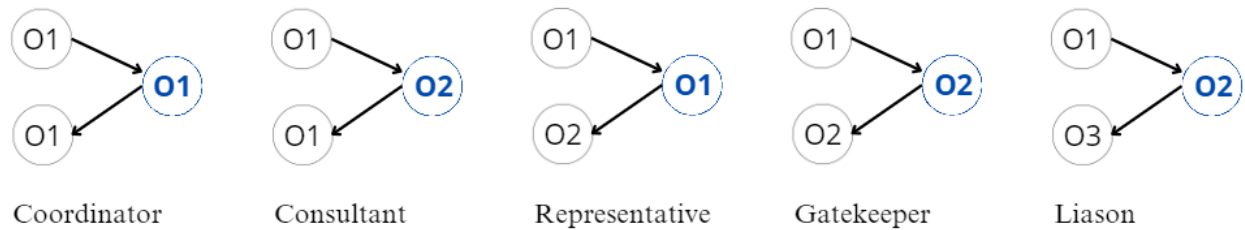


Figure 33. Representation of the five different configurations of the broker role with respect to the organization it works with (Gould & Fernandez, 1989).

These distinct brokerage roles might assume one or more shapes depending on the specific context of the network they belong to. The studies about the behaviours (Obstfeld et al., 2014), the influence of the roles (Hamilton et al., 2020), and the role played according to varied situations (Gould & Fernandez, 1989), help to construct a reference framework which is useful to segmentate and decompose the characteristics of an unknown network.

The investigation into the role of social procurement intermediary aims to understand the relevant findings that have been published until today.

There are not so many insights on how the intermediary should act to connect the businesses and governments to the social cooperatives and enterprises, but fortunately some research is available.

A broad definition of how the social procurement intermediary could add value is the one provided by Revington et al. (2015). In fact, intermediaries increase the opportunities for social enterprises and cooperatives to engage in more contracts and tenders while, at the same time, they enlarge the visibility and awareness of the sector.

This vision is supported by Theodorakopoulos, Ram, and Beckinsale (2013) who conducted a research project to study the provision of intermediation services to advance minority social suppliers' development in the United Kingdom. They suggested that the role of intermediation is to collaborate to the creation of boundary encounters through matchmaking activities between purchasers and suppliers and to support the capability development on both supply and demand side of procurement relationships. In fact, for purchasers was critically important to

establish a community of principles for extending knowledge and corporate practices while, for suppliers, boundary encounters helped expand their organizational identities and supply competences.

Thanks to a research study conducted in the Australian environment by Barraket (2020), who interviewed buyers' procurement departments for two consecutive years, a more specific classification of the actual functions of the intermediate player has been drawn up.

In particular, Barraket (2020) identified the following 5 functions:

- **Connecting actors up:** this included matchmaking between buyers and suppliers via structured 'speed dating', marketplace, and workshop activities. The buyers' benefits reside in extending their knowledge of and access to social enterprise suppliers of which they wouldn't be aware. On the other side, the suppliers have more opportunities to do business with new clients and to understand their need to reshape their activities.
- **Involving, committing, and mobilizing actors:** this represented the role of the intermediary to allow peer networking especially from the buyers' side. In fact, they shared their knowledge among other procurement units of their organization and were able to learn from those external ones which were further progressed in that process.
- **Capability development:** this comprehended the provision of advisory services from the intermediary to buyers, including information guides and case studies that increased the buyers' knowledge of the social procurement process.
- **Advocacy and field building:** this identified the important role of the intermediary to support the spreading of social procurement awareness among other players such as sub-contractors, industry peers and other business associates, which took inspiration and enthusiasm from each other.
- **Establishing and enacting legitimacy:** this manifested through the credibility of the intermediary in certifying social enterprises' reliability and supporting social impact measurement of social procurement activities.

Some of these roles are evolving with time and may differ from the country of reference. However, they set the basis for further investigations and research, including the ones this thesis focuses on.

Once the literature of the intermediary has been analysed, it is useful to logically link the relevant literature notions about its characteristics within the social procurement context.

Starting from the perspective of Obstfeld et al. (2014), both the conduit and tertius iungens behaviours are present and are characterized by the functions listed by Barraket (2020). Needless to say, the tertius gaudens perspective will not be taken into consideration, as it represents the incorrect conduct of the broker. The “Connecting actors up” function clearly calls for the tertius iungens behavior, due to its matchmaking purpose between companies and social enterprises. That scenario is dynamic because once the two stakeholders have met each other, there would be no need to repeat the same process a second time. In addition to that, what follows the first connection phase will be carried out either directly from the new-connected actors or thanks to a conduit approach interpreted by the broker.

In the eyes of the attribution of the degree of influence, according to Hamilton et al. (2020), two distinct reasonings should be presented regarding the brokerage activity and exclusivity. The size of the activity within the same network cannot be considered as a success factor. In fact, a good broker could connect two actors which will find their collaboration smooth and aligned, permitting them to self-organize and communicate. This means that a low brokerage activity shouldn't indicate a scarce service from the intermediating actor. At the contrary, a small number of interventions may suggest the inefficiency of the actor in leading towards satisfying results, disincentivising the other parties to involve it. Furthermore, when the broker's services are frequently asked, it may suggest the greater benefits that such consultancy might bring to the working relationship. However, it can also derive from the lack of experience of one of the communicating parties, which, for example, requires a constant assistance. That, as consequence, would require many time-consuming interventions to safeguard the reputation of the broker, the one with the responsibility of having involved the inexperienced actor in the first place. For what comes regarding the exclusivity of the brokerage network, different considerations should be made. A scenario of high exclusivity entails a greater power and influence of the intermediating party, which can exert a greater control over its clients allowing it to provide a stronger service and gather the fruits of its private market share. Finally, relatively to the communicating actors' perspective, there is no logical reason that sufficiently addresses the importance of exclusivity. A competitive environment encourages efficiency and quality, creates a wider choice for costumers and helps reduce prices<sup>19</sup>, but the solidity of information

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<sup>19</sup> [https://competition-policy.ec.europa.eu/about/why-competition-policy-important-consumers\\_en](https://competition-policy.ec.europa.eu/about/why-competition-policy-important-consumers_en)

could be deteriorated due to its redundancy into many brokers' databases. Such evaluation should be carried out following an in-depth analysis, which is no objective of this thesis and thus it will be postponed to future studies.

With respect to the roles identification made by Gould & Fernandez (1989), only the consultant and the liaison roles out of the five ones can be considered suitable for the social procurement intermediary. That is because in the solution of this thesis, the broker is an independent external actor, supplying consultancy and matchmaking services to other autonomous actors. Hence, every role configuration in which it is an intern of a communicating party must be discarded.

Now that a more precise profile of the social procurement intermediary actor has been delineated, the identified roles described by Barraket (2020) can be linked to the results of the interviews. Before entering into this discussion, it is important to remember that these roles result from buyers-driven interviews and no entities of the public sector have been involved. Thus, the barriers related to the private sector are well covered, while for some of the remaining ones another reasoning has to be made.

The "connecting actors up" role clearly aims at enhancing the "communication channels scarcity" situation. It has a global impact as it favours public sector, private sector, and type B social cooperatives at the same time. This function faces a constant evolution pace since, as explained by the interviewees of Barraket (2020), once a new partnership is created there is no need to reintroduce the related parties, but its fundamental to help it to last.

The "involving, committing, and mobilizing actors" role should employ the tool of peer networking to break down the barrier of "resistance to change". The objective is here is to spread social procurement practices among the buyers that can learn from each other how to transition from their current state to a more value adding one.

The "capability development" role, since it is directed mostly to buyers, should propose a smooth way to implement social procurement practices, with standardised procedures accepted and applied by everyone. The intermediary here also plays the role of consultant as it has the overall vision of the environment and thus it could provide ad hoc guidelines to its clients. According to this role, the interested barrier is the "low-price bid", which is more related to social public procurement. However, because the process of procurement standardization includes the definition of value measurement, which at its time characterizes all the procuring contracts, the "capability development" role also regards the private sector. Considering again the public sector, there are two remaining barriers which could be significantly lowered thanks

to the intervention of an intermediary social procurement “consultant”. In fact, its central position allows it to better understand where and how new policies could better regulate the environment with the objective to reach the desired outcome, without overregulating or wasting time and money with useless initiatives. Hence, the “capability development” role also addresses the policy “uncertainty” and “insufficiency” barriers.

The “advocacy and field building” role directly addresses the “lack of stakeholders’ engagement” barrier, since by definition its function is to spread and nourish the awareness of social procurement practices among the players of the value chain.

The “establishing and enacting legitimacy” role clearly aims at lowering the barrier of “risk perception and suspicious”. The intermediary should maintain a high level of credibility to let the buyers safely rely on its evaluations. This role is connected to the “capability development” one because it has the formal objective to measure the social impact of social cooperatives.

At this point, only two barriers related to social cooperatives remain uncovered, the “lack of management capabilities” and the “reduced credit accessibility”. They cannot be addressed by the previous roles since they are derived from buyer-central research. Hence, the most straightforward intuition that focuses on solving this role vacancy is just to propose a new one: the “social cooperative’s consultant”. The aim of such function is to assist at 360° all the social enterprises which lack of resources, money or capabilities to pursue both short and long -term objectives, from easy and fast tasks to more articulated and time-consuming ones.

## 6.2 Limitation and Future Research

In a few words, this thesis contributes to the scientific community and the policy makers by identifying the barriers to social procurement through the eyes of type B social cooperatives, analysing evidence from Italy. In addition to that, four barriers strictly related to them have been included along with the ones regarding the “buyers” actors. Finally, the study is grounded in Italy, a country with a low presence of literature investigating within its phenomena about social procurement practices.

However, some limitations have to be acknowledged and further research should be carried out to enrich the findings. The qualitative approach is insufficient to statistically generalize a concept from a sample to the whole population, thus, a quantitative approach could complete and further validate it. In addition to that, to remain in this study’s scope, the results should be

compared to the ones of other Italian provinces. Since every state has its ways to understand and implement social procurement, an additional comparison among evidence of different countries could bring interesting insights. Another limitation consists of the fact that only the point of view of one actor has been considered. Thus, new rounds of interviews should be presented to public and private sector to evaluate their perspective on the barriers analysed in this thesis.



## Chapter 7. Conclusions

The purpose of this research was to explore the barriers to social procurement in the Italian context, by considering the province of Turin as evidence. That investigation, in particular, aimed at assessing the degree of impact of such obstacles on procurement practices according to the perspective of type B social cooperatives. Building upon a foundation of nine barriers identified in the literature, this thesis contributes two novel barriers to the existing body of knowledge. Then the eleven obstacles have been clustered according to their social procurement actor of belonging, including public sector, private sector, and type B social cooperatives. This process has been fundamental to present surveys and semi-structured interviews to twenty-five social cooperatives operating within the province of Turin. Surveys represented pilot research, useful to get some initial insights about the topics proposed to the respondents. Then, the findings have been rearranged in order to provide more precise and in-depth phone call semi-structured interviews. At this purpose, six social cooperatives out of the total agreed to the on-phone call, further enriching their internal contribution. The interviews brought some interesting results.

Out of the eleven barriers, eight were recognised by the respondents and one more have been identified and subsequently added to the list. The ones with a strong and very strong hindering power are “policy unclarity”, “policy insufficiency”, “low-price bid” in public procurement, “lack of stakeholders’ engagement”, and “reduced credit accessibility”. The barriers with medium hindering effect are “risk perception and suspicious” and “communication channels scarcity”, while “resistance to change practices” and “lack of management capabilities” have a weak impact.

Tackling the barriers to social procurement is not an easy task and there does not exist just one possibility. Upon identifying various potential solutions for these barriers, this thesis proposes the intervention of a social intermediary actor as a solution to lower down the hindering power of the identified obstacles. Such player has been based on present literature and its operational roles should distinctively fight against the related barriers, including connecting actors, work as a consultant thanks to its internal position, and spread the awareness and good practices of social procurement throughout the whole value chain.



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## Annex

## APPENDIX A

Table 10. List of services proposed by type B social cooperatives, classified according to EU.

<b>Category</b>	<b>Impact Area</b>
Textile	The provision of clothing and apparel bears an opportunity for Social Procurement when it comes to workwear, event-related clothing or after sales articles.
Food & Beverage	The purchasing of food and beverages can be especially interesting for the restocking of vending machines and the setting-up of meeting rooms. There is also an opportunity to explore new ways of providing foods and beverages to its employees.
Catering	Catering provides food and beverage services at a remote location or event.
Furniture	Furniture's category encompasses all the manual work of producing and selling workplace furniture.
Logistic services	Logistic services are particularly demanded in the fields of transportation and warehouse management.
Facility management	Facility management ensures the smooth operation and upkeep of a physical space, optimizing its functionality and supporting its occupants.
Waste management	Waste management is the process of collecting, treating, and disposing of waste in a way that protects public health and the environment.
Other specific services	This voice includes all other services that don't fit into the other voices.

APPENDIX B

Table 11. Final list of the barriers resulted from the research.

<b>Actors related to the barriers</b>	<b>Category of Barriers</b>	<b>Barriers</b>	<b>Hindering Power</b>
Public Sector	Policymaking	Unclarity	Strong
		Insufficiency	Very Strong
	Public procurement	Low-price bid	Very Strong
Private Sector	Awareness	Lack of stakeholders' engagement	Strong
		Risk perception and suspicious	Medium
	Choice of supplier	Resistance to change practices	Very Weak
Social Cooperatives	Lower contract awarding rate & engagement with public sector	Lack of Management capabilities	Very Weak
	Financing	Reduced credit accessibility	Strong
	Thesis proposal	Communication channels scarcity	Medium

## APPENDIX C

Table 12. Survey's questions divided by sections.

Section	Questions
1. General information	<ul style="list-style-type: none"> <li>• How many employees work in your cooperative? How many of these have social disadvantages? How many are volunteers?</li> <li>• Which category(ies) of people with social disadvantages does your cooperative work with?</li> <li>• What services can your cooperative provide to companies or the public sector?</li> <li>• Do you have experience with the public or private sector?</li> <li>• Just in case you wanted to say, what is the range in which the 2023 turnover falls? [closed form].</li> <li>• Work performs a socially inclusive function towards people at risk of marginalization [closed form].</li> <li>• If necessary, thanks to a greater demand for services from companies, your cooperative would be willing to hire more people with social disadvantages, expanding the social cooperative if necessary and possible [closed form].</li> <li>• Your cooperative plans to expand in the coming years [closed form].</li> </ul>
2. Public sector	<ul style="list-style-type: none"> <li>• Understanding Italian policies regarding public and private procurement is easy and not misunderstanding [closed form].</li> <li>• Generally, when private companies look for a supplier for a specific service, they always include a series of requirements that involve the hiring of socially disadvantaged workers [closed form].</li> <li>• Opening a social cooperative in Turin is a simpler operation and more supported by the city administration than a non-social one. [closed form].</li> </ul>

	<ul style="list-style-type: none"> <li>• The Turin Administration helps social cooperatives to carry out their activities with ad hoc policies and initiatives [closed form].</li> </ul>
<p>3. Private sector</p>	<ul style="list-style-type: none"> <li>• Private companies always try to include social cooperatives whenever possible during tenders [closed form].</li> <li>• Private companies that do not contract their services to social cooperatives, it is because they have a suspicious attitude and a greater perception of risk in working with social enterprises and distrust regarding the quality of their services [closed form].</li> <li>• Private companies that do not contract their services to social cooperatives, it is because they are not aware of the possibility of purchasing services from social cooperatives in their procurement practices due to the lack of involvement and interest in this field [closed form].</li> <li>• Private companies that do not contract their services to social cooperatives,  it's because they are happy with the current delivery practices already in place and don't need to replace them. (they therefore present a resistance to change) [closed form].</li> </ul>
<p>4. Type B social cooperatives</p>	<ul style="list-style-type: none"> <li>• It is easy for social cooperatives to participate in tenders because they have the right organizational structure and knowledge to do so [closed form].</li> <li>• Social cooperatives have sufficient legal skills to manage all legal issues relating to private and public contracts, which guarantee a correct commercial relationship and ensure their protection [closed form].</li> <li>• What are the main sources of funding for your cooperative? Is it easy for social cooperatives to obtain a loan from the bank?</li> </ul>

	<ul style="list-style-type: none"> <li>• The quality/price ratio of a specific service when provided by a social cooperative (compared to the same service offered by a non-social cooperative) is: [closed form].</li> <li>• What are the main communication channels through which clients can purchase services from social cooperatives (e.g. website, meetings, tenders...)? What is the best channel in your opinion?</li> <li>• In your opinion, if private companies were able to find the most suitable social cooperatives for the desired service more quickly and precisely, there would be more collaborations [closed form].</li> <li>• Social cooperatives are interested in having the possibility of knowing which private companies are looking for "social procurement" and in which sectors specifically, also to evaluate any initial investments [closed form].</li> </ul>
<p>5. Open questions</p>	<ul style="list-style-type: none"> <li>• What are the most significant challenges that social cooperatives face in Turin when it comes to securing contracts with the public sector?</li> <li>• What are the most significant challenges that social cooperatives face in Turin when it comes to securing contracts with companies?</li> <li>• What are the more efficient strategies that social organizations can adopt to obtain more contracts with companies in Turin?</li> <li>• How would you suggest measuring the social impact of a service provision in terms understandable for private companies?</li> <li>• If any, please feel free to express opinions or comments.</li> </ul>

APPENDIX D

Table 13. Open questions of on phone call semi-structured interviews.

<b>Interview questions</b>
<p>In general, the questions are the same of the open ones of the survey, with some divagations according to the discussion. The questions presenting some novelties are listed in the following:</p> <ul style="list-style-type: none"><li>• What is the communication channel you use? Is it sufficient for granting you the right amount of contracts? Would you be willing to expand your communication channels?</li><li>• (To some cooperatives without an online website) Why don't you have a website? Would you be interested in having one?</li><li>• Would you be willing to hire new people and to expand? What are the issues you encounter for doing that?</li><li>• Do you think that private companies perceive social cooperatives differently from for-profit ones? Why and how?</li></ul>



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