

LESSONS LEARNT IN TĀMAKI MAKAU

Auckland Council Group share their learnings from their Supplier Diversity journey

“Sustainability is about meeting the needs of today, without compromising the ability of future generations to meet their needs”

Auckland Council Group Sustainable Procurement Framework.

Supplier diversity targets set by each organisation

5%

5% of the value of all direct contracts to be awarded to diverse suppliers (Māori and/or Pasifika owned business or social enterprises)

**Auckland Council
Target**

2%

of the value of procurement spend with Māori-owned businesses by the end of 2023

**Auckland Transport
Target**

5%

of total spend with Māori businesses by the end of FY2025

**Watercare
Target**



Figure 1 - Māori business owner speaking with Auckland Transport staff member

The Story

As a group, Auckland Council, Auckland Transport and Watercare have pioneered supplier diversity in Aotearoa and set some pivotal precedents for both the public and private sector to follow. They have used their collective buying power to help change the shape of Auckland's economy to be more inclusive.

In this document, we will cover some of the key lessons learnt from Auckland Council, Auckland Transport and Watercare to demonstrate the different approaches and learnings across the organisations.

In 2016, Auckland Council, Auckland Transport and Watercare came together to create the Auckland Council Group Sustainable Procurement Framework. The aim of the framework is for all three organisations to collectively use their spending power to promote the social, economic, environmental, and cultural well-being of Auckland.

The framework allowed them to signal to their organisations, suppliers, and communities that they would all be looking to generate positive impact through their spend. It created a clear and consistent message that all stakeholders could understand.

Since the launch of the framework each organisation has been on its own journey to implement sustainable procurement. One of the key tactics that all three organisations has leaned into is Supplier Diversity. They have all had stories of success of directly and indirectly engaging Māori businesses, Pasifika businesses and social enterprises and have seen the benefits of these relationships.

Over the past 6 years the group has learnt what works, what doesn't and what needs to be done to get organisational cut through and success. While each organisation has similar aspirations, their approaches to getting there have been different.

Auckland Council

Since Auckland Council set its supplier diversity targets (5% of addressable spend with Māori, Pasifika and/or social enterprises) there has been a huge amount of positive change and embracement of supplier diversity – both within the organisation and in the wider NZ procurement setting. As an organisation, they have supported the creation of Amotai, developed new procurement methods and toolkits to better engage diverse businesses, created a Community of Practice with 50+ members, and run multiple planning workshops and training events across the organisation.

Key Learnings

Stepping stone opportunities

Auckland Council's experience has been that there are not enough diverse suppliers with the proven track record and experience to compete against incumbent suppliers. They've recognized that they need to find a way to provide progression pathways for diverse suppliers and will be looking at low value/low risk opportunities that could be an entry point for diverse businesses.



Setting targets

Targets have been instrumental in creating accountability across the organisation.

Department results against the targets are shared quarterly which has created some positive competition amongst different departments.



Supplier diversity is an effective tool to create outcomes

Supplier Diversity often requires less effort compared to other tactics and can achieve quality outcomes quickly and simply. There is a known eco-system of support, internal expertise as well as global evidence and examples of the practice. Additionally, its multiplier effect can create quality employment and workforce development opportunities.



Turning awareness into action

Council has been successful at raising awareness and creating internal champions. This is due to investing in training, leadership buy in, building strong relationships and collaborating across departments. It takes time to build momentum and gaining traction at the start can be hard. Awareness is critical in supplier diversity efforts but has only led to year-on-year incremental improvements rather than catalytic change.



Auckland Transport

As early adopters of sustainable procurement, Auckland Transport have trialled and tested several social procurement activities over the years. Notably, they were the first in Aotearoa to put targets into an RFP and set KPI's into a contract for supplier diversity. Since then, they have continued to implement different tactics across projects to engage diverse businesses. With such a long track record, they have shared some of their key insights to help others who are early on in their journey.

Key Learnings



Specific resource needed – social outcomes team

Although Auckland Transport managed to embed supplier diversity into their procurement process, they realised they needed dedicated resource to support and drive it instead of it being on top of individuals day jobs.

As a result, they now have two full-time permanent roles and a graduate. This team works inside the procurement department.



A traditional procurement approach doesn't always work

Auckland Transport realise that engagement and partnership is important when working with diverse suppliers. A standard tender process doesn't always allow you to start with relationship building. Instead, they have now trialled lean agile processes and are looking at ways to create more interactive processes going forward.



Supplier development; Building the capability of suppliers

Procuring organisations (Buyers) may have different tendering requirements, supplier onboarding and supplier compliance requirements (e.g., Health & Safety), which can make it difficult for diverse suppliers to respond. This may mean Buyers leaning in and providing help, guidance and training for diverse suppliers to navigate Buyers internal systems and requirements.



Focus on building a strong understanding within the procurement department

Auckland Transport found that as awareness of supplier diversity across the business grew, there was a need to focus on building the understanding and capability of the procurement department first and foremost to ensure they had the capability to lead sustainable procurement across the organisation.

Watercare

Watercare has set a target for 5% of their spend to be with Māori business by 2025. They have recognised the need to have year on year measuring and incremental increases to allow them to reach that 5% baseline. They have also taken the unique step of including their long term partner suppliers in their target to ensure they maximise their impact across their spend.

Key Learnings

The importance of data and systems

Watercare recognised the importance of data early on and built in the ability to identify Māori businesses in the supplier fields of their contract and supplier management system. This allowed them to start collecting data before they set their target.

Having quality data has allowed them to report on spend easily and confidently.



Executive level buy in and key performance indicators

Watercare executives have Māori outcomes (including Māori business spend targets) as part of their key performance indicators.

This has supported executive level buy in and allowed them to require all units to report on these indicators monthly.



Mindset, culture, and behaviour change

Watercare has intentionally set out to have sustainable procurement be embedded across the organisation. The implementation and accountability to deliver sits across the organisation. This means that Watercare do not have a dedicated team but rather there are internal champions across departments that support the delivery of sustainable procurement.



Bring your main contractors on the journey.

Watercare has long term partner suppliers in infrastructure delivery and maintenance that are several years long which means they try to build true partnerships with their prime contractors. As part of this partnership model, they have brought their main contractors on the supplier diversity journey with them and they have agreed that 5% of their subcontracting spend will be with Māori businesses.





Figure 2 - Staff from TROW Group working on Council facility

Conclusion

Whilst the Council group came together to set one tone to the market about their sustainable procurement priorities, they have all had very different journeys when it comes to implementation.

What we can see from all three is that there is clear intention to create more opportunities for Māori business in their supply chain – this isn't a political football and has been operationalised in tangible ways for all three organisations.

Their early adoption of supplier diversity has enabled many other organisations (including central government) to use their advice and learnings to set their own targets. They have set a clear signal to others about what it takes.

However, the status quo is still low procurement activity with Māori businesses, so leaving supplier diversity to chance means Māori businesses won't get contract opportunities.

It is an issue that sits within the procuring organisations. The demand side (buyers) are the architects of supplier diversity outcomes. Changing the way you procure can be enabled in very different ways and utilise a range of tactics, but what the Auckland Council group has demonstrated is that having an 'enabling framework' isn't enough – you need to change and adapt your approach to each procurement opportunity in order to ensure successful outcomes.

This case study is authored by Puna Awarau Limited on behalf of Amotai.