



**SAPIENS
NETWORK**

How to future proof public sector supply chains

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WP1 Sustainable Public Procurement: from the international agenda to actual buying practices



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How to future-proof public sector supply chains

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This document is directed at practitioners who work in public procurement agencies involved in the design and implementation of purchasing practices seeking to promote sustainability and resilience via public procurement.

Recommendations:

To enhance sustainability and resilience of public sector's supply chains, public buyers shall combine a commitment-based approach with a risk-based one by:

- 1) Investing in building public buyers supply chain risk-management skills** via ad-hoc trainings and peer learning, including sustainability risks and supply chain vulnerabilities.
- 2) Building supply chain knowledge early on**, in the tender preparatory/design phase to inform the procurement strategy: Starting from a supply market analysis to identify key sustainability risks and potential vulnerabilities in purchase-relevant industries and supply chains.
- 3) Continuously collecting intel about potential risks beyond the direct contractor**, along the chains, via mapping and monitoring supply chain risks throughout the procurement cycle.
- 4) Optimizing resources by assigning priorities** to risks which are more likely to materialize or would have significant impact if they do: Assess and weigh risks throughout the procurement cycle.
- 5) Designing mitigation measures, also by engaging the direct contractors.** This can be done via periodic interviews, questionnaires, and documental analysis to better understand how they are handling these risks.

THE GLOBAL DIMENSION OF PUBLIC SECTOR SUPPLY CHAINS

The global supply chains disruptions experienced by countries across the globe during the COVID-19 pandemic, clearly highlighted the globalized and interdependent nature of public sector supply chains. Initially the crisis required public buyers to quickly adapt their procurement policies and strategies to respond to this unexpected shock. Then, it prompted the need for public buyers to profoundly rethink their sourcing strategies to build **resilience** in their supply chains¹.

While public sector supply chains clearly extend beyond national boundaries, public procurement policies and practices tend to suffer from a "home bias", neglecting this global dimension².

At the same time, public administrations at all levels and geographies have a duty to protect the common goods. This is why public administrations across the globe are increasingly adopting **sustainable purchasing practices (SPP)**. However, these practices are often applied only to the direct contractors limiting their potential impact. Accounting for the global

dimension of public sector supply chains is instead very important to fully realize SPP potential. First of all, because global supply chains account for the largest share of industries' carbon emissions³. Secondly, because they often present higher risks of exploitation and human rights abuse given the issues of transparency and visibility characterizing complex and geographically dispersed supply chains⁴.

This brief provides an overview of management responses to the challenge of building sustainable and resilient public sector supply chains based on management literature and the author own research. Its main goal is to provide actionable solutions that public buyers across the globe can incorporate in their purchasing practices to make them more effective in anticipating external shocks while achieving sustainability goals.

FROM A COMPLIANCE TO A COMMITMENT-BASED APPROACH

The author's review of the scientific evidence produced so far on the nexus between public procurement and sustainability in global supply chains, reveals that public buyers tend to adopt a reactive approach, looking at sustainability issues in their extended supply chains only if mandated to do so by national laws. Sometimes also if pressured by the media, to prevent reputational damages. This rather reactive and compliance-driven approach is not effective in building resilient and sustainable public sector supply chains, as it doesn't allow to anticipate external shocks and be prepared when disruptions occur.

Rethinking the traditional role that public procurement plays to make it more strategic and effective in anticipating shocks and future damages, means that

public buyers need to be intentional about it. This means to shift first from a compliance to a commitment-based approach when purchasing to proactively pursue both resilience and sustainability goals⁵.

ADDING A RISK-BASED APPROACH TO PUBLIC SECTOR SUPPLY CHAINS MANAGEMENT

There are several practices that public buyers can use to increase both the sustainability and resilience of their supply chains. For instance, by conducting supply chains due diligence, or by requiring direct contractors to conduct supplier auditing and verifications, or by embedding inter-firm responsibilities in contractual clauses. However, public buyers' resources in terms of times, costs and skills are not endless, therefore it is important to adopt a **supply chain risk-based approach** that can inform public buyers purchasing strategies and practices.

The starting point is to increase public buyers' knowledge about their supply chains. Adopting a supply chain risk-based approach for sustainability means to collect information about industries and supply chains characteristics, analyzing them to identify red flags or where the most positive impact can be achieved.

A risk-based supply chain management approach would also better equip public buyers to build resilience, anticipating shocks and challenges. Contractors have several options available to make their supply chains less rigid and more resilient, for instance by:

- 1) Bringing them closer, via re-shoring or on-shoring;
- 2) Making them shorter, via near-shoring;

- 3) Diversifying them, reducing dependency on sub-suppliers or on sourcing from specific regions and countries.

Focusing on the critical input needed to satisfy the public buyers purchasing needs and capturing this intel into a supply chain risk management system is important to inform the overall procurement cycle. It is critical to gather info early in the tender design phase to inform the procurement strategy and planning but is also very important to continuously update information during public contract execution monitoring⁶. Doing so could also create opportunities for partnership with direct contractors, to join forces for proactively and effectively managing supply chain risks.

CONCLUSIONS

By adopting strategic and proactive approaches, public buyers across the globe can build more sustainable and resilient public sector supply chains.

Despite regulations mandating supply chain due diligence across sectors are blooming, especially in Western Countries⁷, embedding a supply chain risk management culture in the public sector is nonetheless critical to their effective implementation. This can and should be done also in countries where such regulations do not exist, as it allows public administrations to achieve wider sustainability results, anticipate future shocks and better manage supply chain disruptions.

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