

'Resellers' as intermediaries implicated in socially responsible public procurement: reconceptualising labour governance in global production networks

Helena Gräf & Gale Raj-Reichert

8 July 2021, 7th RDW 2021



Introduction and background

- **A rise in public governance mechanisms** to improve working conditions in GPNs
 - (1) Global supply chain regulations
(US Dodd-Frank, UK Modern Slavery Act, French Duty of Vigilance Law, Dutch Child Labour Due Diligence Law, German 'Lieferkettten'/global supply chain regulation)
 - (2) Public procurement regulation that allow for working conditions standards in global supply chains (socially responsible public procurement)
→ Revised EU Directives on Public Procurement in 2014
- **Public procurement tenders for electronics** often times **won by 'resellers'**:

Resellers buy products (hardware and software) and package them with services (installation, repair and maintenance) and consulting (IT systems) to sell to final B2B customers – including the public sector

Resellers in the public procurement market

- Strong engagement in the market since late 2000s
 - Specialized knowledge and capabilities for regulatory requirements of public tenders
 - Expertise in national procurement procedures and operating language - regionally concentrated
- Multi-year procurement contracts
 - In general, long-term and stable demand
 - Long-term relationships between resellers and public customers
- Increasingly **face social responsibility criteria/requirements** in procurement contracts
 - Especially for electronics -- considered high risk for labour violations in GPNs by public procurement authorities

Implications of Covid-19 pandemic

- Public procurement market is **less sensitive to economic cycles**
 - In 2020, outbalanced losses in private B2B business e.g. automobile industry
 - Proved to be lucrative business for resellers during the pandemic - most profitable year
- Importance of the **public sector as economic actor** to contribute to a socially responsible Covid-19 recovery
 - Reverse creating markets which rely on short-term purchases, leading to pressures on workers in lower tiers of global supply chains
 - Through constant learning and adjusted requirements in tenders on working conditions

Research questions

- ❖ Who are resellers and how do they reconfigure our understanding of the electronics industry GPN in its final stages of consumption for the public market?
- ❖ How do resellers ensure compliance of working conditions criteria as part of public procurement contracts in GPNs?

→ *Research conducted with respondents in Sweden and Germany in 2019 and 2021: Public procurement authorities, civil society organisations, and resellers*

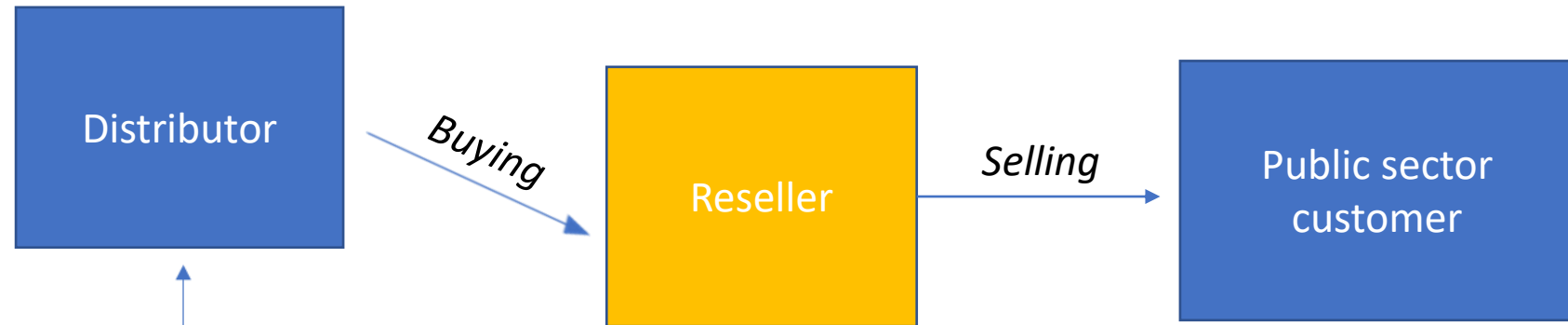
Intermediaries, labour governance, and Public procurement in GPNs

- **Intermediary firm actors** (Coe and Yeung 2015)
 - Bridge/connect different actors in GPNs & can be power brokers between actors
 - Can shape configuration of governance at the intersection of multiple networks (Raj-Reichert 2020)
 - **Resellers** (Parvinen and Niu 2010; Gupta et al. 2016; interviews 2021)
 - **'Value added resellers'** in B2B relationships (institutional customers)
- **Brand firms** use resellers to
 - access niche markets (e.g. public sector), reduce cost of managing niche customers, and receive large volume public procurement purchases
 - Resellers transmit customer/market information to brands
- **Institutional customers** (including public authorities) rely on resellers
 - for large packaged products and services as 'one-stop solution'
 - remove need (and costs) of having IT department/personnel in-house

Resellers are positioned as intermediaries in the final consumption stage of the public procurement market

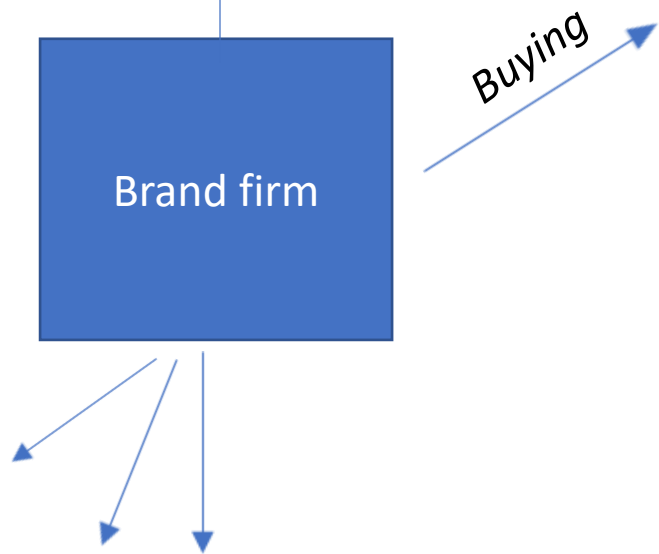
Double-stage model:

purchase from distributor who purchases from brand firm



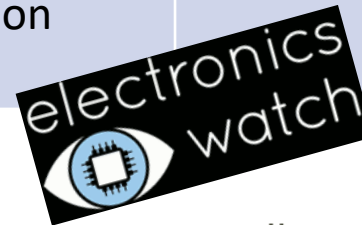
Single-stage model:

purchase directly from brand firm and resell



Two resellers facing SRPP requirements

	Atea ASA (Norwegian)	Bechtle AG (German)
Revenue (2020)	39 Billion NOK (4 Billion Euros) Highest revenue in 5 years	5.819 Billion Euros (+8.3%)
Regions of operation	Sweden (largest market), Norway, Denmark, Finland, Baltic States	Germany (largest market), Austria, Switzerland, also EU-wide
Public sector's % of total revenue (2020)	60%	33%
Began CSR activity	2014 2016, joined Resp. Business Alliance	2013 Supplier Code of Conduct aligned with RBA in 2019
Drivers for CSR activity related to SRPP requirements	Danwatch public scandal and report implicating company in labour violations in supplier factories, which were sold to Stockholm region; and Sweden's strong engagement on SRPP	Regulatory requirements and laws and increasing demand by the public sector, especially Dataport in cooperation with NGOs, on SRPP.



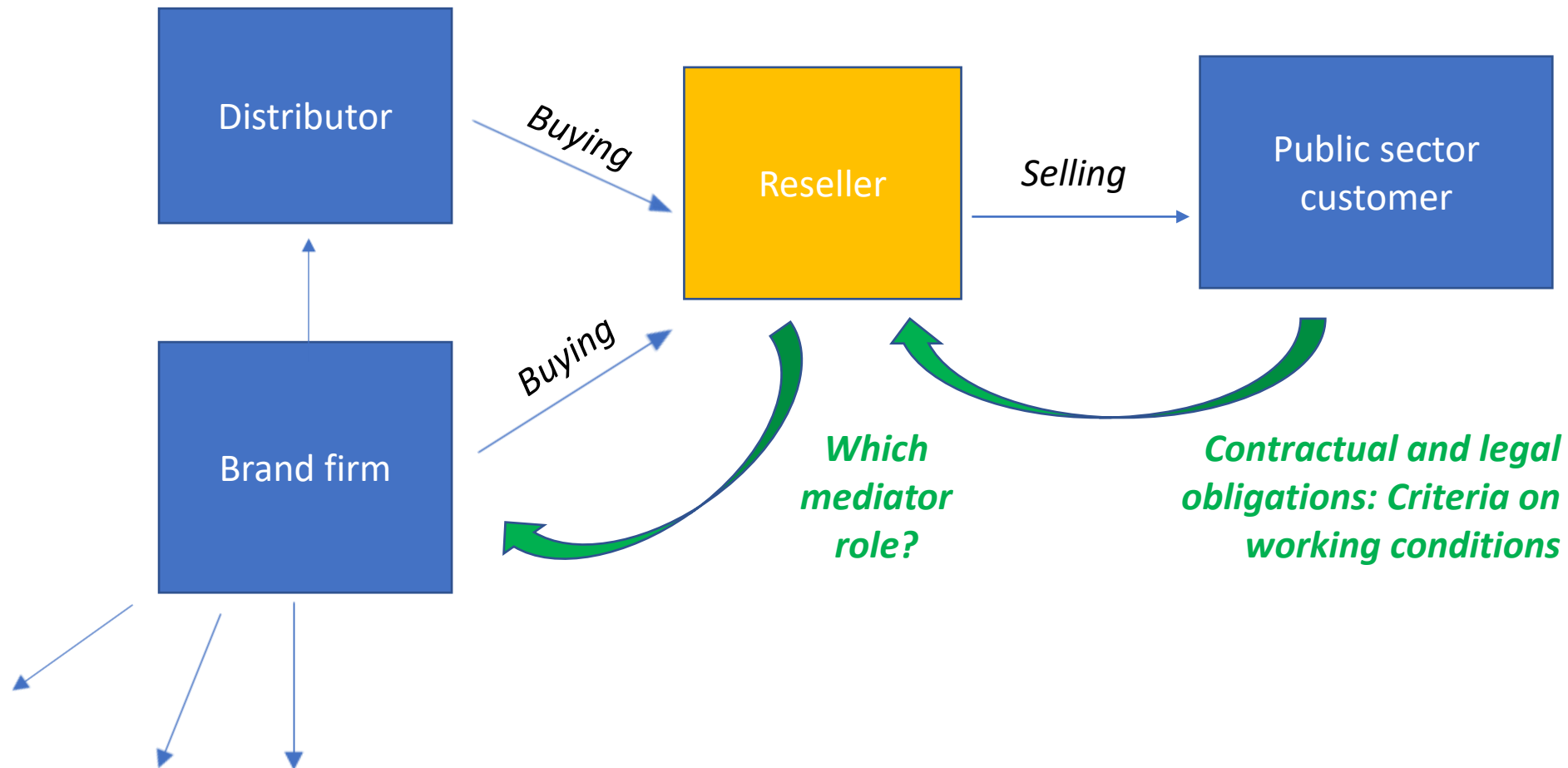
Ihr starker IT-Partner.
Heute und morgen.



Drivers to act on SRPP by resellers

- Customer demand is different from brand firms
- Not on receiving end of public campaigns
- However public customers are and can lead to indirect external pressure
 - Danwatch public exposé re: Stockholm region procurement
 - NGO pressure on Dataport in Germany
- Depends on public customer's resources to enforce contractual obligations
- Willingness to pressure for more action
- NGO support can be crucial/important

Resellers position: Unique set of leverage and power relationships in a triadic relationship



Resellers as labour governance actors in SRPP?

- Requires understanding power asymmetry/dependency between reseller (seller role) -- public customer vs. between reseller (customer role) -- brand firm
- Based on where dependency flows, resellers can function in 2 ways as a **mediator** (connecting different actors for SRPP):
 - 1) **'Transmitter'** of social criteria by public customers to brand firms
 - 2) **'Gatekeeper'** of transmitting resistance/limits by brand firms up to public customers

	Reseller as 'transmitters' (high potential for SRPP)	Reseller as 'gatekeepers' (low potential for SRPP)
Reseller dependency on public customer via sales volume/revenue	High	Low
Public customer dependency on resellers	High/Low	High
Public customer commitment (resources and willingness)	High	Low
Brand dependency on resellers via sales volume/revenue	High	Low
Reputational risk to public customers and brands (e.g. from public scandal)	High	Low
Information flow	Transmit public customers SRPP demands to brands	Transmit brands' limits/lack of 'industry maturity' to public customers

Conclusion

- **Resellers are intermediary firm actors** – relatively new yet important actor in labour governance of GPNs via SRPP
- Resellers' potential for SRPP/compliance of working conditions by brands in GPNs depends on their role as **'transmitter' vs. 'gatekeeper'**
- **Direction of dependency** in triadic relationship can depend on
 - Public customers willingness to improve contractual requirements
 - Public contracts as lucrative business for resellers and brands
 - Public campaigns
- Implications for **Covid-19 recovery**
 - A time of increased pressure on workers in the lower ends of global supply chains
 - Yet, in 2020 resellers in electronics industry reported paused audits – risky trade-off between emergency procurement and social responsibility
 - Hence, SRPP more important now than ever