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

Helena Gräf & Gale Raj-Reichert
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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 ‘Lieferketten’/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

- B**uying**
- S**elling**
Two resellers facing SRPP requirements

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<th>Atea ASA (Norwegian)</th>
<th>Bechtle AG (German)</th>
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<tbody>
<tr>
<td>Revenue (2020)</td>
<td>39 Billion NOK (4 Billion Euros)</td>
<td>5.819 Billion Euros (+8.3%)</td>
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<td></td>
<td>Highest revenue in 5 years</td>
<td></td>
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<tr>
<td>Regions of operation</td>
<td>Sweden (largest market), Norway, Denmark, Finland, Baltic States</td>
<td>Germany (largest market), Austria, Switzerland, also EU-wide</td>
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<td>Public sector’s % of total revenue (2020)</td>
<td>60%</td>
<td>33%</td>
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<td>Drivers for CSR activity</td>
<td>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</td>
<td>Regulatory requirements and laws and increasing demand by the public sector, especially Dataport in cooperation with NGOs, on SRPP</td>
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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

- Distributor
- Brand firm
- Reseller
- Public sector customer

BUYING

- Distributor to Reseller
- Reseller to Public sector customer

Selling

- Distributor to Brand firm
- Brand firm to Reseller
- Reseller to Public sector customer

Which mediator role?

Contractual and legal obligations: Criteria on working conditions
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
<table>
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<tr>
<th><strong>Reseller as ‘transmitters’ (high potential for SRPP)</strong></th>
<th><strong>Reseller as ‘gatekeepers’ (low potential for SRPP)</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Reseller dependency</strong> on public customer via sales volume/revenue</td>
<td>High</td>
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<tr>
<td><strong>Public customer dependency</strong> on resellers</td>
<td>High/Low</td>
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<tr>
<td><strong>Public customer commitment</strong> (resources and willingness)</td>
<td>High</td>
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<tr>
<td><strong>Brand dependency</strong> on resellers via sales volume/revenue</td>
<td>High</td>
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<tr>
<td><strong>Reputational risk</strong> to public customers and brands (e.g. from public scandal)</td>
<td>High</td>
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<td><strong>Information flow</strong></td>
<td>Transmit public customers SRPP demands to brands</td>
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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