



Summary

Strategic suppliers: Understanding and managing the risks of service disruption

Strategic suppliers provide goods and services that are critical to the delivery of public services and are not easily replaced. Some strategic suppliers – which we call “government strategic suppliers” – provide essential goods and services to many public organisations. A significant failure of a government strategic supplier could affect many public services and thousands of New Zealanders.

We wanted to know how well the public sector understands and manages the risk of service disruption if a strategic supplier fails to deliver goods and services.

We found that most public organisations know which suppliers they rely on and are managing risks. However, the public sector lacks understanding of which suppliers the public sector as a whole relies on to help deliver important services. It also lacks visibility of the risk of disruption to important services if a government strategic supplier fails to deliver.

The Ministry of Business, Innovation and Employment recognises the need to better understand which suppliers are government strategic suppliers. It has started a programme of work on supplier relationship management, which includes a focus on government strategic suppliers.

This initiative is a step in the right direction. However, the Ministry also needs to improve the process for

reporting significant service contracts to improve the information available about strategic suppliers.

There also needs to be greater clarity about roles, responsibilities, and processes for managing key strategic supplier risks and how these interact with processes for managing other nationally significant risks.

Covid-19 has highlighted New Zealand’s vulnerability to global supply chains, as well as the need for the public sector to strengthen the resilience of service delivery. Understanding and managing strategic supply risks is an important part of that.

The current state of strategic supplier management across the public sector is concerning. Important public services will remain vulnerable to unexpected failure unless the public sector makes improvements to the way it manages strategic suppliers.

The report has recommendations that are intended to help improve information on strategic suppliers and reporting of risks to the Government; ensure that the public sector – including local government – takes a co-ordinated approach to strategic supply risks; and improve how public organisations identify, manage, and report on their strategic suppliers and strategic supply risks.

