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European defence industry in turbulent times

A recent study explored the interaction between demand and supply in the European defence market against the backdrop of the war in Ukraine and the geopolitical competition between the US and China. The study provided an overview of the trade-off between prioritising short-term readiness over long-term innovation and vice versa.

The authors argue that Europe-

an policymakers are currently presented with a challenging reality because it is difficult to reconcile European long- and short-term needs with current levels of industrial production capacity. The shift from asymmetric warfare to great power competition and the challenge of adapting production capacity to increased short-term demand make the trade-off between short-term readiness and long-term innovation quite severe.

The authors argue that a focus on short-term readiness must not outweigh long-term needs because the defence industry needs to be able to leverage its significant R&D investments to prepare for the future.



SOURCE: *Defence Studies* Calcara, A., Gilli, A., & Gilli, M. (2023). Short-term readiness, long-term innovation: the European defence industry in turbulent times. *Defence Studies*, 23(4), 626–643. <https://doi.org/10.1080/14702436.2023.2277439>

Managing risks in public procurement of defence innovation

A recent research study looked into how risks can be managed in the public procurement of innovation of defence products within the context of a small state defence industry (an anti-armour mine for the Estonian Defence Forces). The study found that success primarily lies in the roles and relationships among various stakeholders involved in the procurement process, including the military, government agencies, and private companies. This multi-sta-

keholder perspective, combined with the national innovation system framework, facilitates a more holistic analysis of the procurement of innovation in the defence sector.

The authors also contend that public procurement can contribute to innovation not merely through fostering the development of new or improved products, but also via creating innovation-conducive environments that stimulate learning

as well as the emergence and uptake of new organisational and technological capabilities. Finally, the researchers recommend the establishment and sustainment of a dialogical



SOURCE: *Journal of Baltic Studies* Illimar Ploom, Tarmo Kalvet, Kütt, R., Veinla, M., & Marek Tiits. (2024). Managing risks in public procurement of defence innovation: lessons from the development of an anti-armor mine in Estonia. *Journal of Baltic Studies*, 1–25. <https://doi.org/10.1080/01629778.2024.2375594>

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The influence of global value chain governance on supply network resilience

photo: Christopher Burns Unsplash

Based on 27 embedded cases of buyer-supplier relationships within a network, researchers investigated how different relationship governance types influence resilience at the supply network level. Findings of the study revealed that when an organisation is tied to one specific governance relationship type, it is much more difficult to problem-solve in response to a supply chain disruption. Therefore, the authors contend that diversification of governance

types across supply networks supports both network-level and organisational resilience. Additionally, it was found that in resilient supply networks, market and relational governance relationships are ideally followed downstream by a modular governance relationship.

The authors recommend that supply chain practitioners should embrace a broader supply network view beyond the organisation's immedia-

te set of supply relationships and identify potential points of failure to be better prepared for disruptions. This also includes evolving risk management practices toward understanding how relationship governance might change under disruptive



SOURCE: Supply Chain Management: An International Journal Statsenko, L., Scholten, K., & Stevenson, M. (2025). The influence of global value chain governance on supply network resilience. Supply Chain Management: An International Journal. <https://doi.org/10.1108/scm-05-2024-0328>

The effectiveness of performance-based contracting in the defence sector

Based on a literature review, a research paper sought to identify the factors that influence performance-based logistics (PBL) in the defence sector. A total of 15 factors were identified and sorted into six broad categories:

- **Governance of the buyer-supplier relationship:** This includes contractual governance (contract design and management) and relational governance (reputation, information exchange, trust, and knowledge-sharing).
- **Supply chain management:** This includes supply chain inte-

gration, accurately forecasting demand, and understanding the structure and nature of the defence supply market itself.

- **Defence buyer input:** The supplier depends on the defence buyer's inputs to create value and deliver a desirable military outcome. So, when a supplier is unable to understand a defence buyer's behaviour, PBL is negatively affected.
- **Innovation:** Using the best commercial maintenance practices to increase weapon system reliability at a lower cost and investing in technology to reduce risk of disruption.

- **Environmental factors:** Understanding that organisational culture can sometimes pose barriers to PBL effectiveness.
- **Resources and capabilities:** When the defence buyer and supplier learn from each other, they tend to be more effective in terms of reducing costs.



SOURCE: Journal of Purchasing and Supply Management Alqahtani, F., Selviaridis, K., & Stevenson, M. (2023). The effectiveness of performance-based contracting in the defence sector: A systematic literature review. Journal of Purchasing and Supply Management, 29(5), 100877. <https://doi.org/10.1016/j.pursup.2023.100877>

Contracting for complex performance in markets of few buyers and sellers

photo: Mathias Reding Unsplash

Based on interviews with buyer and supplier representatives, researchers reviewed the impact and challenges of new contractual arrangements on UK military procurement. The new contractual arrangements show an increasing shift in responsibility to the prime contractor who coordinates service support and supply chain incentivisation over extended platform lifecycles. The authors suggest that the supply chain may be one of the later and highly contingent parts of a procuring

complex performance (PCP) to be configured. Further, in adopting 'contracting for availability' in major platforms, researchers identified three core challenges for the customer:

- The customer must understand its own role in terms of how its requirements may evolve over time, including assessing political influences.
- The customer must critically engage with what skills and capabilities it is losing through outsourcing and which skills

need to be retained for future contracting.

- The customer must understand how future capability requirements will be protected and the supplier's contribution rewarded.



SOURCE: *International Journal of Operations & Production Management* Caldwell, N., & Howard, M. (2014). Contracting for complex performance in markets of few buyers and sellers. *International Journal of Operations & Production Management*, 34(2), 270–294. <https://doi.org/10.1108/ijopm-10-2013-0444>

Achieving supply chain resilience: the role of procurement

Based on a literature review, researchers sought to understand the role of procurement in identifying and managing the intra- and inter-organisational issues that impact supply chain resilience. The review identified information sharing, agility, visibility, flexibility, and redundancy as some of the key "enablers" to procurement activities.

The intra-organisational issues that were found to have the greatest impact on supply chain resilience included "knowledge acquired" (knowledge backup,

internal communication), inventory, product flexibility, and technological improvements in redesigning the supply chain. Inter-organisational issues found to influence supply chain resilience included strategic sourcing (supplier base, supplier selection and relationships), supply chain configuration, and risk management.

Both intra- and inter-organisational issues were found to be meaningful to companies by enabling them to bounce back easily from emergency situa-

tions through procurement. The authors contend that effective management and control of both intra- and inter-organisational issues by procurement managers would enable firms to achieve a resilient supply chain.



SOURCE: *Supply Chain Management: An International Journal* Roberta Pereira, C., Christopher, M., & Lago Da Silva, A. (2014). Achieving supply chain resilience: the role of procurement. *Supply Chain Management: An International Journal*, 19(5/6), 626–642. <https://doi.org/10.1108/scm-09-2013-0346>

Swedish public procurement and the defence industry: *obstacles and opportunities*

photo: David Becker Unsplash

A research study investigated the ways in which the accelerating demand for increased security of supply of equipment and supplies to the Armed Forces requires adaptability in the procurement process within the context of the defence industry in Sweden.

Firms within the defence industry expressed a need for longer contracts and advanced planning with Swedish Defence Materiel Administration (FMV)

to facilitate material provisioning and adjustment of production capacity. It was also found that the FMV's focus on cost reduction is effective when the procurement approach has prioritised cost savings over availability and supply security. But when the focus shifts towards prioritising availability and supply security, the procurement approach was found to be less effective. The authors recommend that to achieve better results, FMV needs to

consider sourcing suppliers in closer proximity to Sweden to improve availability and with the capacity for consistent delivery in order to improve supply security.



SOURCE: *Journal of Defense Analytics and Logistics*. Hellberg, R. (2023). Swedish public procurement and the defence industry: obstacles and opportunities. *Journal of Defense Analytics and Logistics*. <https://doi.org/10.1108/jdal-12-2022-0015>

Drivers and Impact of European Defence Market Integration

A literature review of 172 journal articles and thinktank papers pertaining to the European defence market and procurement was conducted to describe the progress and challenges of the European defence market integration from an economic perspective. The primary economic challenge in the European defence market was identified as the lack of economies of scale due to the high fragmentation of demand and supply sides.

The review indicates that the integration of the European defence sector is mainly driven by new geopolitical challenges and security concerns that cannot be addressed by one nation. Brexit and the Russian invasion of Ukraine have sped up the European defence integration since 2016 and enabled the creation of many fragmented key tools (EDF, PESCO, ASAP, EDIRPA, EPF). The authors contend that the next steps for European integration are to

create a single European market for defence, integrate procurement mechanisms of member states, and define an effective defence industrial strategy.



SOURCE: *Defence and Peace Economics* Mueller, T. (2024). Drivers and Impact of European Defence Market Integration: A Literature Meta-Synthesis with Economic Focus. *Defence and Peace Economics*, 1-36. <https://doi.org/10.1080/10242694.2024.2396416>

Transformation in European Defence Supply Chains as Ukraine Conflict Fuels Demand

photo: Minh-gCL-rWChpU Unsplash

A recent study investigated the factors influencing the dynamics of interactions among states, companies, and supranational agencies within European ammunition manufacturing supply chains. Based on data gathered from interviews and focus groups with representatives from Swedish defence equipment manufacturing firms and the Swedish Defence Materiel Administration (FMV), the study revealed the following findings:

- Industry structure: The global

demand for ammunition and grenades surged due to the need to replenish donated war stock, expand national stockpiles, and sustain support for Ukraine. But existing supply chains were found to be inadequate for managing the sudden spike in demand, further exacerbated by shortage of skilled labour and critical shortages in raw materials.

- Goals and incentives of businesses: Labour shortages, bottlenecks in supply chains, and lengthy qualification processes

for new suppliers have impeded rapid scaling of production.

- Inter-institutional and corporate relationships: The war has shifted dynamics from transactional, short-term buyer-seller relationships toward more trust-based and long-term partnerships.



SOURCE: *Scandinavian Journal of Military Studies* Hellberg, R., & Lundmark, M. (2025). Transformation in European Defence Supply Chains as Ukraine Conflict Fuels Demand. *Scandinavian Journal of Military Studies*, 8(1), 17–39. <https://doi.org/10.31374/sjms.303>

Procurement and Politics: Strategies of Defence Acquisition in Canada and Australia

Researchers compared the experiences of large-scale military procurement in Canada and Australia, in the context of frigate and jet-fighter programmes. The book highlights how delays suffered in delivering weapons systems were caused by misalignments between the strategic requirements outlined by the armed forces and government defence policies.

A key argument presented in the book is that there are two major areas of focus when lar-

ge-scale military procurement is analysed from a policy perspective – the formulation phase, which includes the political and strategic dimensions of the process, and the implementation phase, which is directly connected to the process of allocating resources and in particular of managing funding. Through various case studies, the authors illustrate that formulation problems can drive implementation failures and lead to procurement success or failure in this category of purchases.

The authors also discuss that procurement efforts are highly vulnerable to electoral, budgetary, and political challenges.



SOURCE: *Procurement and Politics* Migone, A., Howlett, A., & Howlett, M. (2023). *Procurement and Politics*. In Springer eBooks. <https://doi.org/10.1007/978-3-031-25689-9>

A purchasing portfolio model *for defence procurement*

photo: Scott Webb Unsplash

A recent study proposed a purchasing portfolio model (PPM) that defence authorities can use in practice in defence procurement. The authors claim that traditionalist models are too simplistic and post-revisionist models are too complex and neither satisfies the Swedish defence authorities' requirements on practical relevance.

The study proposes a novel two-stage segmentation model. With three dimensions,

including operational requirements, the authors claim that the model satisfies the requirements of the Swedish defence authorities and would enable them to integrate the expertise within the SwAF and FMV into a holistic perspective on defence procurement. It would also provide defence authorities with an instrument that matches the operational requirements with the market's abilities to satisfy them, which in turn facilitates future defence supply chain

design. The authors posit that researchers should develop PPMs specifically for unique requirements and that involving practitioners is essential to design innovative PPMs that have practical relevance.



SOURCE: Legal Tech Journal Sanchez-Graells, A. (2024). Public Procurement of Artificial Intelligence: Recent Developments and Remaining Challenges in EU Law. Social Science Research Network.

MTC *Procurement Research Center*

MTC Procurement Research Center promotes value-creating interaction and learning between business and research in the areas of market, service development and business enterprising.

The foundation was established by the Royal Swedish Academy of Engineering Sciences (IVA) and the foundation of the Swedish Institute of Management (IFL) in 1974.

MTC is a non-profit organization, projects are financed primarily by major corporations and government agencies.

MTC's activities are well-founded in the critical procurement-related issues that companies and organizations face in the public and private sectors. This means being often one step ahead, identifying new needs and specific requirements early, and increasing the opportunities to implement knowledge-based strategic development planning. MTC is an important partner to researchers at universities and contributes to initiating, designing, and implementing development and research

programs.

MTC functions as a platform and meeting place for many kinds of actors both national and international: academics, practitioners, companies and other organizations

MTC strive for the development of strong procurement research and innovation of the highest international class with importance for Sweden's future competitiveness.

