

# Reimagining Public Sector Contracting: Leadership, Legitimacy, and the Transformation of Acquisition Capability

## THE LEADING EDGE

The public sector accounts for more than 25% of global GDP and most of this is spent with external suppliers.

How it contracts shapes not just services, but economies, trust, and the future.

### Contracting as a Strategic Leadership Function

Public procurement is too often treated as a rules-based administrative activity and this has caused it to become process-driven, compliance-focused, risk-averse. But with public spend equating to almost 20% of global GDP, contracting is a central lever



of public value. How governments acquire goods, services, infrastructure, and innovation has direct consequences for citizen welfare, market development, and the legitimacy of public institutions.

McKinsey's recent work on public sector leadership identifies six characteristics that define high-performing institutions: earning trust, serving with purpose, delivering for citizens, operating with legitimacy, acting with agility, and shaping the system. These qualities must do more than guide policymaking: to become effective, they depend on a

transformation in how the public sector contracts. That means rethinking capability, oversight, risk, and the structure of supplier relationships.

## **From Leadership Qualities to Contracting Practices**

### **1. Earns Trust**

Trust in public contracting is multi-dimensional: citizens want fairness and value; suppliers want consistency and professionalism; oversight bodies want transparency and control. Trust is not achieved through rigid rules. It requires belief in the integrity of process, and transparency in outcomes.

As governments seek closer, longer-term relationships with strategic suppliers, trust must be matched by oversight. Contracts should build in rights to audit, inspect, and monitor. This should not just be about cost, but also performance, risk controls, and societal impact. With this approach, trust is earned through accountability mechanisms, rather than assumed.

### **2. Serves with Purpose**

Contracts should be instruments of public purpose. That means aligning not just with service delivery goals, but with broader missions which vary by jurisdiction but might include goals around homeland security, net zero, equity, innovation, health outcomes. 'Purpose' cannot be vague: it must be expressed through enforceable commitments, measurement frameworks, and performance-linked incentives. Too often, procurement focuses on narrow outputs and misses the intended outcomes.

A purpose-driven contract prioritises results for citizens and public policy, not just compliance with inputs.

### **3. Delivers for Citizens**

What counts as success in public contracting? Traditional metrics - cost savings, on-time delivery, supplier conformance - are not wrong, but they are incomplete. The real test is public impact: access, quality, inclusion, protection and sustainability.

This shift requires rethinking what we measure, and how. Contracts must embed performance indicators that reflect lived experience and long-term public value. Where appropriate, this could mean involving service users in contract design and evaluation.

### **4. Operates with Legitimacy**

Legitimacy is not just procedural, it's public-facing. Yet many public-private relationships are shrouded in confidentiality, fuelling suspicion or backlash.

A modern contracting system must confront the transparency dilemma: how to protect legitimate commercial interests without undermining democratic oversight. Structured transparency is the answer:

- Redacted but published contracts
- Supplier performance dashboards
- Independent panels or citizen review mechanisms
- Clear justifications for exceptions



Legitimacy also means contracts are seen as fair, accessible, and open to scrutiny, not just legalistic instruments assembled and managed behind closed doors.

## **5. Acts with Agility**

Public needs change. Innovation accelerates. Emergencies arise. Yet too many public contracts are rigid, locked into predefined scopes and schedules. Agility demands contracts that can evolve without losing control. This means:

- Change provisions with pre-agreed triggers
- Flexible pricing tied to demand or usage
- Governance structures that support adaptive decision-making

Agility is not the enemy of accountability: it is often a precondition for relevance and effective control.

## **6. Shapes the System**

Governments are not just market participants, they are market makers. Through procurement, they have the potential to nurture new industries, scale social innovation, and shift behaviour. This requires more than supplier selection. It means using contracts to build capability, create access for SMEs or Indigenous businesses, and reward aligned values, whether through social clauses, supplier development targets, or outcome-based pricing.

### **Who Should Deliver the Capability?**

A key policy question is whether acquisition should sit with centralised commercial

professionals or be embedded in delivery agencies. The answer is likely to be hybrid. Central authorities can hold deep commercial expertise, develop contracting policy, and manage complex or high-risk deals where local experience will be limited. But to be agile and purpose-driven, individual agencies also need the capability to engage intelligently with suppliers, adapt contracts, and manage outcomes.

This implies investment in:

- Modular toolkits and templates
- Continuous training and professional development
- Escalation paths for specialist support
- Governance models that allow learning and iteration

### **Oversight and Monitoring in a Relational Model**

Stronger relationships with suppliers must come with stronger, smarter oversight. Long-term or strategic contracts should include:

- Audit and data-sharing rights
- Real-time performance reporting
- Transparent escalation mechanisms
- Joint review boards with structured decision rights

Monitoring should evolve from tick-box compliance to intelligent assurance. Digital tools, AI, and predictive analytics can support this, but only if embedded in a coherent policy framework.

### **Rethinking Risk and Public Immunity**

Public policy often prohibits assumption of risk through denying indemnities, excluding consequential losses, resisting co-investment. This stance, while protective, also distorts commercial models and shifts costs upstream. If governments want suppliers to innovate, invest, and share outcomes, they must also share risk. That means rethinking:

- Indemnity and liability policies
- Caps and thresholds
- Risk reward pricing models
- Insurance and guarantee schemes

This will require bold policy reform and a cultural shift away from fear of blame.

### Policy Implications and Reform Agenda

To realise this vision, governments should:

- Update procurement frameworks to reflect purpose, agility, and outcome orientation
- Reform transparency norms to differentiate structured oversight from blanket disclosure

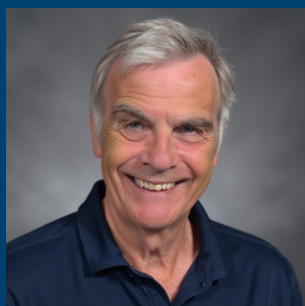
- Create risk-sharing models aligned with market realities and innovation goals
- Invest in commercial capability at all levels, not just procurement teams, but program and policy leaders
- Redefine success: from transactional savings to public impact, supplier alignment, and adaptive resilience

### Conclusion: A New Compact Between State and Market

Public contracting is not a back-office process. It is a primary tool through which governments execute policy, build trust, and deliver public value. But to meet this need, contracting must be reimagined; not just digitised or outsourced, but grounded in leadership, guided by purpose, and built for adaptability.

This is not a technical reform. Rather, it is a governance shift which calls for a new form of collaboration between the state and its suppliers, a model that shares responsibility, aligns incentives, and places citizens at the centre of every deal.

Reimagining Public Sector Contracting:  
Leadership, Legitimacy, and the  
Transformation of Acquisition Capability



#### About the Author

**Tim Cummins**  
Executive Director  
CCM Institute

Want to dive deeper? Tune in to the complimentary podcast episode here:



## THE LEADING EDGE

Through podcasts and articles, The Leading Edge offers in-depth insights into the key challenges, innovations, and evolving dynamics of the contract and commerce landscape.



**Commerce & Contract  
Management Institute**