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# What Drives Public Procurement of Innovations In Russia? Evidence From Supplier Survey Results

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## Motivation (part 1)

(external)

Some peculiarities when buying innovations in Russia:

- (1) Not easy to identify innovative products;
- (2) Price criterion over quality criteria;
- (3) Lack of production of innovative products in several industries;
- (4) Different definitions of innovations;
- (5) Rigid regulation

Both open data and the opinions of direct participants in the public procurement market need to be analyzed (Shadrina et. al., 2022)



## Motivation (part 2)

(internal)

Kashin, D.V., Vilkova, M.N., Zavorokhina, A.P., Petrova, P.A., Podgorenko, Yu.P. and Tillashaikhov, D.R. (2024) **'Public procurement of innovations in Russia'**, Public Administration Issues, 2, pp. 129–156.



Open data

Kashin D.V., Tillashkhaikhov D.R., Petrova P.A., Podgorenko Yu.P. (2025). **Public procurement for innovation: The practices of Russian contracting authorities**. Journal of the New Economic Association, 2 (67), 139–167.



Questionnaire  
(contracting authorities)

What about suppliers' side (questionnaire)?



## Research questions

- 1) Who participate in PP of innovations?
- 2) Which purchased products existing on the market are perceived by suppliers as innovative?
- 3) What are the incentives and barriers for suppliers to participate in PP of innovative products?

**The purpose** of this study is **to show the scale and volume** of innovation purchases in Russia **through the opinions of suppliers** involved in PP of innovations.



## From where did we start?

**Innovation** – introduced new or significantly improved product or process, new sales method or new organizational method in business practice, organization of jobs or external relations (Federal law "On science and state scientific and technical policy" of 23.08.1996 N 127-F)

**Criteria for innovative products** (Resolution of the Government of the Russian Federation of 15.06.2019 N 773):

- a) The cost of ownership is lower than the cost of ownership of the goods previously used by the customer;
- b) Application of the product provides cost savings;
- c) The properties of the product are improved in comparison with the available analogues;
- d) The works and services involves significant changes in the production process, the use of new or upgraded production equipment;
- e) The products are brand new.**



## Brief literature review

Authors	Year	What was mentioned in the paper?
Yakovlev A.A., Tkachenko A.V. and Rodionova Yu.D	2017	Price dumping, the presence of informal links between customers and the winners of purchases, and delays in payment for contracts; Excessive or unreasonable requirements for confirming the quality characteristics of products; The subjectivity of the customer when evaluating applications;
Uyarra et al.	2014	The lack of interaction with customers, insufficient demand for innovation; The use of overly detailed specifications, relatively low customer competence in innovation issues; Insufficient risk management among purchasing organizations;
Naeini et al.	2024	Suppliers often note difficulties in applying new procurement regulations.
Gerardino et al.	2017	Strict rules and regulations, often unrelated to the procurement itself, can cause organizations involved in the process to fear additional costs and the risk of violating the law.
Shadrina et al.	2022	
McCrudden	2007	For large companies, participation in innovation procurement can be a strategic tool for strengthening the image of a socially responsible and technologically advanced player in the market.



## Research hypothesis

- H1. **Fears of violating procurement laws** are one of the key barriers to suppliers' participation in public procurement of innovative products;
- H2. **Reputational benefits to a greater extent than economic ones**, determine the willingness of suppliers to participate in innovation procurement;
- H3. **The negative previous experience of suppliers** when participating in public procurement negatively affects decisions on participation in innovation procurement;
- H4. **The presence of competitors in the market** of innovative products has a positive effect on suppliers' decisions to participate in innovation procurement procedures.



## Data and methodology

The first section of the questionnaire focuses on collecting basic demographic and operational data about the respondents.

It includes:

- (a) questions about the form of ownership;
- (b) questions about the location of the organization, with details to the federal district and the region;
- (c) economic indicators: annual turnover of the company, the number of employees;
- (d) specialization: OKVED codes.





## Data and methodology

The second section includes **questions about the experience of suppliers** participating in the procurement of innovative products.

The third section of the questionnaire is built around **behavioral scales adapted to the specifics of public procurement of innovations.**



## Data and methodology

After clearing the data, the database of emails included **over 85,000 contacts**.

The representativeness of the sample was ensured by stratification according to the following criteria:

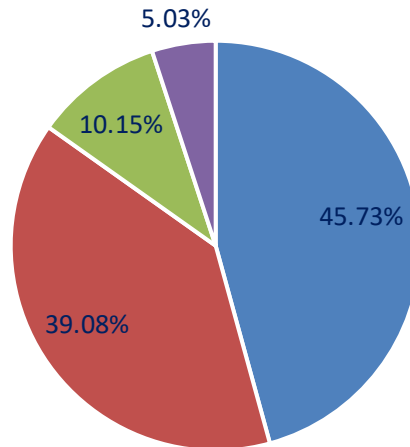
- industry affiliation;
- geography of suppliers;
- annual turnover of the company.

As a result, **1,200 responses were received**, of which **850 questionnaires were validated** (completeness  $\geq 95\%$ , no contradictions in the answers).



## Results of research

Respondents by legal forms

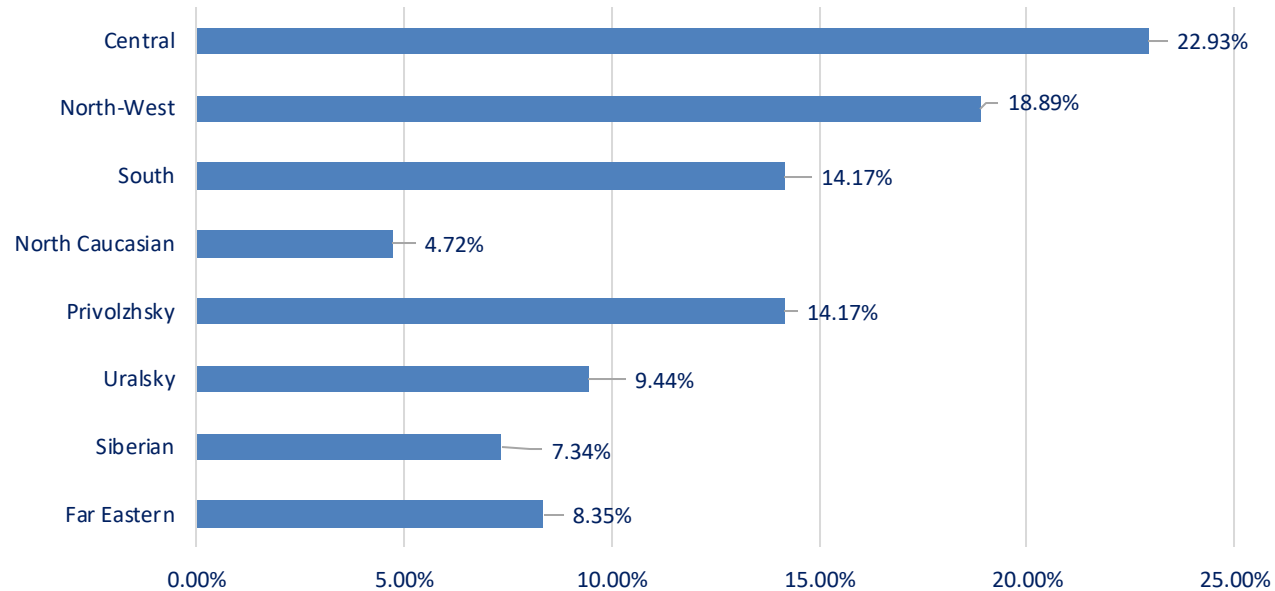


■ Limited Liability Company (LLC) ■ Individual entrepreneur (IP) ■ Joint Stock Company ■ Other



## Results of research

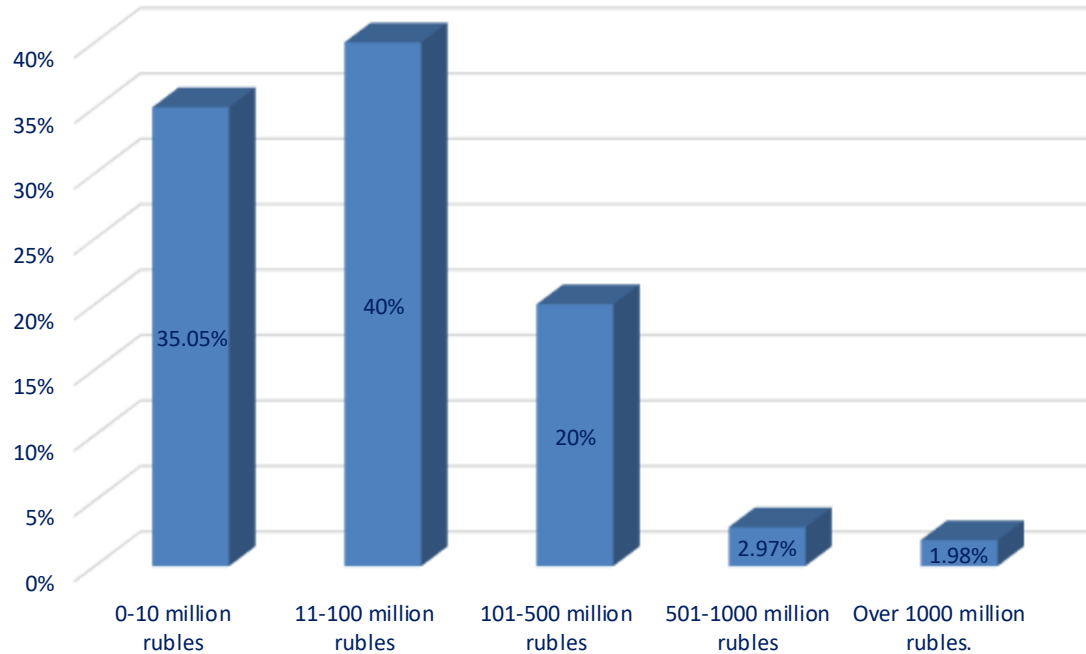
Respondents by federal districts





## Results of research

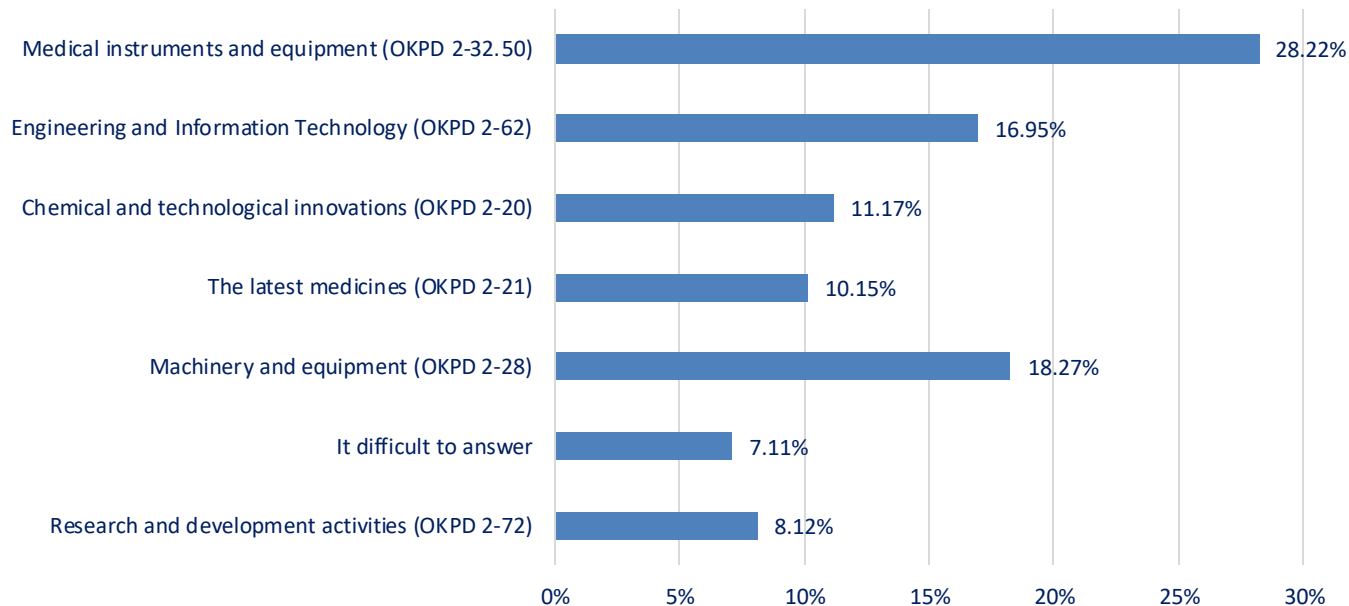
### How much they supply? (overall)





## Results of research

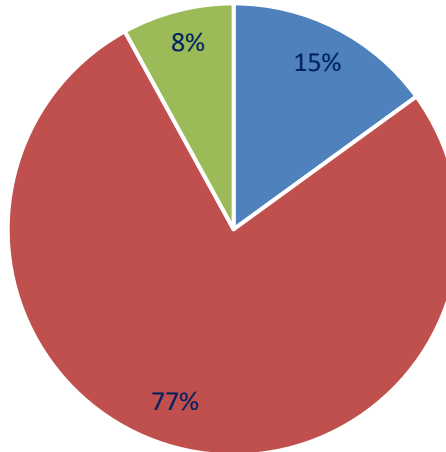
### What innovative is supplied?





## Results of research

"Is your organization involved as a supplier in the procurement of innovative products?"

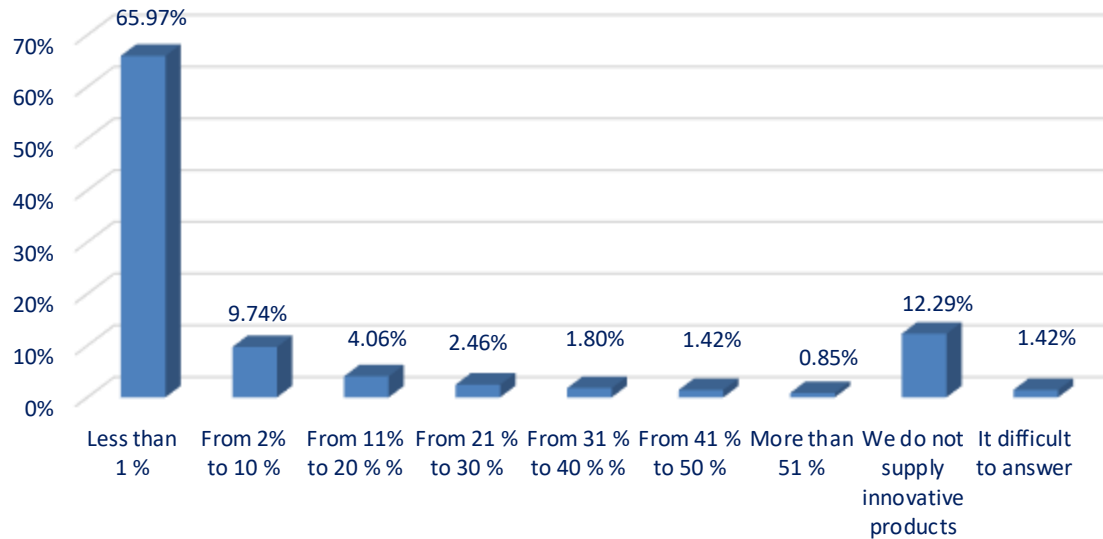


■ Yes ■ No ■ I find it difficult to answer



## Results of research

The share of innovative products in the total annual supply volume of the enterprise







## Results of research

Factors that restrict	Number of respondents	Share of responses fully agreed/agree, %	Lower limit of 95% CI, %	Upper limit of 95% CI, %
Bureaucratic procedures and administrative barriers	800	90	87,7	92,0
Fears of violating procurement laws by participating in public procurement	780	88	85,5	90,2
Negative previous experience of participating in procurement	720	85	82,3	87,5
Limited internal resources (personnel, expertise, finances)	710	78	74,8	80,9
High costs of preparing an application	680	74	70,6	77,2



## Results of research

Factors that stimulate	Number of respondents	Share of responses fully agreed/agree, %	Lower limit of 95% CI, %	Upper limit of 95% CI, %
Informing about opportunities to participate in public procurement of innovations	820	82	79,3	84,5
Development of preferences for suppliers of innovative products	795	80	77,2	82,6
Reputational benefits	715	73	69,7	76,1
Integrating participation in procurement into the company's mission and strategy	690	71	67,6	74,3
Access to new markets through participation in public procurement	665	68	64,4	71,4



## Preliminary conclusions of research

1. **The H1** about the importance of institutional barriers was most fully confirmed, in particular, suppliers' fears of violating legislation when participating in the procurement of innovative products.
2. **The H2** of reputational benefits has received partial support in the empirical part of the work.
3. **The H3** about the impact of negative previous experience on the decision to participate in subsequent purchases was confirmed during the processing of the survey results.
4. **The H4** about competition as a factor influencing the decision to participate in the procurement of innovative products has not been confirmed.

Thanks for your attention!