

COLLABORATING ON PROCUREMENT AS A SHARED SERVICE

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ABSTRACT. Small councils may not have access to professional procurement resources – one potential solution is to create a procurement shared-service with another council. This paper is concerned with evidence of the emergence and existence of shared-service procurement and its benefits; a structural approach significantly different from the centralised/decentralised models. Case studies, probe the experience of six UK procurement shared-services. Stakeholder, semi-structured interviews, were used. The findings demonstrate tactical collaboration as opposed to strategic procurement but nevertheless the achievement of benefits. However, there was an absence of formal business cases, strategy and performance management. Key words: Collaboration, procurement structure, shared-services procurement, local government, procurement strategy.

INTRODUCTION

How the Procurement structure should be organised has been a perennial question, vacillating between the poles of centralisation and decentralisation (Baily, *et al.*, 1994, pp.42-62). Essentially the decision is dependent on management's view of the function (Baily, *et al.*, 1994, p.43; van Weele, 1994, p.179) with the more strategic the perception of

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the function, the more likely it will be located close to the corporate core, and the more operationally it is perceived, the more likely it will be located in decentralised business units (van Weele, 1994, p.179). Van Weele has provided examples of drivers which may influence positioning:

- Procurement's share of end product costs: therefore the higher percentage, the more strategic;
- Financial position of the company: therefore the more severe the financial pressure the greater the accountability demanded;
- Dependence on the supplier market: therefore more attention from senior management.

Having said that, the simplistic centralised or decentralised spectrum has a number of variations, including:

- Centralised;
- Decentralised;
- Lead Buyer;
- Mixed (or hybrid);
- Outsourced.

The centralised approach operates on the basis of a specialised unit being in place through which all procurement should be channelled. Potentially such a unit could be positioned nationally or at the level of the council. The rationale being that such a style enables the organisation to maximise its 'leverage' and extract the best deals from the market through the application of power. In parallel Procurement can determine the strategy of the function and, within local government, assist in ensuring compliance with regulations. Having said that, such a structure sacrifices 'budget holder autonomy', is frequently by-passed and left outside the core procurement decisions of the organisation. In addition, with a nationally centralised unit, one of the drawbacks is that it can sometimes clash with the political and socio-economic priorities of the local council and its local/regional/national/global procurement options appraisal (Hughes, *et al.* 1998, pp80-90). A decentralised structure is effectively the opposite end of the spectrum with the corresponding pros and cons (Baily, *et al.*, 1994, pp.48-49; van Weele, 1994, pp.183-184).

The 'lead buyer' approach (Baily, *et al.*, 1994, p.49) is traditionally reflected in the predominant 'buyer' of a particular 'item' putting in place a contract, managing it and ensuring that all those within the organisation have access to it. The benefits of leverage are gained but sometimes the 'lead buyer' becomes 'precious' of the contracts and is reluctant to move towards alternative solutions.

van Weele and Rozemeijer developed the 'hard core/soft core' model of the Procurement function (1998, pp.96-112) - a variation on Russill's 'CLAN (1997, pp.67-77) - during their investigation of leading-edge multi-national companies in Europe and the United States. Primarily the model represents a shift to a 'virtual' Procurement organisation. The model aims to reap the benefits of both functional excellence, traditionally associated with a vertical organisation, at the same time gaining the coordination and economies of scale of a horizontal organisation. Van Weele and Rozemeijer consider the model to be particularly appropriate to non-production areas, "*where buying is of an ad-hoc nature, and where specific expertise is needed temporarily*" (1998, p. 99). In such situations it does not make sense to build up specific technical expertise within the Procurement function but instead to create the correct environment to ensure that cross-functional teams have the mix of expertise, as and when it is required. The 'hard core' comprise of a central, small team of professionals responsible for the procurement process, procurement information systems, procurement strategy, strategic relationships, professional development, training and management development programmes. This hard core moves from project to project, transferring expertise in the process. The complementary 'soft core' resides in specific departments and comprises those to whom operational purchasing has been devolved. Effectively the soft core is part of a quasi-Procurement team while remaining specialists in their own disciplines; through project specific cross-functional teams, they join with the hard core to deliver their business specific procurement needs and are agents in effecting strategic procurement change.

Building on the 'hard core/soft core' model Murray (2002) identified five roles which Procurement have taken as 'process' experts namely, Researchers, Detectives, Teachers, Doctors and Architects. Researchers identify and review best practice, then articulate that as guidance that others can apply. Detectives search for evidence to ensure that best value for money is obtained.

Teachers provide specific, targeted training aimed at improving understanding and practice. Doctors provide a surgery for those who meet with specific problems and require customised answers to comparatively unique problems. Architects design the bespoke process that others subsequently implement with varying levels of 'hands on' support.

A further option open to organisations is that of outsourcing the function – this can be considered at a number of different levels. Firstly, making use of someone else's contracts, secondly, asking another purchasing body or consortium to act as Purchasing Agents. There are obviously an infinite array of variations but most would consider that while it is fine to potentially outsource the letting and management of some contracts, the outsourcing of the strategic procurement unit of the organisation is too close to the 'core' to be considered appropriate.

The National Procurement Strategy for local government (NPS), published in 2003, advocates an additional model, the creation of shared services (including shared procurement resources). It set out that:

The strategic objective of collaboration is to obtain better value by bringing councils and other public bodies together at local, regional and national levels to combine their buying power and create shared services (p.33).

The creation of shared services (including shared procurement resources) is a form of public-public partnership that should be explored in particular where smaller councils have relatively less capacity to deal with procurement in a corporate way (p.37).

Two relevant milestones were included within the NPS:

1. By 2004 every council's corporate procurement strategy should set out the council's approach to collaboration (including purchasing consortia, joint procurement and commissioning and shared services), ...
2. By 2005 smaller district councils without dedicated procurement resources of their own, should be collaborating with others, through the regional centres of excellence, to create shared services for procurement and project management.

The theme of procurement, as a shared service, was also picked-up by Sir Peter Gershon (2004) in his review of public sector efficiency. Gershon felt there was a need for

... an effective strategy for reforming the back office through approaches including, simplification and standardisation of policies and processes; adoption of best practices within each function; and sharing transactional support services to achieve economies of scale through clustering with other central government bodies (p.12).

Of particular relevance, Gershon concluded that scope existed for delivering procurement savings through “... *further professionalism of the procurement function within the public sector through either use of shared procurement models, or enhancement of procurement skills*” (p.14)

The UK Cabinet Office (2005) set out a strategy for using IT in ‘transformational government’; one of three key transformations being a move to a shared services culture to release efficiencies through standardisation, simplification and sharing (p.7). The ‘new shared services approach’, insofar as corporate services, including procurement, is viewed as improving professionalisation, standardised systems and processes and effectiveness, and in turn leading to efficiency gains. Importantly, “*each government organisation should set out clear policies for sharing services and assets that it needs or can provide to others*”(p.14). Specifically the strategy then refers to the IT profession working “*in partnership with the Programme and Project Management and Procurement professions towards their shared agendas, and to foster excellent working relationships and exchange of knowledge and skills between disciplines*” (p.16). The manifestation of the strategy should be (p.17):

- An agreed sourcing strategy with action to ensure capacity and competition in the market;
- Active management of strategic IT supplier intelligence, relationships and performance across government, using a standard assessment framework;
- An agreed performance plan by each major supplier to improve that supplier’s delivery, capability and partnering with public sector customers;

- Encouragement of the use of standardised contracts, services, and service boundaries, and contracts and service management models.

Although Purchasing consortia have been a feature of the UK local government landscape since 1957, through the development of the Consortium of Local Authorities Special Programme (IMTA, 1963, pp.30-31), the concept of 'procurement as a shared service' is different in that councils jointly share 'procurement professionals'. This clearly has the benefit of providing access to procurement skills, which have been recognised as in short supply within the UK public sector.

Collaboration in local government has received some recent attention (for example, Huxham, 1996; Sullivan and Sketcher, 2002; Goldsmith and Eggers, 2004; Huxham and Vagen, 2005). That research has been concerned with collaboration in delivering services as opposed to collaboration of corporate services.

Huxham and Vagen's (2005 pp.4-7) observation is that there are a number of common rationale for collaboration:

- Access to resources, for example, in the context of this paper, perhaps procurement expertise or systems;
- Shared risk, for example, cost-intensive research;
- Efficiency, for example, economies of scale in joint service delivery;
- Co-ordination and seamlessness, for example, perhaps, market development and reverse marketing;
- Learning, for example, lessons learnt from other partners experience;
- The moral imperative – there is no other way, for example, within a local strategic partnership/local area agreement.

Huxham and Vagen (p.13) arrived at:

[T]he overwhelming conclusion from our research is that seeking collaborative advantage is a seriously resource-consuming activity so is only to be considered when stakes are really worth pursuing. Our message to practitioners and policy makers alike is *don't do it unless you have to*.

Such a view suggests the need for a strong business case and identification of both benefits and risks prior to progressing any collaboration.

Huxham and Vagen (2005), referring to the need to build trust over time and manage expectations, argue that there is a need to 'start small' and incrementally build on those successes:

Where possible, try to begin by setting yourselves some small, achievable tasks. Build up mutual trust gradually through achieving mutual small wins. If the stakes are high, you may need a more comprehensive trust-building approach (p.37).

Each time partners act together, they take a risk and form expectations about the intended outcome and the way others contribute to achieving it. Each time an outcome meets expectations, trusting attitudes are reinforced. The outcome becomes part of the history of the relationship, so increasing the chance that partners will have positive expectations about joint actions in the future. The increased trust reduces the sense of risk for these future actions (p.154).

This view has some resonance with Murray's (2004) model of improving the strategic contribution of procurement, in which he refers to the need to incrementally demonstrate to internal stakeholders success in achieving tactical objectives, prior to developing trust and gaining access to contribute to strategic procurement decisions.

Bergeron (2003) explored the rationale and approach of some organisations to shared services. He viewed the shared services model as "*a collaborative strategy or transitional process between a parent corporation and a business unit ... created specifically to provide services to all or part of the parent corporation*" (p.3) – in other words between two or more parts of the same organisation. He went on to argue that although typically shared services should be for non-strategic functions, theoretically they should be suitable for all business functions as long as there is adequate management and specific performance criteria (p.4). Outcomes expected from shared services, according to Bergeron (pp.6-7), should be:

- Reduced costs (increased efficiencies, decreased personnel requirement and improved economies of scale);

- Improved service;
- Fewer distractions from core competency activities;
- A potential for creating an externally focused profit centre.

In theory procurement, as a function, if Ramsay's (2001) argument is followed, that procurement can never be a core strategic function, should be an ideal candidate for shared services. But what if Lamming and Cox's (1997) argument regarding the future of procurement is followed? They argue that the traditional clerical/administrative role of procurement may be short-lived and, drawing on the complementary Resource-Based View of economics and institutional economics (Transaction Cost Economics and Principal/Agency theory), see Procurement as potentially taking on a new role, that of 'supply management'. In the role of supply management, Procurement would be responsible for determining the procurement option on the spectrum between internal or external sourcing – or to take a wider perspective, in the context of this paper, standardise, share, shift, source. Ramsay's (2001) critique of Procurement acknowledges that such a role is truly strategic but he doubts if Procurement practitioners will be involved in the decision. What this really means, in the context of this paper, is that it depends whether, when we're referring to procurement as a shared service, we're talking about operational purchasing or strategic procurement decision-making, a.k.a. Cox and Lamming's 'supply management'. It is this later role which the NPS refers to:

'Procurement' is the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the whole life cycle from identification of the needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision which may result in the provision of services in-house in appropriate circumstances (NPS, 2003, p.17).

What happens if you rely on another partner to make strategic decisions relating to standardisation, shifting, sharing, or sourcing?

Serco (2005) published research based on a survey of finance directors. That research indicated that the majority of finance directors are planning a shared services initiative over the following two years and identified sharing procurement as tool for achieving efficiency targets.

Paradoxically there was caution over procurement as a shared service, with only 13% of respondent finance directors seeing procurement as an area most likely to benefit from a shared service.

The role of procurement as a shared service between different organisations has had little academic attention. Indeed procurement literature is generally concerned with centralisation/decentralisation within the same organisation, vertical collaboration across organisational boundaries and horizontally within organisations as opposed to horizontal procurement collaborative, shared service across separate organisations. Perhaps a collaborative shared services approach to procurement may not make sense in the competitive environment of two competing organisations (Cox, 1997; Bergeron, 2003) but in local government, where two or more organisations can share similar objectives and can achieve a 'win-win' situation (Murray, 1999), and gain access to professional procurement expertise through collaboration but that assumes there is still the capacity within each of the collaborating councils to make standardise, shift, share source decisions, that caveat may not apply. It also assumes that the asset specificity (Williamson, 1975) associated with the shared service host does not prohibit the potential of a future reversal of delivering the service, as, if it did, the potential options could be compromised for short/medium term gains. In other words, does an objective of reducing purchase and transaction costs, introduce the risk of holding the collaborating councils hostage to previous decisions?

METHODS

This paper provides case study evidence, from semi-structured interviews, on how six different shared procurement services have been established – what were the drivers, the business cases, the strategies, and lessons learnt? Questions are raised for future research, and suggestions and recommendations for those who would like to put in place a shared procurement service.

Key research questions, derived from the literature review, are:

1. Is there evidence, from within UK councils, of procurement being carried out as a shared service? If so,
2. What is the catalyst for shared service procurement?

3. What form does shared service procurement take?
4. Were there business cases?
5. What are the realised benefits?
6. Are there shared service procurement objectives and strategies?
7. Do the shared services represent strategic procurement or operational procurement?
8. Are exit strategies developed?
9. Are risks identified?
10. How is performance managed?
11. What are the lessons learnt from those practicing shared service procurement?
12. What are the emerging issues?

A descriptive case study method was used (Yin, 2003, pp.22-26) with focused mini-case study interviews (Yin, 1994, pp.84-86). In-depth semi-structured interviews (Yin, 1994, p.84) were carried out with the main stakeholders of each shared service collaborations, namely, the relevant line managers in each of the councils who instigated the collaboration, and the procurement manager (PM), who was subsequently employed (if not previously employed).

The mini-case studies were analysed utilising 'pattern matching' (Yin, 1994, p.106). Pattern matching compared the findings of each of the case studies against the pre-determined research questions.

The selection of cases was based on a purposive sample of local district councils:

Purposive sampling is a type of non-probability sampling method in which the researcher uses his or her own judgement in the selection of sample members. It is sometimes called a judgemental sample (Babbie, 1995, p.227).

Purposive sampling involves choosing people whose views are relevant to an issue because you make a judgement, and/or your collaborators persuade you that their views are particularly worth obtaining and typify important varieties of viewpoint (Jankowicz, 1995, p.157).

The sample comprised six collaborations spanning 15 councils – the unit of analysis is the collaboration. The cases were identified through referrals, reviewing recruitment advertisements to identify those councils in the process of recruiting a shared-procurement resource, and through scanning the press articles.

The cases

Collaboration A

Collaboration A, at the time of the investigation, was between three district councils, A¹, A², and A³ within the same county. Subsequent to the interviews council A⁴ joined the collaboration and A⁵ has expressed an interest in participating. A¹ had an existing procurement unit, were members of a buying consortia and had a spend of £40m per year. A² and A³ had significantly lower spend profiles of £4m and £8m respectively. The additional procurement resource was recruited in October 2003. The shared procurement resource is a 4th tier officer.

In 2000/2001 the county finance officers expressed a desire to work together in order to make efficiency gains. There had been a history of collaboration on a sheltered housing project that saved £80,000 per year. Although there are seven district councils in the area, at the initiation stage only two others decided to take procurement a step forward and collaborate. Subsequent to the investigation A¹'s PM left the council; the position had not been filled at the time of writing the paper but there is a likelihood that the position will be filled at a lower position – it is not yet clear what impact this may have on the collaboration. Nor is it clear what the potential impact of moving to a five-council collaboration may be.

Collaboration B

Collaboration B is between two neighbouring district councils B¹ and B². B¹ has a spend of £30m per year and B² a spend of £15m per year.

The joint procurement team consists of three. Initially, in 2004, the councils used an interim manager (3rd tier), but in the later half of 2005 a full-time resource was appointed; a procurement officer is placed in each of the councils. There was a history of collaboration between the councils; one of which had failed – this was not viewed as an impediment to exploring further collaboration/shared-service opportunities.

Collaboration C

Collaboration C is between two neighbouring district councils C¹ and C². C¹ has a spend of £9m per year and C² a spend of £8m. The shared procurement resource is a 3rd tier officer appointed in early 2005.

Collaboration D

Collaboration D is between two neighbouring district councils D¹ and D². D¹ has a spend of £11m per year and D² a spend of £20m. The shared procurement resource is a 3rd tier officer appointed in early 2005.

Collaboration E

Collaboration E is between three neighbouring district councils E¹, E² and E³. E¹ had a PM in post for one year prior to the collaboration. E¹ has a spend of £14m per year, E² a spend of £10m and E³ a spend of £17m. The shared procurement resource is a 4th tier officer appointed in early 2005.

Collaboration F

Collaboration F is between two neighbouring district councils F¹ and F². F¹ has a spend of £13.5m per year and F² a spend of £10m. Previous collaboration on shared core finance systems 18 months ago was a precursor to this role. The shared procurement resource, employed by F¹, commenced in January 2005, prior to which F¹ had no procurement resource, however F² had three staff carrying out clerical/administrative purchasing roles.

RESULTS

The findings of the investigation are Tabled below and subsequently discussed in a later section.

TABLE 1

A	B	C	D	E	F
Catalyst					
Desire within county finance officers to work together to make efficiency gains through economies of scale. A ³ viewed collaboration as an outcome of Best Value Review and need to address best practice procurement.	Best Value Review identified need for a shared post. NPS. A sub-regional e-procurement partnership had also been established and in order to gain the full benefits it was considered a procurement specialist was required.	NPS and that procurement could have an impact on CPA score. Insufficient budget to fund a full-time resource.	Recommendation of external advisors based on NPS. Recognised need for a dedicated resource but insufficient budget to fund a full-time resource. D ² uses an internal audit shared resource with a different council. – D ¹ took the initiative in suggesting shared procurement resource.	Following a failed bid with the RCE the post came out of the county procurement networking group. E ¹ had a procurement manger (PM) in post for 1 year prior to the collaboration. E ¹ spoke to A ⁴ about the A model prior to moving forward.	Changing local government agenda was a driver Encouragement to share came out of sub-regional partnership with RCE involved in the set up.
Form					

RESEARCH FINDINGS

A ¹ had a small, established procurement unit led by a 3 rd tier PM. A ¹ employed	One joint procurement unit (three people) with one procurement officer placed in	3rd tier, PM reporting to C ¹ but re-charge to C ² at 50%.	A 3 rd tier PM is funding 50/50 by each of the two participating councils.	One joint procurement officer employed (JPO) on a 1-year contract	One PM at F ¹ (new 3 rd tier post) with 2 new staff providing strategic advice
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<p>an additional procurement advisor, funded by A² and A³ (50/50) and working part-time in each of the three councils. All three councils gain an additional procurement resource provided within an existing professional procurement framework. Flexibility on days agreed at quarterly board meeting of the three participating councils. In A² the councillor portfolio was briefed on the proposed collaboration by officers and officers then took their lead from him.</p>	<p>each council and a 3rd tier PM. B¹ employs the staff and charge 40% of cost to B² (based on size of councils)</p>	<p>Previously no procurement resource at C² and only .5 FTE at C¹ who was not a procurement professional.</p>	<p>funded one third from each of the three participating councils. JPO works 1 day (E¹) reporting to PM at E¹, 2 days (E²) and 2 days (E³), with the other two councils authorised to give instructions to JPO.</p>	<p>to F². F² had a team of 3 clerical/ administrative purchasing staff. The PM in F² was upgraded to a 3rd tier position but draw on F¹'s PM for advice since he was perceived as having a more in-depth experience. 2 year agreement reviewed annually with an agreed SLA and F² pay an annual sum for strategic advice</p>	
Business case					
<p>Informal business cases only considered at each of the participating councils.</p>	<p>Full business case and options appraisal undertaken at B¹. B² tended to follow.</p>	<p>No formal business case</p>	<p>Informal only.</p>	<p>Informal, justification for the post and potential benefits undertaken at each of the three participating councils.</p>	<p>Formal report to executive with business case.</p>
Realised benefits					
<p>Increased purchasing power</p>	<p>Standard terms and conditions of</p>	<p>A procurement</p>	<p>Spend analysis now completed.</p>	<p>E² and E³ can benefit from</p>	<p>Access to more in-depth</p>

<p>within the collaboration and joint contracting</p> <p>All three collaborating councils gain access to procurement expertise.</p> <p>Councils access to A¹'s contracts</p> <p>Councils A² and A³ gain access to A¹'s document templates</p> <p>Support in development of A² and A³'s procurement strategies.</p> <p>All three councils now have standard contract procedures and a generic code of practice with appendices to reflect the different financial systems.</p> <p>Some standard specifications have been agreed.</p>	<p>contract agreed</p> <p>Common documentation being reviewed</p> <p>Saving of 20% on joint spend of £1.2m through e-auction.</p> <p>High spend areas now identified across the two councils</p>	<p>strategy has now been completed for C¹ and C²'s is in the process of development</p> <p>'Quick win' of 40% on stationery contract through accessing other public sector framework agreement.</p>	<p>Savings reported to each of the participating councils.</p> <p>No significant benefits accrued.</p>	<p>work already carried out at E¹, for example tools and templates.</p>	<p>expertise.</p> <p>Some quick wins via use of accessing wider public sector framework agreements: £ 300K in one year.</p> <p>Sharing of best practice and problems so as not to re-invent the wheel.</p>
Objectives and strategies					
<p>Joint procurement strategy is in progress of being developed but more resource required to complete this.</p>	<p>Joint procurement strategy now in place.</p> <p>B¹ and B² both have procurement strategies but these are in need of</p>	<p>Neither of the two participating councils had a procurement strategy, A</p>	<p>No joint procurement strategy. Compliance and co-ordination. D¹ and D² both have procurement strategies in place but these now need to be reviewed.</p>	<p>Joint Job Description in place detailing key tasks and objectives:</p> <p>Cashable savings through improved</p>	<p>SLA covers general collaborative objectives of better value for money, shared best practice,</p>

Now working on e-procurement and a insurance services	review and updating. B ¹ has now updated its medium-term financial strategy, of which procurement is a major theme.	strategy for C ¹ has now been completed and C ² is in the process of development, there are no plans for a joint strategy. Common documentation, templates and standard terms and conditions are scheduled for completion within 3 months. Adopting a 'lead buyer' approach between the two councils.	Key objective is to utilise public sector framework arrangements and achieve savings. No common documentation in use but a willingness to move to this in the future.	sourcing of goods & services set; £30K (E1), £40K (E2) and £30K (E3). Addressing the priorities of the NPS Develop common procedures, policies, documentation Sharing of best practice	common documentation and systems. Action Plan with deliverables currently being formalised.
Strategic procurement or operational procurement					
At this stage tactical, i.e. collaborative purchasing.	At this stage tactical, i.e. collaborative purchasing.	At this stage tactical, i.e. collaborative purchasing.	Tactical – development of collaborative purchasing and accessing exiting public sector framework agreements.	At this stage tactical i.e. collaborative purchasing.	Operational and strategic i.e. revised procurement strategy and joint e-proc. Strategy

Exit strategies developed					
Formal service agreement in place with 18-month termination clause.	SLA drafted, including termination clause, but not signed at time of the investigation.	No formal agreement - an exchange of letters addressed the shared post.	Contract agreement in place with 12-month termination clause.	Formal agreement in place for 12 months with option to extend further 12 months subject to open competition as agreed with staff representatives.	SLA in place for 2-year period with annual review. No formal termination provision -will be done by negotiation.

Performance management					
KPIs agreed for A ¹ savings are apportioned to participants. A ² emphasis is savings and achievement of NPS milestones – more formal KPIs will be considered. Quarterly board meeting.	KPIs agreed with B ¹ and monthly reporting to both line managers	Cover cost of salary. Informal at present but C ¹ want formal KPIs in place from 1 st April 2006.	Quarterly board meeting. Procurement Group meet at D ¹ with good councillor and officer representation. Line management informal reports monthly but now recognised need for more formal reporting. No formal KPIs but to be agreed within next six months.	Quarterly review meetings to review progress and set objectives, benefits to be summarised at end of third quarter to determine whether to extend agreement.	PI's are in place at F ¹ but not yet developed for F ² – action within the next 6 months. Formal 2 weekly reporting at F ¹ but not defined at F ² , tends to be more ad-hoc.
Risks identified					
Informal at A ² and A ³	Yes – considered at time of drafting SLA.	DISCUSSE D AT A PRACTICA L LEVEL.	Discussed at a practical level.	Informal at all three participating councils.	Risks identified and formally considered in report to executive.
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Lessons learnt					
<p>Governance issues were an early problem with differing political leadership structures in place.</p> <p>There is a need for targeting areas for joint working, i.e. collaborative contracting opportunities as there is insufficient time to do everything.</p>	<p>Collaborating on 'joint deals' proved a major problem and none were signed during the interim managers time. Major problem was culture and "didn't want to play".</p>	<p>Creation of this post has acted as a catalyst for other collaborative working between C¹ and C².</p>	<p>Openness of approach required. Need to build trust for it to work.</p>		<p>Both councils are operationally very different so need to take new approach.</p>
Emerging issues					
<p>A² considers two days per week may no longer be sufficient – if starting again would employ a full-time resource due to demand for the service. A³ tentatively now considering a dedicated resource.</p> <p>A³ now considering a shared legal resource</p> <p>A view is held that 'small is beautiful' and that three is the optimum size, therefore if all seven councils</p>	<p>Each of the councils have different constitutions (rules for conducting business). Believe that critical mass of two/three councils maximum, thereafter you would require additional resource and a different model. View that personalities are key to success.</p>	<p>Differences in political structures and management styles. C¹ has signed up to an e-marketplace while C² have no plans for e-procurement</p>	<p>Different finance systems in place and e-procurement systems a problem as both councils are a different stages in their life-cycle – D¹ has signed up to a regional e-marketplace, D² has not.</p>	<p>Different finance systems in place.</p> <p>Cultural issue by attempting to embed procurement within office behaviour across the three councils.</p> <p>Very slow to be e-enabled and behind solutions in place elsewhere. Looking at common e-procurement across all three councils.</p> <p>Collaborative e-</p>	<p>Common Procurement Strategy being developed - governance process across both councils is similar.</p> <p>Overview and Scrutiny purchasing role is a key desire.</p> <p>Progress has been very slow due to organisational problems at F², now being resolved.</p> <p>Both PMs are 3rd tier. F²'s PM has a local government background but less in-depth</p>

decided to collaborate, there is a fear that it may not work. A recent addition to the collaboration has been council A⁴. Council A⁵ have now also expressed a desire to join; interestingly A⁵ already have a dedicated procurement resource.

Purchasing Manager (3rd tier) at A1 has now left the council and has not yet been replaced; suggestion is that position will be filled at a lower level with potential loss of seat at the 'top table'.

auctions planned for waste bins and IT hardware.

procurement experience than F¹'s PM. F¹'s PM has a manufacturing background. What happens when F²'s PM no longer is differential to F¹'s procurement expertise?

DISCUSSION

While it is not possible to generalise beyond the cases reviewed with regard to the extent of procurement shared services, it is clear that recently 15 district councils have decided to collaborate in the creation of a procurement shared service. These councils were

unable to justify the costs of a dedicated procurement professional solely for their own organisation; a shared procurement resource was therefore an attractive alternative option. It is also clear that a major catalyst for the decision to progress procurement as a shared service has been the NPS – this provides some evidence that a national procurement strategy can have an impact even on small, autonomous councils. It also demonstrates that, there is a direct relationship, of the six collaborations investigated, between the NPS and eight new professional procurement positions having been established.

Of the six collaborations reviewed, two involved an existing procurement unit providing a resource to others, one involved an existing unit accessing support from a new resources in a different council, while the others ‘started from scratch’ with a new cross-organisational boundary structure. None of the collaborations entered into a service level agreement with their county council, or local regional centre of excellence - both of which may have been able to provide alternative access to procurement professionals.

Perhaps this was based on informal options appraisals or a consideration that similar organisations, in terms of remit and size, but not necessarily political leadership, are more likely to be drawn to collaborative shared-service procurement. It would be interesting to further probe the options appraisal process and rationale applied; likewise collaborations on procurement between county and district councils would merit investigation.

Four of the six collaborations were based only on informal business cases, and risk analysis. It can be reasonably assumed that, for the particular councils concerned, access to an internal dedicated procurement resource was, *prima facie*, going to be cost prohibitive, quite possibly unlikely to have sufficient demand or purchasing muscle; therefore the traditional centralised/decentralised discussion was irrelevant as there would not be a professional procurement resource; a shared service was an obvious solution. Equally, the collaborations had, to a certain extent, managed their risk insofar as exit strategies, in the form of termination clauses, were agreed. However, it would be interesting

to complete, through longitudinal case studies the subsequent Cost Benefit Analysis, and, in simplistic terms ask, ‘is there evidence that the cost of the procurement resource is recovered from the cashable gains made?’

That said, it is interesting to note the research suggests that currently the shared-resource is primarily concerned with tactical procurement, carried out by 3rd tier level staff, as opposed to the strategic procurement policy and strategy (as depicted by Lamming and Cox, 1997, Ramsay, 2003, and the NPS). We therefore cannot speculate as to the potential risks of being held hostage in future decision-making. Access to the acknowledged scarce resource of professional procurement expertise in developing policy and strategy, consistent with local aspirations and political leadership, one would have thought, would have been a major justification for adopting a shared-service approach to procurement. If strategic procurement were aspired to, then there would be a need to have a more robust business case and risk analysis, and probably, the procurement staff to be more highly positioned within the

corporate hierarchy. The question could therefore be posed, 'why is the focus on tactical as opposed to strategic procurement?' The answer to that question can possibly be found in Murray (2004) and Huxham and Vangen (2005, p.37 and p.154) arguments that there is a need to demonstrate small success prior to having access to strategic opportunities. If that were the case then gaining the acceleration from tactical to strategic procurement would be highly desirable. Perhaps though we're seeing the emergence of a new variation on Russill's (1997) 'CLAN' and, van Weele and Rozemijer's (1998) 'hardcore/soft core' models that still need time to develop their more strategic contribution.

In some cases tangible purchase price savings have been achieved, in others transactions cost reductions were achieved, and in others, strategies had been developed which may not otherwise have been the case. What is clear, regardless of the scale, is that stakeholders have identified realisable benefits even at this early stage in the development of the collaboration; benefits that were

unlikely to be achieved in those particular cases through a single organisation centralised/decentralised structure.

None of the collaborations had, at the time of the investigation, developed a joint procurement strategy. The development of such strategies could help target priorities, take the collaborations to the next stage of development, and assist with performance management, which was also at the time of the research generally loose.

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NOTES

1. In the UK there are generally four different types of councils, unitary, metropolitan, county and district. District and county councils work within a two-tier structure with districts being the smallest of the four types of councils and the type specifically cited within the National Procurement Strategy as most likely to benefit from procurement shared-service collaboration. Typical responsibilities of a district council would include, housing, refuse

collection and street cleaning, parks and cemeteries, leisure facilities, electoral registration, planning, environmental health.

2. The National Procurement Strategy for local government is applicable for English councils only and does not apply to Scottish, Welsh or Northern Ireland councils.

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