



Procurement as a shared service in English local government

J. Gordon Murray and Peter G. Rentell

Improvement and Development Agency for Local Government, London, UK, and

David Geere

FireBuy Limited, Reigate, UK

Abstract

Purpose – Small councils may not have access to professional procurement resources – one potential solution is to create a procurement shared service with another council. The purpose of this paper is to focus on evidence of the emergence and existence of inter-organisational procurement shared services and its benefits; a structural approach significantly different from the intra-organisational centralised/decentralised organisational models and the use of consortia.

Design/methodology/approach – Case studies, making use of stakeholder, semi-structured interviews, were used to probe the experience of six English procurement shared-services covering 15 councils.

Findings – The findings demonstrate evidence of that some smaller councils are benefiting from collaborating in inter-organisational procurement shared service. The collaborations were engaged in strategic procurement initiatives which would not have otherwise been possible through the use of consortia. However, there was an absence, within the cases, of formal business cases and strategy.

Research limitations/implications – The paper provides evidence that procurement shared services can be inter-organisational delivering the benefits of intra-organisational “hard core/soft core” procurement structures and inter-organisational consortia. The paper also suggests that the benefits gained from procurement shared services have more akin to inter-organisational collaboration than intra-organisational shared services. This research is limited in that it only relates to the experience of a purposive sample of small councils that had already decided to pursue a procurement shared service. The research limitations also include the absence of a political perspective.

Practical implications – A procurement shared service appears a viable structural option for smaller councils, whether they have, or have not currently, access to a procurement professional. The research highlights the need to adopt an incremental approach and also sets out suggestions for a strategic approach to shared services procurement strategy.

Originality/value – There is an absence of literature on delivering procurement as a shared service, and shared services in general – in that respect this paper represents research into a new emerging procurement structural model, not previously reported.

Keywords Public procurement, Local government, Purchasing groups, England

Paper type Case study

Introduction

This paper is concerned with the emergence of a new organisational structure for procurement, that of procurement as a shared service. Traditionally discussions on procurement organisational models have been focussed on whether a decentralised or centralised structure is best. More recently that discussion has been supplemented with

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debating the benefits to be gained through horizontal collaboration with others in joining a consortium (Arnold, 1998; Essig, 2000; Rozemeijer, 2000; Nollet and Beaulieu, 2005; Bakker *et al.*, 2006; McCue and Prier, 2006; Vereecke and Muylle, 2006). This paper progresses those discussions by asking is a further option, the option of procurement as a shared service, distinctly different from centralised/decentralised structures and consortia to be considered unique, if it is, is there a justifiable business case for making use of that model.

The paper provides an overview of intra-organisational centralised/decentralised structures and inter-organisational consortia. It then provides a theoretical explanation of procurement as a shared service, prior to providing case study evidence of the introduction of six procurement shared services, comprising 15 councils, in English local government. The paper contributes to theory by providing empirical evidence of the emergence of procurement as a shared service as a viable structural option for smaller councils and a starter to currently untapped reservoir of potential research. It contributes to practice by suggesting an additional structural option to be considered in determining the optimum procurement organisational structure and provides business case evidence and suggestions for optimum usage of the model.

Procurement organisation structural options

Traditional procurement structural models

A long-standing debate on procurement organisational structure (going back at least until IPS, 1991; Baily *et al.*, 1994, pp. 48-49; van Weele, 1994, pp. 183-184) has revolved around whether intra-organisational centralisation or decentralisation of the function is best. The centralised approach operates on the basis of a specialised unit being in place through which procurement strategy is developed and implemented, and, all tactical and operational procurement channelled. Potentially such a unit could be positioned nationally or regionally, but most often it is at the level of the council. The rationale behind a centralised structural model is that it enables the organisation to concentrate its professional procurement expertise in one place, maximise its internal organisational “leverage” and therefore 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 is predicated on being able to have a business case justification and being able to recruit and retain appropriate procurement professionals. However, centralisation is negatively associated with sacrificing “budget holder autonomy”. 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, pp. 80-90). A decentralised structure is effectively the opposite end of the spectrum with the corresponding pros and cons. “In practice it is seldom [decentralisation or centralisation] alone which is required but a blend of both” (IPS, 1991, p. 14).

In what could be perceived as a compromise, van Weele and Rosemijer (1998, pp. 96-112) developed the “hard core/soft core” model of intra-organisational procurement function – a variation on Russill’s (1997, pp. 67-77) “CLAN”. 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 centralised organisation, at the same time gaining the coordination and economies of scale of

a decentralised organisation. van Weele and Rosemijer (1998, p. 99) 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”. 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.

The assumption underlying the centralised/decentralised discussion is that there will always be access to procurement expertise within the organisation, yet evidence suggests (IDeA, 2005) that is not always the case. A parallel assumption is that there will always been sufficient internal demand inside the organisation to justify the employment of a procurement professional, yet for smaller councils such a business case may not exist.

Consortia

A purchasing consortium consists of two or more independent organisations that join together, either formally or informally, or through an independent third party, for the purpose of combining their individual requirements for purchased materials, services, and capital goods to leverage more value-added pricing, service, and technology from their external suppliers than could be obtained if each firm purchased goods and services alone (Hendrick, 1997).

Fundamentally a consortium is a means of outsourcing tactical procurement. 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) but have recently gained much wider prominence.

There are an infinite array of variations within consortia (Arnold, 1998; Essig, 2000; Rozemeijer, 2000; Bakker *et al.*, 2006; McCue and Prier, 2006; Vereecke and Muylle, 2006) although these have a focus on harnessing combined leverage through tactical purchasing, for example bidding, supplier evaluation, negotiation and contract management (Nollet and Beaulieu, 2005, p. 12); as opposed to wider strategic procurement roles. Their primary aim is cost reduction (Nollet and Beaulieu, 2005, pp. 11-12; Kivisto *et al.*, 2007, p. 200) although cost reduction can mean not just lower prices but also lower transaction costs and reduced lead times (Aylesworth, 2007, p. 187).

Larger councils may choose to join a consortia having completed a cost/benefit analysis and decided that, within a make/buy option appraisal, the “make” (direct contracting) option is outweighed by the “buy” (access consortia contracts). The larger council may also have the expertise available to evaluate and engage with a portfolio of consortia. However, for smaller councils, which may not have access to procurement professionals who could put in place framework arrangements, consortia

are perceived as a cost effective way of streamlining the purchasing process and accessing greater purchasing leverage.

Procurement as a shared service

For smaller councils the centralisation/decentralisation debate may be an irrelevance as they may not have the business justification for employing a procurement professional. Even though they could make use of consortia for tactical procurement, there is a shortfall in being able to access strategic procurement advice. The hard core/soft core model, were it inter-organisational, as opposed to intra-organisational, would be useful to smaller councils, but once again it is reliant on being able to access a procurement professional. Participating in a procurement shared service has been considered by some to provide a viable solution.

A procurement shared service is one in which a number of councils jointly employ their own dedicated procurement specialist, sharing the costs, agreeing the priorities.

Redman *et al.* (2007, p. 1487), discussing human resources shared services, consider shared services may have their origin during the 1980s within the finance function and can provide transactional, professional advisory and transformational support. Bergeron (2003, p. 3) exploring the rationale and approach of some organisations to shared services 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” – 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; and a potential for creating an externally focused profit centre.

Significantly, Redman *et al.* (2007, p. 1487) citing Quinn *et al.* (2000, p. 11) and Oates (1998), consider that shared services have now developed to cross organisational boundaries, while the national procurement strategy for local government (ODPM/LGA, 2003, p. 33) recommended that:

[...] 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.

Effectively a procurement shared service provides, unlike the tactical consortia, access to a procurement specialist when the employment of such an individual would not otherwise have been considered justifiable or cost effective. The procurement shared service can provide aggregated buying, in a similar way to a consortium, but, much more importantly, they should go beyond that role and provide strategic procurement know-how for the collaborating councils. That know-how could assist the councils in deciding in what circumstance the use of consortia is appropriate.

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

tool for achieving efficiency targets. Ironically there was caution over procurement as a shared service, with only 13 per cent of respondent finance directors seeing procurement as an area most likely to benefit from a shared service.

Shared services are a form of collaboration and although collaboration in local government has received some recent attention (Huxham, 1996; Sullivan and Sketcher, 2002; Goldsmith and Eggers, 2004; Huxham and Vangen, 2005), that research has been concerned with collaboration in delivering services as opposed to collaboration in the delivery of corporate services.

Discussion on procurement collaboration is generally concerned with “buyer and seller” vertical collaboration (Lamming, 1993; Erridge and Murray, 1998a, b; Barratt, 2004; Fu and Piplani, 2004; Cousins, 2005), and when inter-organisational buyer horizontal collaboration has been discussed it can be generalised as being about consortia with a working assumption that the participating councils actually have a procurement professional in place (Bakker *et al.*, 2006; McCue and Prier, 2006).

Huxham and Vangen’s (2005, pp. 4-7) observation is that there are a number of common rationales for collaboration: access to resources, shared risk; efficiency, co-ordination and seamlessness, learning and the moral imperative – there is no other way.

Having said that, Huxham and Vangen (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 and echoes Nollet and Beaulieu’s (2005) need for a strong business case and identification of both benefits and risks prior to progressing any collaboration, including procurement as a shared service.

Huxham and Vangen (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).

Murray (2001, pp. 407-408), when discussing improving procurement’s internal strategic contribution, also argued there was a need to build up trust over time through demonstration of meaningful achievements.

Research questions

The role of procurement as a shared service between different organisations has had little academic attention, as have shared services in general (Redman *et al.*, 2007, p. 1487). Some question the appropriateness of a procurement shared service (Serco, 2005) while others have emphasised the need for an incremental approach and a business

justification (Huxham and Vangen, 2005; Nollet and Beaulieu, 2005). However, a procurement shared service could provide a number of benefits for smaller councils which may be able to justify employing their own procurement professional, of particular interest are the opportunities to provide access to procurement expertise and systems, shared risk; efficiency through economies of scale in joint service delivery, co-ordination and seamlessness, learning from others experience.

Therefore, given that procurement as a shared service is distinctly different from internal organisational structures, as it is inter-organisational, and different from consortia, as it is concerned not only with tactical, but also strategic procurement, it would be beneficial to establish if procurement as a shared service is being pursued as a viable option for smaller councils. This research sets out to answer the following questions:

- RQ1.* Is there evidence, from within smaller English councils, of procurement being carried out as an inter-organisational shared service? If so, why?
- RQ2.* What form does procurement shared service take?
- RQ3.* Do the shared services represent strategic or tactical procurement?

Methods

The paper provides exploratory (Hussey and Hussey, 1997, p. 11) case study evidence, from semi-structured interviews, on how six different procurement shared services have been established.

A descriptive case study method was used (Hussey and Hussey, 1997, pp. 11-12; Yin, 2004, 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). Interviewing the line managers as well as PMs, while adding significantly to the workload, provided a fuller understanding of the decisions behind the creation of the shared service which were likely to have been made prior to the appointment of the PM, protected against PM respondent bias and therefore increased validity (Sayer, 2000; Murray, n.d.).

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. Subsequent to the initial interviews, follow-up interviews were carried out to establish “what happened next?”.

The selection of cases was based on a purposive sample of English 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).

Purposive sampling allows us to choose a case because it illustrates some feature or process in which we are interested (Silverman, 2000, p. 104).

The sample comprised six collaborations spanning 15 councils – the unit of analysis is the collaboration. The purposive sample was identified through referrals, reviewing recruitment advertisements to identify those councils in the process of recruiting a shared-procurement resource, and through scanning 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 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 £4-8m, respectively. The additional procurement resource was recruited in October 2003. The shared procurement resource is a 4th tier officer.

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.

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 pre-cursor 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

Is there evidence, from within smaller English councils, of procurement being carried out as an inter-organisational shared service? If so, why?

Given that a purposive sample was used to select cases which were either establishing or had established a procurement shared service, there is clear evidence that 15 smaller English councils proactively and voluntarily chose to progress from rhetoric to delivery of six procurement shared services.

Central government policy initiatives featured as catalysts in four of the six Collaborations (A, B, C and D). Collaborations B, C and D were influenced by a recommendation in the national procurement strategy. One council, A³, and one Collaboration, B, identified a best value review as a catalyst in either highlighting the need to address best practice procurement or creation of a shared post. While Collaboration C also identified that, while there was insufficient budget to fund a full-time procurement resource, failure to address procurement performance could have an adverse effect on comprehensive performance assessment scores.

Collaboration A was driven by a desire within county finance officers to work together to make efficiency gains through economies of scale. Four of the shared services were built upon existing collaborations, namely, A's finance officer group, B's sub-regional e-procurement partnership, D and E's county procurement networking group, and F's sub-regional partnership.

Two of the Collaborations, C and D recognised the need for dedicated procurement resources but had insufficient budgets as councils to fund their individual specialist.

Only three of the participating councils, B¹, F¹ and F² developed formal business cases; the decisions of the other 12 councils were based on an informal business cases only.

What form does procurement shared service take?

Only two of the six shared services, A and E, were developed from an existing professional procurement resource – all of the other collaborations are effectively new professional units. Each of the collaborations is now led/overseen by a 3rd tier PM with supporting “dotted line” management placements physically located in each of the participating councils, the only exception being Collaboration D, where the shared service comprises of the PM alone. The dominant financing model is the apportionment of salaries based on the respective size of the participating councils. Table I summarises the findings relating to the exiting form of procurement as a shared service, which are set out in more detail.

Collaboration A, which comprised four councils, was built upon an existing small, but established procurement unit in council A¹, led by a 3rd tier PM. A¹ employed an additional procurement advisor, funded by A² and A³ (50/50) and working part-time in each of the three councils. All three councils gained an additional procurement resource provided within an existing professional procurement framework. Flexibility on days was agreed at a quarterly board meeting of the three participating councils.

Collaboration B, between two councils, comprises a new joint procurement unit (three people) with one procurement officer placed in each council and a 3rd tier PM. B¹ employs the staff and charge 40 per cent of cost to B² (apportioned on the comparative council sizes).

Collaboration C, again between two councils, has a 3rd tier PM reporting to C¹ but re-charge to C² at 50 per cent. There was previously no procurement resource at C² and only 0.5 FTE at C¹ even though they were not a procurement professional. The collaboration based on a “lead buyer” approach between the two councils.

Collaboration D, is between two councils, has a 3rd tier PM with funded equally by each of the two participating councils.

Collaboration E, with three participating councils, has one joint procurement officer (JPO) employed on a one-year contract funded one third from each of the three participating councils. The JPO works one day at council E¹ reporting to PM, and then two days at each of councils E² and E³, with the other two councils authorised to give instructions to the JPO.

Collaboration F, of two councils, has one PM at F¹ (this was a new 3rd tier post) with two new staff providing strategic advice to F². F² previously had a team of three 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. A two-year agreement is reviewed annually with an agreed SLA and F² pay an annual sum for strategic advice.

Do the shared services represent strategic or tactical procurement?

It is not the purpose of this paper to define strategic and tactical procurement, however, for the purposes of analysis, tactical procurement, in the context of this paper, relates to procurement activities which could have been achieved through membership of a consortium, while strategic procurement relates to those actions where professional procurement expertise was utilised to bring about a long-term change in procurement performance which could not have been achieved through membership of a consortium, although strategic procurement would include a decision to join a consortium or access others’ framework arrangements.

That being the foundation for analysis, all six of the shared services were making both a strategic and tactical contribution, although only three Collaborations, A, B and F, have progressed to a joint strategic approach as opposed to delivery of strategic procurement advice. Table II summarises the strategic and tactical elements of each of the procurement shared services, with more detail set out.

The three collaborating councils in shared service A, which previously did not have access to a procurement professional, now do have. At a strategic level, a joint

Collaborations	A	B	C	D	E	F
<i>Form</i>						
Built on existing procurement unit	✓				✓	
New procurement unit		✓	✓	✓		✓
Overseen by 3rd tier PM	✓	✓	✓	✓	✓	✓
Procurement unit member physically located in of the collaborating councils	✓	✓	✓		✓	✓

Table I.
Procurement as a shared service form

Collaborations	A	B	C	D	E	F	Procurement in English local government
<i>Strategic and tactical elements of procurement as a shared service</i>							
Procurement advisory service	✓	✓	✓	✓	✓	✓	
Development of joint procurement strategy	In progress	✓					
Development of joint e-procurement strategy	✓		✓	✓	✓	✓	
New individual council procurement strategy	✓	✓	✓				
Spend analysis		✓		✓			
Development of code of practice	✓						
Standardisation of procedures	✓	✓	✓		✓		
Standardisation of specifications	Some						
Coordination	✓						
Joint contracting	✓	✓					
Common documentation	✓	✓	✓		✓		
New use of consortia and/or other public sector framework arrangements		✓	✓	✓		✓	

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Table II.
Procurement as a shared service strategic and tactical initiative

procurement strategy was in process of being developed, although it was considered more resource was required to complete it. The collaboration is however working on a joint e-procurement strategy. Councils A² and A³s have gained support in development of their individual procurement strategies, although, at the time of the field research there was not a shared service procurement strategy. Transactional costs have been reduced through all the participants being able to access A¹'s contracts and document templates, standardising contract procedures, development of a generic code of practice with appendices to reflect the individual councils differing financial systems, and agreement on some standard specifications. In parallel, they have increased their individual purchasing power through collaboration and joint contracting.

Strategically Collaboration B had a joint procurement strategy in place at the time of the investigation, and while both B¹ and B² had procurement strategies, these were considered in need of review and updating. High-spend areas had identified across the two councils. B also claims transactional cost reductions through agreement on standard terms and conditions of contract, and that was expected to continue through common documentation being reviewed. Financial savings are claimed of 20 per cent on joint spend of £1.2m through use of an e-auction.

While there are no plans for a C shared services procurement strategy, neither of the two participating councils had previously had a procurement strategy but now do. Transactional cost reductions were expected to be gained through common documentation, templates and, standard terms and conditions. Tactically, a "quick win" financial saving of 40 per cent on stationery was achieved through accessing other public sector framework agreements, which had not previously been considered.

Collaboration D did not have a joint procurement strategy; D¹ and D² both had procurement strategies in place but these needed to be reviewed. Spend analysis was completed and a key objective is to utilise public sector framework arrangements and achieve savings through compliance and co-ordination. Financial savings (amount unable to be specified) were reported for each of the participating councils. Transactional cost reductions, through the use of common documentation, had not been sought although there appeared a willingness to move to this in the future.

Sharing of best practice was highlighted as an objective of E. Two of the three councils in Collaboration E, expected to gain transactional cost reductions through the work already carried out at E¹, for example, tools and templates. Collectively there was an anticipation of transactional cost reductions through future development of common procedures, policies, and documentation. Cashable savings had been achieved through improved sourcing of goods and services estimated at £30K in E¹, £40K in E² and £30K in E³.

Strategically, within Collaboration F, a joint e-procurement strategy has been produced. Access to more in-depth expertise was claimed as a benefit, and, like Collaboration C, this had led tactically to some quick win financial savings estimated to be worth £300K in one year, were achieved through accessing wider public sector framework agreements: Transaction cost reductions were claimed through sharing of best practice and problems so as to avoid “re-inventing the wheel”.

Discussion and conclusions

The case study evidence demonstrates that an additional structural option for procurement, procurement as a shared service, has emerged and is being beneficially used in some smaller English councils. The procurement as a shared service structural model is distinctly different from intra-organisational centralised/decentralised and hard core/soft core models, in that it is inter-organisational. A procurement shared service is also different from inter-organisational consortia as it provides access to in-house strategic procurement advisory services which can include, within their advice, the decision as to whether it makes sense to join a consortia, and, if so, which consortia or portfolio of consortia. Therefore, a procurement shared service has the potential to maximise the benefits of both the intra-organisational hard core/soft core model and inter-organisational consortia participation, it therefore merits inclusion in the range of procurement structural options available to organisations, particularly smaller councils who may not otherwise have a business case justification for the employment of a procurement specialist.

Of the six procurement shared services investigated, only two involved an existing procurement unit providing a resource to others; 13 councils which previously did not have access to a dedicated procurement resource now do have, and in all but one of the collaborations that has included a procurement professional physically located in each of the councils.

Having said that, despite the suggestions from Huxham and Vangen (2005, p. 13) and Nollet and Beaulieu (2005) of the need for a business case, four of the six collaborations were based only on informal business cases. It can, however, be reasonably assumed that, for the particular councils concerned, access to an internal dedicated procurement resource was, *prima facie*, going to be cost prohibitive, and 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, so a shared service was an obvious solution – there was no other way (Huxham and Vangen, 2005, pp. 4-7).

Bergeron (2003, p. 4) and Huxham and Vangen (2005, pp. 4-7) suggested benefits which could be drawn upon in the development of a business case for a procurement shared service, Table III draws on those suggestions and summarises what each of the collaborations gained from the procurement shared service.

It is significant that the only benefits not observed in the case studies relate to decreased personnel and improved service, both of which were suggested by Bergeron (2003, pp. 6-7) in the context of intra-organisational shared services while the case studies were inter-organisational shared services. It is clear that procurement shared services can offer major benefits in access to professional procurement resources, efficiency, co-ordination and learning.

Of the six shared services investigated it is possible to see a linkage in four of them to central government policy initiatives as catalysts to the decision to pursue a procurement shared service three were influenced by the national procurement strategy for local government, best value reviews also played a part, as did concern that a lack of improvement in procurement may have a detrimental effect on a comprehensive performance assessment.

Four of the six procurement shared services were built upon a foundation of previous networking and collaboration. This would support Huxham and Vangen's (2005, pp. 37, 154) suggestion of the need to build trust over time and create the right "soft" environment in which a procurement shared service could blossom.

The initiatives undertaken by the procurement shared services investigated appear to have been, in general, while strategic, low risk, yet delivered tangible benefits which were not previously achieved despite the availability of access to consortia, for example, tangible purchase price savings have been reported by interviewees, in others transaction cost reductions were claimed, and in others, strategies had been developed which may not otherwise have been the case. Since none of the collaborations had, at the time of the investigation, developed a joint procurement strategy, it is also indicative support of the need to adopt an incremental approach and demonstrate small success prior to gaining access to wider strategic opportunities (Murray, 2001, pp. 407-408; Huxham and Vangen, 2005, pp. 37, 154). Organisations considering a shared services approach to procurement need to recognise that an incremental approach, while increasing the likelihood of success also brings with it a long lead time to full effectiveness and efficiency.

Having said that, one could ask what should be included in a procurement shared service strategy? The experience of the shared services investigated and research of Murray (2001) and Huxham and Vangen (2005), suggests the first stage should be to demonstrate professional capability and competence through pursuing value for money, quality and cost reduction improvements, including, spend analysis, standardisation of procedures, specifications and documentation; and, evaluating and accessing consortia and other public sector framework arrangements, and,

Collaborations	A	B	C	D	E	F
<i>Perceived benefit</i>						
Access to resources	✓	✓	✓	✓	✓	✓
Shared risk						✓
Efficiency	✓	✓	✓	✓	✓	✓
Co-ordination and seamlessness	✓	✓	✓	✓	✓	✓
Learning	✓	✓	✓		✓	✓
Decreased personnel						
Improved service						

Table III.
Perceived gains from
procurement as a shared
service

if appropriate, pursuing joint contracting as a shared service. The second stage could include developing and/or critiquing the participating council's individual procurement strategies, not only to achieve the synergies of the shared service, through, for example, a joint e-procurement strategy, but also to contribute to the wider socio-economic objectives of the individual councils. The third, and final stage, would be to develop a unified procurement strategy for the shared service. Each of these discrete stages needs to be supported with an effective performance management structure (Murray, 2001; Bergeron, 2003, p. 4).

All six of the procurement shared services investigated are led by a 3rd tier PM, whether this will constrain further strategic contribution could not be established but is worthy of further investigation.

Theoretical implications

This research is limited in that it only relates the experience of a purposive sample of small councils that had already decided to pursue procurement shared service. The findings therefore cannot be assumed as transferable to larger councils or indeed to small councils in general. The research limitations also include the absence of a political perspective.

This paper has highlighted the emergence of a new structural model, procurement shared service. Shared services, in general (Redman *et al.*, 2007, p. 1487), have received little academic attention and this paper only serves as a primer for further research.

The paper provides evidence that procurement shared services can be inter-organisational and deliver the benefits of intra-organisational hard core/soft core procurement structures and inter-organisational consortia. Further research would be beneficial to explore the relative costs and benefits of these composite models and also the "best mix". The paper also suggests that the benefits gained from procurement shared services have more akin to inter-organisational collaboration than intra-organisational shared services.

Further research would be justified, which establishes, through longitudinal case studies, the long-term cost benefit analysis of procurement shared services, and, in simplistic terms asks, "is there evidence that the cost of the procurement resource is recovered from the cashable gains made?" While anecdotal evidence appeared to suggest costs were recovered, it was not clear to what extent those shared service gains would continue to be achieved or whether they constitute one-off gains, and therefore imply that procurement shared services may only be an interim solution.

None of the collaborations investigated 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.

Murray (2007, forthcoming) has highlighted the significance of the role of politicians in local government procurement. Further research would be merited which investigates the political perspective of procurement as a shared service and its

impact on achieving political objectives, particularly where the participants in the shared service are from differing political perspectives.

Managerial implications

The research has demonstrated that a procurement shared service appears a viable structural option for smaller councils, whether they have or have not currently access to a procurement professional. If they currently have access to a procurement professional there is merit in considering a procurement shared service as a trading option and recovering some of the potential overhead costs. If the council does not have access to a procurement professional, a shared service offers an additional option for accessing such expertise.

The research highlights the need to adopt an incremental approach and also sets out suggestions for a strategic approach to shared services procurement strategy.

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About the authors

J. Gordon Murray, DipM, MSc, PhD, MCIPS is a Programme Manager with the IDeA. His research interests are in improving public procurement performance. J. Gordon Murray is the corresponding author and can be contacted at: gordon.murray@idea.gov.uk

Peter G. Rentell, MBA, MCIPS is a Principal Consultant with the IDeA. His research interests are in improving public procurement performance.

David Geere, MCIPS is the Procurement Relationships Manager with FireBuy. His research interests are in improving public procurement performance.