Joint Procurement and Shared Services: The Unwritten Alliance

The Part of Cooperation That Happens in Purchase Orders

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Alliances are described in terms of programmes and mobility, and they spend much of their effort on purchases and services. This article examines the least visible layer of cooperation: the joint purchase of software, the shared library system, the common computing service, and the contracts that make them possible. It argues that shared services are the most durable achievement of an alliance and the least governed, and that the governance gap turns a technical success into a political liability when the service grows beyond the group that negotiated it.

Contents **Page**

1. The Layer Nobody Describes **13**
2. What Is Bought and Why Together **14**
3. The Aggregation Problem **14**
4. Buying Together Across Borders **15**
5. Shared Services and Their Governance **16**
6. Conclusions **16**

1. The Layer Nobody Describes

The published account of an alliance concerns students who move, programmes that are joint and degrees that are double. The internal account concerns a different set of objects: a licence for a learning platform, a library system that three partners operate together, a computing service that one partner runs for the others, a framework agreement for laboratory equipment.

These objects are unglamorous and they are where the alliance becomes real. A programme affects a cohort for two years; a shared library system affects every student in every partner for as long as it is operated. A joint degree requires a negotiation between senates; a shared payroll service requires a negotiation between finance directors that is harder, longer and more consequential, because a mistake in a payroll is a mistake that people notice in the same month.

The alliance that appears in the accounts is not the one in the annual report

The asymmetry between what alliances describe and what they do has a simple cause. Programmes are the object of funding, and shared services are the object of administration, so the first are documented for a funder and the second are documented in a purchase order. The alliance that appears in the annual report and the alliance that appears in the accounts are two different organisations that happen to share a board.

2. What Is Bought and Why Together

Four categories of purchase account for most of the joint activity, and they differ in what makes cooperation worthwhile.

The first is software, where the licence is priced per user and a consortium can negotiate a rate that no partner would obtain alone. The second is infrastructure, where a service is too large for one partner and too small for a market: a high-performance computing facility, a repository, a secure data environment. The third is expertise, where a partner has a capability that the others need and the transaction is a service agreement rather than a purchase. The fourth is access, where the alliance buys entry to something that none of its partners can provide: a subscription, a facility, a certification.

The economics differ. Software is a volume discount and its benefit is proportional to the size of the group. Infrastructure is a fixed cost and its benefit is proportional to the number of partners who use it, which means that the first partners gain most and the last gain least. Expertise is a transfer and its benefit depends on the willingness of the receiving partner to change its practice. Access is a pass-through and its benefit is the difference between the consortium's price and the list price, which is the only one of the four that can be written into a budget as a saving.

3. The Aggregation Problem

The obstacle to joint procurement is not legal and it is not financial. It is that the partners buy at different times, under different rules and for different reasons.

A university's purchasing is distributed among faculties, and a framework agreement negotiated by a consortium binds the central administration and not the departments, which have their own budgets and their own preferences. A partner that has just signed a five-year li-

cence cannot join a joint purchase in year two, and a partner whose finance system cannot process a cross-border invoice cannot join one at all. The aggregation problem is therefore a problem of timing and of internal authority, and it is solved by an instrument that universities dislike: a mandate to buy through the consortium.

The mandate is what distinguishes the alliances that have achieved savings from the ones that have announced them. A mandate can be partial, covering defined categories above a threshold, and it can be reviewed annually. What it cannot be is voluntary, because a voluntary arrangement is a discount that a department takes when it is convenient, which produces the appearance of aggregation without the volume that earns the discount.

4. Buying Together Across Borders

Cross-border purchasing introduces four difficulties that domestic joint purchasing does not have, and each requires a clause.

The first is jurisdiction: a contract governed by the law of one partner's state and performed in four others needs a dispute procedure that the partners can use without litigation in a foreign court. The second is tax: a purchase of services across a border is treated differently from a domestic purchase, and the treatment determines whether the consortium's price is a saving or a cost. The third is liability: a joint purchase makes the partners jointly liable in some legal systems and severally liable in others, and the choice is a decision that the contract must take explicitly. The fourth is exit: a partner that leaves a shared service must be able to leave it without ending the service for the others.

Category	Economics	Governing clause
Software	Volume discount	Mandate and term alignment
Infrastructure	Fixed cost	Cost-sharing and exit
Expertise	Transfer	Service level and liability
Access	Pass-through	Price and renegotiation
Data services	Fixed cost	Jurisdiction and audit

Table 1 Four purchase categories and the clause each requires

The fourth difficulty is the one that alliances handle worst, because a shared service is designed for the group that created it and the group changes. A partner that joined in the third year has no claim on the investment made in the first, and a partner that leaves in the fifth takes

nothing with it and leaves a cost that the remaining partners absorb. The instrument is a schedule that states the entry contribution, the annual charge, the exit charge and the notice period, agreed before the service begins and revised only by unanimity. Alliances that have written such a schedule report that it was negotiated in a single meeting, because the numbers were small; alliances without one report that the negotiation of a departure consumed two years.

5. Shared Services and Their Governance

A shared service is a small institution, and it acquires the properties of an institution whether or not anyone intends it. It has staff, a budget, a user base, a backlog and a view about its own future.

The governance question that follows is who directs it. A service operated by one partner for the others is directed by that partner's priorities, and the others experience the service as a customer of a supplier who is also a competitor. A service operated by a separate unit with a board of the partners is directed by a body that meets rarely and understands the service poorly. A service outsourced to a provider is directed by a contract that specifies outputs and cannot specify the responsiveness that academic work requires.

The arrangement that has worked in practice is a service with a written mandate, a board of users, a service level and a price, operated by a partner under a contract that the other partners can terminate. The mandate is the crucial document: it states what the service does, for whom, at what standard and at what cost, and it is the only instrument that allows a user to complain about a decision that the service has taken in its own interest.

6. Conclusions

The unwritten alliance is the one that buys, hosts and runs things, and it is the part of cooperation most likely to survive a change of rectors. Its durability is precisely why it deserves governance, because a service that outlives its founders will be directed by whoever inherits it.

Three conclusions follow. Joint procurement requires a mandate, since a voluntary arrangement produces the appearance of aggregation without the volume that earns the discount. The schedule of entry, annual charge and exit should be agreed before a shared service begins, because the negotiation of a departure is the most expensive conversa-

tion an alliance can have. And the written mandate with a board of users is what converts a service operated by one partner for the others into a shared institution, which is the only form in which it can be defended when its cost is questioned.

Mandate	Board	Price	Exit
written	users	published	agreed

Figure 1 What a shared service needs

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Biography:

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