Against the Grain

Volume 30 | Issue 4 | Article 80

2018

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Recommended Citation
Seeman, Corey (2018) "Squirreling Away: Managing Information Resources &Libraries — Supply Chains are Complicated, but Critical," *Against the Grain*: Vol. 30: Iss. 4, Article 80.
DOI: https://doi.org/10.7771/2380-176X.8309

Squirreling Away: Managing Information Resources & Libraries — Supply Chains are Complicated, but Critical

Why the Financial Stability of Vendors is Far More Important than you Think!

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As a young librarian and archivist, I had an opportunity to implement an institution's first integrated library system (ILS). I was working at the **Historical Society of Western Pennsylvania** in Pittsburgh (now the **Pittsburgh Regional History Center**) and we were working with Consultant **Frank R. Bridge**. **Frank** could not convey more to me the importance of knowing the other firm's financial situation. At first, I did not understand why this was so critical. **Frank** explained it plainly — we were not buying a product, we were starting a relationship. My library would be relying on that vendor to provide service, enhancements, and support the changing information technology environment. What if the vendor disappeared? What were we to do then? Were the vendor to close shop, then we would be stuck with a very expensive system at the end of its life — much like a rudderless ship.

Frank Bridge, who is one of my all-time favorite people in the field, made it really clear to me that as a library, we needed vendors who not only understood what our functional needs were, but were going to be in business to implement it. A company that offered something too good to be true might not last long enough for the library to benefit from the relationship. And while libraries need to be cognizant of the price and seek out the lowest ones in the market, these options might be simply too good to be true.

Libraries need vendors who are successful and can make enough to invest in their product and their people. While people will often grimace in regards to the profits made by some of our vendors, the reality is that we need security if we are going to function effectively. And the security comes in our supply chain — a critical component for libraries. We are dependent on others to produce the resources that we make available to our community. Despite the fact that our faculty are the authors, we rely of publishers and vendors to provide their value add to make it available back to us. This is the key issue surrounding scholarly communication.

Recently, I was able to watch a great presentation from *Library Journal* concerning protecting your library. It is still available (*https://lj.libraryjournal.com/2018/05/webcasts/protecting-library-research-financial-stability-vendors*).

The presentation focused on how libraries need to learn more about the companies that they interact with. For many transactions that we make, there is no long-term need to stay connected. For most books that we purchase outside our major vendors or approval plan, it might be a simple transaction. We send them money and we get the book. Done. There is no real maintenance involved save what we already do for the older titles in our libraries. However, with many library resources, we pay in advance and expect to have access or services for the upcoming year. This is true for databases that we almost always prepay. But this may be particularly important for serials vendors who we pay all at once, for them to pay our publishers. With **EBSCO** as the sponsor, it made good send that the subscription agents was a central part of the presentation.

The panelists were **Annie Bélanger**, Dean of University Libraries, **Grand Valley State University**; **Mary Sue Hoyle**, Vice President, Subscription Services Division, **EBSCO Information Services**; and the moderator was **Marsha Aucoin**, Account Services Manager – Team Lead, **EBSCO Information Services**. The key aspect was the serials failures of **RoweCom/Faxon** (2002) and **Swets** (2014) bankruptcies that truly rocked the library world. The core of the issue was succinctly captured by **Katilin Mulhere** in an article from *Inside Higher Ed*: "That means recent orders and payments made to **Swets** from libraries may not reach publishers, who will likely lose money, and libraries that had money tied up in **Swets** accounts likely will see only part of it returned, possibly without the subscriptions they paid for."[1]

At my library (**Kresge Business Administration Library** at the **University of Michigan**), we had been using **RoweCom/Faxon** as our subscription agent and like so many others, we were left with promises and no journal issues. Were it not for an infusion of added budget from the school's Dean's Office, we would have lost more than a year of access to many journal titles. Besides the administrative and processing work, what essentially happened is that we had to double-pay for periodicals that year. Most libraries have a hard enough time paying once for these titles!

So this brings us back to our premise. Why do we want our suppliers to be successful and profitable?

Because otherwise, they will leave the business (by their choice or by bankruptcy). The tricky part is how successful do we want them to be? As I want to do in this column, let's think about another part of our life — maybe something you can sink your teeth into. So do you want your dentist to drive a nice car and lead a pretty good life. Sure, part of that vacation overseas to Bali or Ireland or that new car every few years is coming from your mouth... or your wallet...but without that, maybe the dentist is just not that good. The same is true in the library space.

As for the presentation, it was excellent. While it used the **RoweCom/Faxon** and **Swets** bankruptcies as a starting point, they both came about from different decisions made internally. For **RoweCom/Faxon**, their parent company was siphoning off money from the library business, removing any margin they might have earned. With **Swets**, there were problems associated with the shift from print to digital — something they did not manage well. They lowered their fees to make their company more attractive to libraries — but it was unsustainable.

Annie Bélanger, Dean of University Libraries at **Grand Valley State University**, focused on what the library should be doing to assess risk. She showcased red flags that might be clear, especially if they do not invest in R&D. And since we do so much with vendors right now that are startups, one point she made was particularly noteworthy: "If the value of your contract is larger than their net worth, you need to assess the relative risk of working with the vendor." It is not that a smaller company cannot do larger jobs, but you need to ensure that you protect your library.

While they all pointed out that **RoweCom** and **Swets** were public companies, there were public reports that might have showed problems before the bankruptcy. Even to see the auditor's opinion letter might be a way to better understand the company and how secure their footing is. **Annie** also brought up that the **University of Waterloo** worked with their central purchasing office to establish regular systematic credit checks and other protections for the library. While they were one of the **Swets** victims, they were able to build a system that will be more likely to indicate issues should they arise again.

Ironically, **EBSCO** is a private company and some of these reports are not publicly available. However, they offered possibilities

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and solutions that can help give the library a piece of mind. **Mary Sue Hoyle** pointed out that having your procurement office work with the private company to assess the risk can be a win-win situation. You can never get the risk to zero, but you can get it to where you are able to focus less on your vendors staying in business and more on the work of finding information resources for the community you serve.

The presenters also shared some resources that were useful to get those attending to start thinking about this issue. **John E. Juricek** (Collections Strategist and Co-Associate Dean for Collections, **University of Southern California, Los Angeles**) recently wrote an article on exploring supply chain risk in the library information industry. In it, **Juricek** wrote: "Researching any company is an imperfect process. Informal information-gathering is subject to inaccuracies and misinterpretations. Formal research using professional news sources and analyst reports may not uncover problems such as fraud or anticipate future changes in vendor strategy."[2] This is the million dollar question. How can we be sure that our vendors have the wherewithal to be there when we need them? Is the answer in the numbers? Probably yes, but all we are hoping to do is to minimize the risk to the library and ensure that our operations can continue without interruption. And while our world of scholarly communication does not offer many readings with surprise endings, the parties that make up this economy can.

A Few Closing Thoughts

First, the supply chain is fascinating to study. Despite a President who insists that a company has to win each contract and negotiation, you need to have balance between you and your vendors. If you squeeze too much from your suppliers, they are less able to withstand their own issues. Just as with the automotive industry, a single disruption in the supply chain can halt production for an entire vehicle (something that just happened to the Ford F150 pickup truck recently). If our supply chain is stretched too thin, they might shut down or not make the investments that they need to make in themselves.

Second, seeing a nice event at a **Charleston Conference** or **ALA** meeting or receiving a nice premium for visiting their booth can make you wonder about how much you are paying for a service. Maybe if this company spent a bit less at **ALA**, they would charge a bit less — right? Probably not. You need to be able to explore the value you get from the relationship on its own. Furthermore, their marketing budget may not have any bearing on their overall health.

And third, don't forget that you likely have a great resource right in your own library. Almost every academic library has a suite of databases that you can find a great deal about companies. While public companies (ones on the New York and related stock exchanges) are easy to find information about, private companies do have some material that is findable. One of the key aspects you can find is the credit rating. That can go fairly far in figuring out how strong a company is. Do not hesitate to ask your business librarian for assistance. These business databases have a tremendous amount of material that you can use to get a better sense of the companies that you are seeking to get in a relationship with.

***Corey Seeman** is the Director, Kresge Library Services at the **Ross School of Business** at the **University of Michigan, Ann Arbor**. He is also the new editor for this column that intends to provide an eclectic exploration of business and management topics relative to the intersection of publishing, librarianship and the information industry. No business degree required! He may be reached at <cseeman@umich.edu> or via twitter at @cseeman.*

A Note from the Column Editor

I hope you are enjoying these articles. My goal is to take many of the library issues and put them in a different frame. So like talking about the success of my dentist or last issue with the return policy at **L.L. Bean**, I want to use external examples to get us to think a bit differently about the way libraries are managed, funded and operate. If you have any thoughts — please drop me a line at <cseeman@umich.edu>.

Endnotes

1. **Mulhere, Kaitlin**. "Journals and Money at Risk," *Inside Higher Ed* (January 2, 2015). *https://www.insidehighered.com/news/2015/01/02/swets-bankruptcy-will-cost-libraries-time-money* (accessed July 5, 2018).

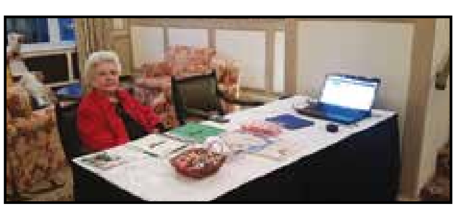
2. **Juricek, J. E.** "Supply Chain Risk after Swets: Evaluating the Financial Viability of Library Vendors." *Library Leadership & Management*, *32*(3). Available here: *https://journals.tdl.org/llm/index.php/llm/article/view/7293*.

Charleston Comings and Goings: News and Announcements for the Charleston Library Conference

by **Leah Hinds** (Executive Director, Charleston Conference) <leah@charlestonlibraryconference.com>

First Time Attendees

Is this your first time attending the **Charleston Conference**? Welcome – we're glad you'll be joining us! If you have any questions about the conference, the city of Charleston, the venues for the meetings, shuttle transportation, or more, contact one of our **Conference Mentors** for help: <mentors@charlestonlibraryconference.com>. We have a group of seasoned conference veterans who are ready to answer all your conference-related questions. Once you arrive at the conference, the mentor's desk will be located in the lobby of the **Francis Marion**, near the Registration Check-In Desk. Stop by and say hello!



Joanne Cook, Conference Mentor, at the desk in the Francis Marion lobby.

We also have a **First Time Attendees Welcome Reception** planned for Tuesday, Nov. 6, from 7:00-9:00 pm following the **Vendor Showcase**. We're inviting all first-time attendees of the conference, as well as any "Up and Comer" award winners that are attending to join us for a welcome reception. Our conference mentors and some of our conference directors will be there to say hello and to answer questions you may have in advance of the main conference. We hope to see you there!

Up and Comers Award

We are excited to bring back the **Up and Comers Award** again for the 2018 conference. This award is intended for librarians, library staff, vendors, publishers, MLIS students, instructors, consultants, and researchers who are new to their field or are in the early years of the profession. Up and Comers are passionate about the future of libraries. They innovate, inspire, collaborate, and take risks. They are future library leaders and change makers, and we are excited to celebrate them with this award.

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