IBM

ETHICS: A Web-based e-procurement solution based on IBM technology

Overview

- **Challenge**

  Adhere to EU and WTO rules for public procurement processes; ensure transparency and efficiency for both buyers and vendors

- **Solution**

  An open, secure and scalable e-government solution – Electronic Tender Handling, Information and Communications System (ETHICS)

- **Why IBM?**

  IBM had the technological know-how and deep experience with areas of IBM Lotus® QuickPlace® teamrooms and decision-support systems.

- **Key Benefits**

  An end-to-end, open standards-based tender solution; helped double productivity; double-digit growth in contract turnover; improved decision making via well-defined, transparent evaluation processes

Bridging the gap between buyers and suppliers

Copenhagen, Denmark-based National Procurement Ltd. (SKI) is a company that brings together public purchasers and suppliers by negotiating large frame contracts for their customers – including approximately 8,200 institutions, ministries and public agencies across Denmark. These contracts cover anything from paper to IT equipment. By signing frame contracts with only a few vendors, SKI helps buyers avoid the complicated work involved in issuing their own tenders as mandated by European Union (EU) rules for public procurement.

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–Soren Jakobsen, CEO, SKI

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Carrying out increasingly complex procurement processes

The value of public procurement in EU countries is well above 15 to 20 percent of most nations' GDP, making it extremely important that procurement processes are carried out legally, transparently, efficiently and effectively. In addition, procurement processes have become increasingly complex as the EU is constantly issuing new regulations regarding tenders and competition.

In 1995, SKI issued a tender for a three-year frame contract for IT equipment for its public-sector customers. But the tasks involved proved daunting: The company received more than 30,000 pages of proposals – in highly varied formats – from 36 vendors. Coupled with cumbersome, paper-based contract terms, the evaluation required many government specialists.

SKI decided to create an automated system that would reuse contractual terms and questionnaires and ensure an open, transparent evaluation process. It needed a comprehensive e-procurement system that would ease the burden of managing public tenders, while maintaining the high levels of security, confidentiality and contractual fairness required by EU guidelines.

IBM: Technology know-how and decision-support experience

In 1995, SKI approached the IBM Lotus Business Partner [inno:vasion] to help determine a methodology to streamline the paper-based, inefficient decision processes. SKI found that [inno:vasion] had significant experience with IBM Lotus QuickPlace teamrooms and decision-support systems, and began work on reengineering the way tenders were written and distributed.

In 1998, [inno:vasion] concluded that it would need to develop an application to support these processes. The company then made the strategic decision to choose the IBM Lotus Domino platform, based on its inherent security and availability, and became an IBM Business Partner.

The first versions of the application – called ETHICS – were up and running quickly, giving SKI the initial capability to publish corporate tenders. IBM and [inno:vasion] worked together closely to ensure ETHICS kept strictly to Lotus-coding guidelines and included multilanguage support.

IBM worked with [inno:vasion] to deliver full electronic capabilities, including the ability to use digital certificates, to ETHICS. The team began developing ETHICS step-by-step from within SKI, testing it closely with the actual people who would be using it.

As a result, when ETHICS reached the Internet, the team already understood how information should be processed throughout a tender process – giving ETHICS a clear competitive advantage. Says Soren Jakobsen, CEO, SKI, "The development of ETHICS has been such a sound way of running a project that every time there has been a need for special functionality, we've been able to meet with IBM to continue development and fulfill our requirements."

ETHICS: A Web-based system to automate purchasing processes

ETHICS – which works with any Java-supported browser – is an open, secure Web-based procurement system enabling agencies to plan, execute and evaluate public tenders in compliance with EU-defined legal guidelines. The solution covers all aspects of operating a public tender organization, including the annual planning cycle, and tender selection and timing, plus:

- *Official prewarning and external tender announcement procedures*
- *Daily management issues with work in progress, including online communications with bidders*
- *Online, secure tendering using digital signatures*
- *Transparent decision making based on a unique questionnaire design tool*

Increasing efficiency and addressing security and transparency

SKI has benefited substantially from the solution. "ETHICS has helped SKI speed up processes and make the organization work more efficiently," notes Jakobsen. "We've doubled the number of frame contracts in our portfolio with the same headcount [of specialized consultants], even in a situation where we've had a 50 percent turnover rate of staff."

At the same time, since ETHICS has addressed transparency issues, it has virtually eliminated the need for bidders to complain about the outcome of a tender, which helps eradicate potential legal issues. Every step in the procurement process, including approvals, documents, or suggestions, is now logged and nothing can be hidden away.

"This is a very valuable tool for us," explains Jakobsen. "If a vendor wants a thorough explanation of why they were not chosen, for instance, we are now in a position to explain that in detail. We've never had any complaints regarding the tendering process, which is an area where something could potentially go wrong."

Business benefits

- Doubled productivity with same staff headcount
- Knowledge transfer among employees
- Vendor satisfaction with no complaints or legal issues
- Double-digit growth in contract turnover
- Ability to dramatically reduce administration costs through enhanced, standardized workflows
- Increased transaction transparency and ease of auditing
- Improved decision making via well-defined, transparent evaluation processes

Technology benefits

- An end-to-end, open standards-based tender solution leveraging the secure, reliable technology of IBM Lotus Domino
- A robust, secure decision-support system, based on Lotus QuickPlace and Sametime, enabling teams to meet and collaborate virtually in an online "voting room" – and gain access to important proposal-related data
- More user-friendly design question-naire to help buyers automate decision-making processes
- State-of the-art security including PKI infrastructure

In addition to the above, ETHICS helps increase efficiency for both public buyers and vendors, and features:

- *Intuitive, easy-to-use tool for creating questionnaires and integrating them into vendors' own systems*
- *Reuse of knowledge and templates, contractual terms, questionnaires and forms*
- *A comprehensive tracking and exception reporting system that helps management control simultaneous tenders*
- *Concurrent and multiple language support*

ETHICS: Shaping SKI's overall vision

Thanks to ETHICS, says Jakobsen, "We've broadened the whole scope of the company in that we want to provide customers with every type of product and service to help them make their procurement more efficient." ETHICS is also helping SKI expand into areas such as defense organizations and hospitals. Notes Jakobsen, "ETHICS is a very central part of our new strategy."

ETHICS was selected as one of the five best solutions in the category "The Role of eGovernment for European Competitiveness" at the Como, Italy-based EU eGovernment Conference 2003. In addition, ETHICS has received praise from the World Bank.

SKI plans to continue working with IBM and [inno:vasion] in further refinements, such as automating the decision-support system, developing ETHICS as an ASP solution, and expanding its market to private companies.

"The technology and development support that we've received from IBM has been very important to us," says Jakobsen. "Probably the most important factor is the trustworthiness of IBM. We have experienced a very competent sales effort from IBM, which is a very important factor in delivering such a successful solution."

For more information

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