

ETHICS – Best-of-Breed European e-Tendering Solution

a report by

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Søren Jakobsen is Managing Director of Danish National Procurement Ltd. (Statens og Kommunernes Indkøbs Service A/S (SKI)). His professional life started at the chemical company BASF in 1989. In 1991, Mr Jakobsen was employed as a secretary to the management team at Det Berlingske Office (owner and joint owner of a range of media in Denmark). From 1996 until 2001, he was Director of Advertisements at Berlingske Dagblade A/S and, in 2001, he was appointed Commercial Director at Berlingske Tidende (one of Denmark's major newspapers). Mr Jakobsen obtained a Master's in Economics/Business in 1989 and an executive MBA in 1996.

In July 2003, the Italian presidency opened the European eGovernment Conference in Como, Italy. The focus of the conference was to demonstrate the best practices in the area of e-government, and more than 440 different projects from all over Europe competed to obtain the prestigious eEurope award.

Among the top five nominated projects was the e-tendering solution developed by The National Danish Procurement Agency and its business partner, the Danish company [inno:vasion].

This article presents the solution, the benefits obtained by deploying it in Denmark and the current initiatives to roll it out on a global scale.

Danish National Procurement Ltd. (SKI)

Denmark-based National Procurement Ltd. (Statens og Kommunernes Indkøbs Service A/S (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. SKI is owned by the Danish Ministry of Finance and by the Danish Association of Local Authorities.

Background

In 1995, SKI issued a tender for a three-year frame contract for IT equipment and accessories to be used by the 8,200 ministries, institutions and agencies in the public sector in Denmark. By signing frame contracts with three to five vendors, the individual user organisations avoid the tedious and complicated matter of issuing their own tenders as required by the EU rules for public procurement. However, the task involved for the public procurement agency was an enormous one. They received a warehouse filled with proposals from numerous vendors, and the evaluation

required a large number of government specialists. At that point in time, the idea to create an automated system based on modern work flow, reuse of contractual terms and questionnaires and to ensure an open, transparent evaluation process was born.

The Solution

From 1996 and onwards, SKI, together with the IBM Lotus Business Partner [inno:vasion], developed the Electronic Tender Handling and Information Communications System (ETHICS). The final element was put in place in autumn 2002 when the Internet-based tender module using digital certificates was launched. The solution now includes all the major tasks related to the operation of a professional public tender organisation – from the annual planning cycle and decisions on which tenders to issue and when, the required official pre-announcement procedures, the external announcement of the tenders and the day-to-day management issues controlling the work in progress – and extending to the external contact with bidders, a secure online tendering process that allows bidders to receive material, work offline and, only when ready, submit the final proposals sealed and signed with a time-stamp and put into a locked tender box.

Even better, using digital questionnaires makes the evaluation process for the consultants/buyers, the steering committee and expert user panels much easier and more transparent.

The results obtained for SKI in Denmark have been substantial. The number of consultants – specialist buyers in each individual range of goods and services – has remained stable over the years, but productivity in terms of number of contracts negotiated and number of tenders handled has more than doubled. At the same time, the quality has improved, resulting in a process where no bidders are complaining about the outcome of a tender, and where the turnover generated from the contracts negotiated is showing a solid increase year on year, demonstrating the acceptance of SKI's work among the potential buyers in the public sector.

The Solution at a Glance

ETHICS is a Web-based system to automate purchasing (tendering) processes. It works with any Java-supported browser and 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 organisation, including the annual planning cycle and tender selection and timing, plus:

- official pre-warning (prior notice) and external tender announcement procedures according to EU regulations;
- daily management issues with work in progress, including online communications with bidders;
- online, secure tendering using digital signatures and closed virtual tender rooms; and
- transparent decision-making based on a unique questionnaire design tool and comparison tool.

Experiences Using ETHICS

The chief executive officer of ETHICS, Søren Jakobsen, presented the experiences and benefits obtained at SKI during the presentations in Como in July:

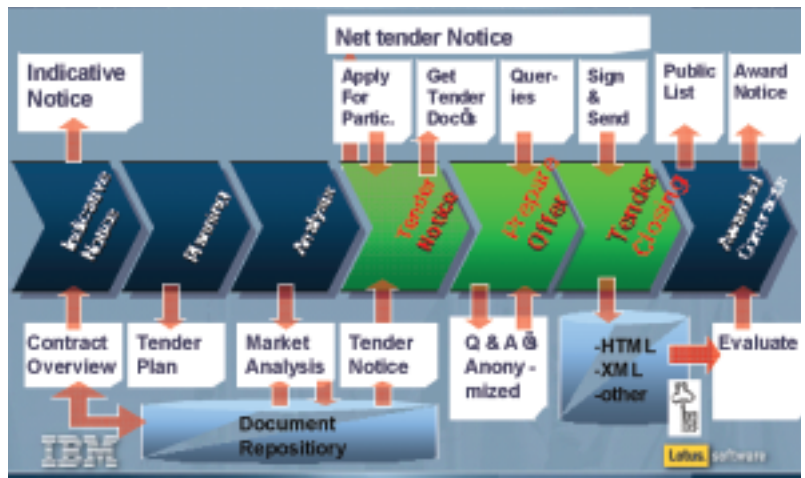
“We have actually been able to plan, run and operate more than twice the number of complex frame contracts per year compared to the period before ETHICS. And not only that, during the same period (over the last three years) we have had a turnover of 50% of staff, so the ETHICS solution also keeps our competencies and know-how in store for easy reuse.”

One of the major issues in many countries’ tendering organisations is the need to run a perfectly transparent decision process to avoid any legal complaints by vendors or bidders not selected for the contract. Mr Jakobsen said:

“We have noticed that in some countries, vendors complain as a tradition, leading to a very tedious and costly legal process before any public procurement can actually start. Since we deployed ETHICS using the decision support tool built into it, we have had NO complaints from any vendor leading to legal action or prosecution.”

The major reason for this is that the ETHICS solution can break down the overall score and explain the reasons for the selection by drilling down to the individual answers by each of the vendors/bidders. It

Figure 1: Tendering Using ETHICS



The tendering process as supported by ETHICS. While the blue arrows represent the internal processes, the green arrows indicate the processes that would be available for the participating vendors/bidders during the open phase of an actual tender.

also offers the opportunity for the vendor to compare their products and solutions with the best vendor. This is valuable information for the vendor that wants to improve their services and products.

Online, Secure Tendering

The EU is currently working to renew the existing directive on national procurement. e-Procurement is seen as a means to transform the European society into a much more competitive and responsive economy, and public procurement, normally accounting for 12% to 15% of the gross domestic product of any country, could certainly act as a driving force by offering small and medium companies across the borders fast and secure access to the public marketplace.

It has been stated in the 2003 draft proposal dated 14 May that:

“In view of new developments in information and communications technology, and the simplifications these can bring in terms of purchasing contracts and the efficiency and transparency of procurement processes, electronic means should be put on a par with traditional means of communications and information exchange.”

“The use of electronic means lead to savings in time. As a result, provisions should be made for reducing the minimum periods where electronic means are used...”

So, this is exactly what ETHICS is offering. Since autumn 2002, public tenders are fully electronic. The tenders are announced publicly, the vendors register and receive a digital certificate to identify themselves and to sign and encrypt the communication with SKI and their responses and, from then on, the entire process is online.

The benefits of downloading the questionnaires and documents are obvious: if a vendor had to fill in a questionnaire residing on the tender organisations' server, it would not be possible to run complex bids involving internal processes like pricing, quality assurance and legal approval, etc., within the bidders' organisations. With the ingenious development of a questionnaire design tool that converts the answers to XML format, very fast comparisons can be made as soon as the tender is closed.

The Future of ETHICS – Next Steps

As Søren Jakobsen states:

“ETHICS has proved to be of strategic importance to us. It has broadened the whole concept of what a tendering organisation could provide.”

So, currently, SKI in Denmark is running trial tenders where the ETHICS solution is being used by two of the major Danish counties, where the counties' own procurement organisations will benefit from the process know-how in ETHICS to run their own tenders. There is a much broader market for running tenders in a professional way.

Teaming Up With IBM for the Global Market

As SKI is owned by the Danish Ministry of Finance and the Association of Local Authorities in Denmark, the management of SKI realised that it would be an advantage to have a partnership with an organisation that could market, install and service the solution on a global scale. So, from spring 2003, SKI and [inno:vasion] teamed up with IBM, who are now actively marketing the solution from Australia to the Baltics. Demonstration centres have been equipped with ETHICS in Berlin and in IBM's Washington Institute for Electronic Government and staff have been trained on the system.

According to Søren Jakobsen:

“The technology and development support that we've received from IBM has been very important to us. 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.” ■