

THE COMPUTERWORLD HONORS PROGRAM

CASE STUDY

LOCATION:
Edinburgh, United Kingdom

YEAR:
2006

STATUS:
Laureate

CATEGORY:
*Government and Non-Profit
Organizations*

ORGANIZATION:

Scottish Executive

PROJECT NAME:

eProcurement Scotland (ePS)

Summary

The Scottish Executive's eProcurement Scotl@nd service (ePS) is enabling the entire Scottish public sector to win the cost savings and efficiencies of today's eProcurement technology. The project to design and implement the service was one of the most ambitious ever undertaken in the eProcurement field anywhere in the world, its scope being nothing less than the public sector of an entire nation.

ePS was pioneered and created by the Scottish Executive, the devolved government of Scotland, as a common technical platform available to all Scottish public sector organizations - including central government, local government and the Scottish National Health Service - on a completely non-compulsory basis and on fair commercial terms. It is a fully hosted 24 x 7 eProcurement service which supports the full range of procurement activities, including e-sourcing, e-tendering, e-auctions and the entire purchase-to-pay cycle. Public sector organizations pay a joining fee and an annual service charge. For suppliers, there are no general joining fees or service charges nor any transaction fees.

ePS provides a single technical standard for all suppliers, removing the need to operate different systems when supplying goods or services to different government agencies. This simplicity makes working with the public sector easy for businesses of all kinds, from small startups to giant multinationals. Through ePS, Scotland is leading the way in e-commerce with real advanced connections with suppliers for purchase order placement (more than 60,000 purchase orders have been placed through electronic links direct to suppliers back-office systems). Each order placed in this way provides savings in process time, speed and accuracy and opens up opportunities for further savings through automated payments. This is only possible due to the joined up approach the service has taken.

ePS links to the largest number of e-enabled suppliers of any public sector eProcurement program in Europe and fully supports Scottish Ministers' intention of making Scotland the best country in the world to do business with government and the wider public sector. These advantages further benefit Scotland by helping to stimulate investment, employment and economic activity.



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The service is provided by Capgemini UK plc and managed by the national eProcurement office. It is a key enabler in changing the way business is conducted with, and by, the public sector in Scotland. The savings in efficiency, prices and costs made through these changes are being re-directed into front-line services for the benefit of citizens. Organizations using the service have generated substantial savings. For example, the use of e-auctions has already saved more than £5million contributing to the overall £200 million of efficiency savings the service aims to achieve by 2008.

Operational since 2002 ePS has exceeded its target of 50 organizations joining by the end of 2005 (to date 60 organizations are using the service). Uptake of the service is gathering momentum and by 2007 it is expected that over 125 individual public sector organizations in Scotland will be using the service.

A successful and arguably one of the largest public sector eProcurement initiatives in the world the ePS service covers all stages of a high profile national government initiative – strategy, design, project management and evaluation.

Introductory Overview

Background

At the start of the 21st century, all parts of the Scottish public sector were under increasing pressure to deliver value for money, to carry out their activities with maximum efficiency, and to move to e-services wherever significant benefit could be gained by doing so. At the same time it was known that several problems within the procurement function were widespread across the public sector, including:

- Inadequate management control over external expenditure
- Poor contract compliance and too much 'maverick' off-contract purchasing
- Failure by many public sector bodies to flex their buying power muscles to win cost savings
- High costs - and delays - resulting from old-fashioned paper procedures
- Inadequate matching of items procured with the real needs of user departments
- Lack of any infrastructure to share best practice across the public sector

As an additional stimulus to take action, awareness was growing rapidly of the benefits of eProcurement and its successes in the private sector. The Scottish Executive, the devolved government of Scotland, reasoned that a single service for use by the entire Scottish public sector could solve all the above problems while removing the 'reinvention of the wheel' that would happen if each body pursued its own eProcurement initiative.

As a result, and following extensive consultation with stakeholders from across the Scottish public sector and the contracted service provider, Capgemini, the ePS project was initiated.

Objectives

Specific objectives were:

1. To create an efficient, reliable managed eProcurement service suitable for use by public sector organizations of all kinds across Scotland.



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2. To make the service available on a non-compulsory basis to those organizations on fair commercial terms, and to facilitate its rapid adoption.
3. To offer the Scottish public sector an immediately available service (without significant investment by user organizations) and rapidly deliver the classic benefits of eProcurement.
4. To eliminate the replication of cost and effort of different organizations pursuing their own individual eProcurement initiatives.
5. To give suppliers to the public sector the simplicity of dealing with a single eProcurement service.

Achievements

Since its initial launch in 2002, the number of Scottish public sector organizations subscribing to ePS has expanded at an accelerating pace and – as of March 2006 – stands at 60 organizations, significantly ahead of the Scottish Executive's target of 50 public sector user organizations by 2007.

ePS works alongside all the main financial management enterprise resource planning (ERP) systems and supports on-line billing and payment mechanisms including VISA and electronic invoicing. There are a selection of payment options through ePS e.g. consolidated invoices, evaluated receipt settlement and embedded government procurement card – not a 'one-size fits all' approach. Visa International have recognized the way in which ePS is combining cXML content provision and ordering with virtual procurement cards as representing world class innovation.

Equally important, ePS is delivering on its key promise to those users to generate significant cost savings and procurement process efficiency gains. Collaborative e-auctions, transactional savings and purchase payment automations through the use of the ePS service has delivered significant savings for the public sector in Scotland. The latest results show that the program is on track to deliver sustainable efficiency savings of £200 million per annum by financial year 2007-2008.

Existing users of ePS have found that real and measurable benefits have been rapidly achieved. NHS (National Health Service) Scotland, for example, is locking in place savings of at least £25 million per annum as a result of using the ePS service and associated improvements in efficiency. Implementation of ePS just over a year ago was key to a Best Procurement Implementation (BPI) programme aimed at transforming procurement systems and practices throughout the NHS in Scotland.

NHS Scotland reports many benefits in addition to cost savings, for example: accurate management data; reduction in time from order to acquisition, clear audit trails; improved contract compliance and adherence to business workflows, and resource savings from collaborative contracting .

The same story of success and benefits achieved is told by all other users of ePS, which now include Glasgow City Council, the Highland Council, West Lothian Council, East Lothian Council, Renfrewshire Council, North Ayrshire Council, North Lanarkshire Council and Argyll and Bute Council; NHS Highland, NHS Tayside, NHS Forth Valley, NHS Lanarkshire, NHS Grampian, NHS Argyll and Clyde, NHS National Services Scotland, the Scottish Ambulance Service, Scottish Water, Highland and Islands Enterprise, Historic Scotland and Registers of Scotland as well as the Scottish Executive itself and several of its Central Govern-



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ment Agencies.

To date ePS has processed more than 350,000 purchase orders with 1.7 million order lines with a total expenditure of more than £360 million. Each order placed in this way provides savings in processing time, speed and accuracy and opens up opportunities for further savings through automating payments.

The ePS service has already gathered UK and European recognition – accolades to date include:

- UK Information Management Awards: Winner – best Business to Business e-government project
- UK National eGovernment Finalist 2005
- British Computer Society 2005 Medalist – eGovernment project
- e Europe eGovernment Awards 2005 – Best Practice Case Finalist
- AberdeenGroup – Best Global eProcurement Implementation Project (government)

Benefits

The eProcurement Scotl@nd service provides a common platform and approach to eCommerce, bringing together local government, the NHS and central government in Scotland. It is bringing savings and efficiencies for both buyers and suppliers and, through encouraging a collaborative approach to purchasing, supports diverse areas of government working together without diluting local controls or responsibilities.

Take-up has been widespread encompassing local authorities, NHS Scotland, specialist agencies, utilities and the Scottish Executive itself. Some 60 public sector organizations are live in the service. A further 19 are expected to implement or commence implementation in the current financial year.

All users are reporting positively on the cost and efficiency transformation that the new service is bringing, and results confirm that the project is on track to achieve sustainable cost reductions across the entire Scottish public sector of £200 million per annum by 2007-08. This represents an outstanding Return On Investment.

The service, from service provider Capgemini, is reliable, affordable, proven and cost-effective. It operates 24x7x365 and has had no significant glitches or downtime since launch

The project is transforming the costs and efficiency of external procurement across the Scottish public sector, with taxpayers, residents and businesses the ultimate beneficiaries. It is also enabling user organizations to bring procurement costs under much firmer control, achieve better visibility of all spending, and eliminate 'maverick' expenditure.

Significant cost savings are being reported by user organizations, arising from:

1. Better matching of procurement with needs
2. Lower administrative costs via streamlined ordering and payment processes
3. Easier monitoring and enforcement of agreed contracts
4. Reduced ad hoc or off-contract expenditure



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5. Improved leverage of purchasing power via improved access to information

6. Better management and budget control via improved information flows

NHS (National Health Service) Scotland, for example, is reporting annual and sustainable savings of £25 million per annum linked to its adoption of the ePS service.

Employee Benefits

Front line staff appreciate the ease of use of the ePS system and particularly the reduction in complexity from previous paper and ERP based processes.

The ePS program has also eliminated the unnecessary clerical drudgery and paperwork previously associated with procurement activities. By doing so it has enabled procurement professionals throughout the Scottish public sector, and their co-workers, to focus more strongly than ever on studying and meeting the needs of their ultimate customers - Scottish citizens in their role as consumers of public services.

Environmental Benefits

ePS has strong environment footprint. The shift from paper-based to electronic processing that ePS facilitates is delivering sustainable benefits to the environment. For example the paper saved from removal of 155,000 printed invoices from the Scottish Executive's own procurement processes alone represents 14 trees left unfelled. The same way ahead is being seen nationally, with ePS helping to substantially reduce the 20 million plus paper invoices processed in the Scottish public sector per year.

Citizen Benefits

The cost savings and efficiencies of ePS are already feeding through to the ultimate beneficiary, the citizen who uses and pays for public services. A typical example is the Scottish Ambulance Service which was able to fund the purchase of an additional air ambulance as a result of the savings generated by moving to ePS.

By achieving best value for money for the public sector in Scotland, ePS is also achieving best value for public services for the citizens and taxpayers of Scotland. By playing a key part in delivering supply chain efficiencies, it is also playing an important role in supporting those public services with the right goods and services in the right place at the right time. By making Scotland the best place in Europe to do business with the public sector, it is helping to boost the Scottish economy, generating additional investment and new jobs.

Global Benefits

Working successfully for over three years, ePS is the largest (and still the only) eProcurement program in Europe to date which supports the full end-to-end purchasing cycle from sourcing to payment.

As leader in this area, the Scottish Executive ePS management team is well placed to share its experiences with other national and international government bodies, assisting them to formulate actions and plans to take forward electronic public procurement for the benefit of both their buying organizations and their suppliers. To assist with this, the ePS program team facilitates best practice user and expert groups, manages a website (www.eprocurementscotland.com), speaks and exhibits at national procurement events, produces a regular newsletter, detailed case



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studies and guidance materials providing all the latest information news and relevant experience needed to make eProcurement a success.

The Scottish Executive's ePS program is totally relevant for any nation, state or region which has at least a reasonably advanced technological infrastructure and which wishes to improve the efficiency and cost-effectiveness and value for money of its public sector procurement activities.

The Scottish Executive has already received and responded to enquiries about ePS from Denmark, Spain, Norway, Slovenia, Malta, Thailand, Wales and Northern Ireland and is happy to work with other administrations to help them win the same benefits that are already being won in Scotland.

The Importance of Technology

The ePS service could not of course function without robust and reliable IT. However the ePS program has not sought to change or challenge user organizations underlying IT infrastructures rather it has devised a service which can work alongside current IT systems and programs without the need for costly IT capital expenditure. Underpinning the ePS service is a robust, commercially proven 'off the shelf' eProcurement system which is capable of being used by any public sector organization or supplier in Scotland who have at the most basic level access to a standard internet browser. The simplicity of this remotely hosted service model allows user organizations to gain access to a low risk, stable and reliable eProcurement service without the need to make costly IT capital investment.

Rigorous application by Capgemini and the Scottish Executive of three key principles have ensured the outstanding success and continued implementation of the ePS service, from initial design concepts through to final go-live:

1. Collaboration and Teamwork

The importance of collaboration and teamwork was understood from the start, and one of the first implementation decisions taken was to work closely with colleagues in Local Government and the NHS rather than impose a model based on the view that "the centre knows best". Potential users, including procurement and IT professionals from several Scottish public sector organizations, contributed to the end-result to ensure the service would truly meet the needs of all user organizations.

Consequently all aspects of the implementation were based on cross-sector collaboration and consultation, including service and system development, program governance, supplier eEnablement and the development of Purchase-to-pay (p2p) solutions.

2. Putting Business Requirements before Technology

The Capgemini implementation team took the view that an understanding of the problems must precede choice of solution, and consequently the ePS business and commercial model was developed on the basis of statement of business and strategic outcomes rather than on the basis of an IT roll-out. For example it was quickly decided that the service should not require suppliers to incur costs – such as transaction fees – to participate, and that interaction with the service should be via open interfaces rather than by proprietary products. The view was also taken that in order to succeed, the service had to ensure benefits not only to buyers but also to suppliers



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The team proceeded in a planned and phased way to address issues in the three core activity areas:

- *provision of content (via catalogues or by punch-out);
- *provision of the appropriate connection with the supplier for order placement (cXML, email, fax etc)
- *working with suppliers to improve their capabilities; and in payment options.

The Scottish Executive became the first UK public sector organization to place live cXML orders with Dell via the ePS service and are currently understood to be the most advanced in the European public sector as measured by the volume of business transacted via cXML. To date over 60,000 orders have been placed in this way.

3. Adoption of Proven Technology and Methodology

Capgemini was contracted as service provider for the project, and the development of Capgemini's Best Procurement Implementation (BPI) methodology has been a key component of the success of ePS, as was the Executive's requirement that all technology components in the solution should be fully proven in live commercial practice.

A specific key challenge arose from the range and diversity of intended user organizations. The system and service developed would clearly have to be suitable for public sector organizations large and small and of widely varying types. It would also need to be easily capable of use by suppliers ranging from giant multinationals to small/medium enterprises, and, in the case of local Scottish suppliers, sometimes very small businesses. The solution was developed by adopting an intensive program of wide consultation, by the co-opting of user organization and supplier-side staff onto the project team, and by careful and thorough identification of stakeholders and their needs.

The implementation team comprised approximately 55 people at peak time excluding local implementation teams at each subscriber organization. It included some 30 people from Capgemini, including change management consultants, procurement and supply chain specialists and IT professionals.

In order to win the anticipated benefits without delay, an aggressive implementation timetable was set – and met – as follows:

Planning & consultancy: 3 months

- System design, build and implementation: 3 months
- Initial roll-out of basic service (phase 1): 12 months
- Addition of extra facilities (eTendering, eAuction and new eCatalogue): 3 months

In addition to its role in design and implementation, Capgemini was also awarded the long-term (7-year) outsourcing contract to provide the ePS service.

The security of the service was carefully considered during the evaluation process. Access is fully password-protected, and encryption of the core application comes as the default option (i.e. at no additional cost) which is strongly recommended by the Scottish Executive. The service can also support X.509 Digital Certificates.



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Originality

The Scottish Executive's eProcurement Scotl@nd (ePS) service is unique. It is the first eProcurement service in the world designed to meet the public sector procurement needs of an entire nation. The service has been working 24x7 since launch with no significant glitches or problems and to the full satisfaction of the Scottish Executive, the entire user community i.e. the public sector bodies who use it to buy and their suppliers who use it to sell.

In addition to the overall bold concept, the ePS program displays a number of original features that stem directly from the sheer originality of the challenges it was created to address:

The Challenge of Scale

The project to design and implement the service was arguably the most ambitious ever undertaken anywhere in the world in the eProcurement field, its scope being nothing less than the public sector of an entire nation. As such, it can be viewed as the latest in a long line of 'world firsts' that demonstrate the ability of Scotland to lead the rest of the world in developing and harnessing the latest inventions, ideas and technologies.

The challenge was met by partnering Capgemini's global experience of large-scale IT architecture and multi-stakeholder project management with the Scottish Executives extensive knowledge of the needs, policies and workings of public sector organizations.

The Challenge of Scope

A specific key challenge arose from the range and diversity of intended user organizations. The system and service developed would clearly have to be suitable for public sector organizations large and small and of widely varying types. It would also need to be easily capable of use by suppliers ranging from giant multinationals to small/medium enterprises, and, in the case of local Scottish suppliers, sometimes very small businesses. The solution was developed by adopting an intensive program of wide consultation, by the co-opting of user organization and supplier-side staff onto the project team, and by careful and thorough identification of stakeholders and their needs.

The Challenge of Change

Winning the full benefits of ePS involves more than simply plugging into a new piece of software. It involves a business change program which aims to take the opportunities afforded by eProcurement technology to address a need for change in the ways in which public procurement is managed and practiced. For this reason the Scottish Executive ePS program team, together with Capgemini, also offers all the associated planning, consultancy and training services needed for new users to rapidly get started with ePS and to win the full benefits that the ePS service offers without delay.

Success

The ePS program is an unqualified success. It has met or exceeded four of its five key quantified objectives:

- To achieve at least 50 public sector user organizations signed up to the service by end-2006

Actual result: 60 user organizations by March 2006



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- To achieve at least 150 suppliers signed up to the service by end-2006

Actual result: 8000 suppliers by March 2006

- To achieve at least £100m of transaction volume by end-2006

Actual result: £360m achieved during calendar year 2005

- To maintain a 24x7x365 service with downtime under 0.25%

Actual result: downtime of under 0.15%

In addition, the program is fully on track to meet or exceed its fifth quantified objective:

- To generate at least £200m annual sustainable procurement savings by 2007/8

With ePS, the Scottish Executive offers all public sector bodies in Scotland access to a technically advanced and commercially proven eProcurement service. Together with Capgemini, it also offers all the associated planning, consultancy and training services.

Through ePS, Scotland is leading the way in e-commerce with real advanced connections with suppliers for purchase order placements. To date ePS has processed more than 350,000 purchase orders with 1.7 million order lines. Each order placed in this way provides savings in processing time, speed and accuracy and opens up opportunities for further savings through automating payments.

Since its inception ePS has delivered significant improvements in pay performance to suppliers across all central government departments. Additionally through the use of collaborative e-auctions, transactional process savings and purchase payment automations ePS is on track to deliver over £200million of savings for the Scottish public sector – saving that can be redirected to frontline services.

All 60 public sector user organizations are reporting positively on the benefits of ePS, and a number of outstanding case studies are already in existence that reveal the very significant measurable benefits that can be achieved by implementing the system.

Glasgow City Council

Glasgow City Council is the largest of the 32 local authorities in Scotland. It is responsible for the delivery of all local authority services to the city and its 600,000 residents. With approximately 35,000 employees and a gross annual budget of over £2.4 billion this makes Glasgow City Council the largest single organisation to join ePS.

John Sherry, the Council's Procurement Programme Director, said: 'Glasgow City Council is delighted to have worked in partnership with the Scottish Executive to achieve a successful and on schedule phase 1 implementation of the ePS programme. The council is confident that the ePS initiative will bring mutual advantages to the council, suppliers and the national programme. Early feedback from suppliers and end users has been extremely positive and the programme team looks forward to implementing the next phase.'

NHS Scotland

NHS (National Health Service) Scotland is confidently expecting to lock in place savings of at least £25 million per annum as a result of using the ePS service and associated improvements in efficiency. Implementation of ePS in 2004 was key to an Best Procurement Implementation



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(BPI) programme aimed at transforming procurement systems and practices throughout the NHS in Scotland.

NSS went live with the implementation, as planned, in April 2004 and is now reporting many benefits in addition to cost savings, including: better visibility of where the money goes; a significant reduction in the amount of time and effort required to place an order; clear audit trails; improved contract compliance because of the co-ordinated selection and adoption of suppliers.

The ePS program has been rapidly embraced by the target population both of public sector buyers and private sector sellers. Numbers achieved to date exceed targets laid down, as follows:

- To achieve at least 50 public sector user organizations signed up to the service by end-2006

Actual result: 60 user organizations by March 2006

- To achieve at least 150 suppliers signed up to the service by end-2006

Actual result: 8000 suppliers by March 2006

- To achieve at least £100m of transaction volume by end-2006

Actual result: £360m achieved during calendar year 2005

Difficulty

The three main challenges that had potential to derail the ePS program were:

1. The need to develop a single system with sufficient adaptability to accommodate the needs of public sector organizations of widely varying size and scope and with very different procurement patterns.

This challenge was overcome by adopting Capgemini's collaborative approach to project management, with consultation and input at every stage from a wide variety of stakeholders.

2. The need to identify, select and integrate a number of leading-edge technology components to provide a unified system operating on a scale considerably broader than that found in even the largest multinational private sector company.

This challenge was overcome by deployment of Capgemini's global knowledge of the IT industry and experience of large-scale integration projects.

3. The need to market the benefits of ePS to public sector organizations which enjoyed a high degree of independence and to provide the service on a completely non-compulsory commercial basis.

This challenge was overcome by careful planning and analysis – and hard work – on the part of the Scottish Executive's ePS program team with the aim of developing fair but attractive commercial terms for the ePS user community.

All three challenges were triumphantly overcome and, so far from being derailed, the ePS program continues to power forward, ahead of schedule, ahead of objectives and ahead of expectations.