





Smart Admin for the Public Sector



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Michael O'Brien 1st November 2010



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1. Introduction

There is no shortage of prescriptive medicine for Ireland's economic predicament; much of it unpalatable and difficult to comprehend. In the past twelve months the Irish government has sponsored a series of groups to review their respective sectors and then recommend courses of action to address the severe imbalance in Ireland's finances.

The resulting reports vary both in scope and depth of response but they all contain positive and innovative suggestions. The purpose of this document is to broaden the discussion to include the significant cost savings and efficiencies that public sector bodies can achieve by automating paper-based processes, primarily in the supply chain. The success of LA Quotes¹ in electronic procurement is testament to the public sector's willingness to embrace efficient processes so we know it has an appetite for new innovative processes.

Smart Admin™ is Celtrino's vision of the future and in the context of keeping people in employment we want to make it clear that Smart Admin is about releasing public sector staff from the mundane task of manually processing paper documents to work on the efficient delivery of services to the public. Unencumbered from the morass of paper documents, the public sector can be empowered to assign resources to meet service delivery targets.

The benefits of Smart Admin spill over into the broader Irish economy by facilitating the internationalisation of Irish business. As a small open economy it is critical that our SME business base is at the forefront of electronic commerce (e-business / e-trading) usage in Europe. Some sectors of the Irish economy are geared for international trade but many are not. Although there is a concerted effort across all government bodies on export-led growth initiatives there is little recognition of how important it is that the Irish SME base is positioned to trade electronically. The public sector can be empowered to be an engine of this growth and it would make astute business sense if the public sector was to embrace initiatives that competitively reposition Irish SMEs vis-à-vis their European counterparts.

Another strong thread running through many of the reports is the strategy to build on Ireland's reputation as a European base for foreign direct investment (FDI). In recent years Ireland has ceded some of its competitive advantages and it would be foolish to

¹ LAQuotes.ie is an online quotation solution that has been developed to streamline the annual quotation process and deliver real benefits to both Local Authorities and suppliers in Ireland.



think that our European Union colleagues are not looking to emulate our FDI successes. There should be no manmade paper barriers to trading on the island of Ireland or with the European mainland. By automating the paper-based processes in the supply chain Ireland Inc. can further position itself as a premium FDI destination. Again, the public sector can be one of the engines of change in automating the supply chain.

Let's put all this in context. Across Europe, government spending as a percentage of GDP is close to 16% or €1,500 billion². In Ireland, the local-government spend alone is estimated at €8.5 billion in 2010³ so the impact of this spend in the economy is significant. A number of European countries have already engaged in the automation of the public sector supply chain and the cost savings and efficiencies are well documented.

The public sector in Ireland is to be applauded for the advances it has made with regard to innovative initiatives such as MotorTax.ie and LAQuotes.ie, which together have removed many thousands of paper documents, made life easier for all concerned and provide a prima facie business case for the benefits of scalable automation of key paper-based processes.

The European economy is going through a period of unprecedented change and the only certainty looking into the future is more rapid change and an increasingly competitive market. Looking across to northern Europe one can see that collectively, the Nordic region has capitalised on the benefits of their respective public sectors trading electronically. This trading bloc has delivered to its constituents both a national and international trading advantage by its adoption of electronic trading.

The opportunity at hand is for Ireland is to embrace the Smart Admin concept and reap substantial local, regional, national and international benefits. The stakes are far too high for Ireland to ignore this opportunity.

² Source: http://www.peppol.eu/About_PEPOL

³ Source: Report of the Local Government Efficiency Review Group, published July 2010 by the Department of the Environment, Heritage and Local Government
<http://www.environ.ie/en/PublicationsDocuments/FileDownload,23533,en.pdf>



2. What actually is Smart Admin?

Celtrino's Smart Admin™ automates paper-based processes in the supply chain, be it in the public or private sector. The overarching key benefit attributable to Smart Admin is an average 30% reduction in the supply-chain management costs.⁴

A fully functioning supply chain requires checks, controls and balances to ensure that it operates correctly and to the agreement of all trading partners. Today, some sectors of our economy have all but eliminated paper documents from their supply chains while other sectors continue to operate using the traditional manual paper based supply chain.

Companies that move to tackle and automate paper-based transactions are proven to operate more efficient supply chains and deliver much better value to their customers. Their staffs are also freed from the laborious administration of paper-based activities to concentrate on more productive tasks.

The 'Report of the Local Government Efficiency Review Group,' published in July 2010 lists key recommendations in its introduction. Central and complementary to the Smart Admin approach is the following recommendation:

That is why the review group has placed such emphasis on staffing and procurement. There are savings to be made here without putting service levels at risk.

Paper-based commercial transactions have long been a proven barrier to quick and efficient intercompany transactions. In light of the pressure to reduce costs across the public sector it is an imperative of all concerned to find innovative ways to introduce efficiencies that do not negatively impact on existing service levels.

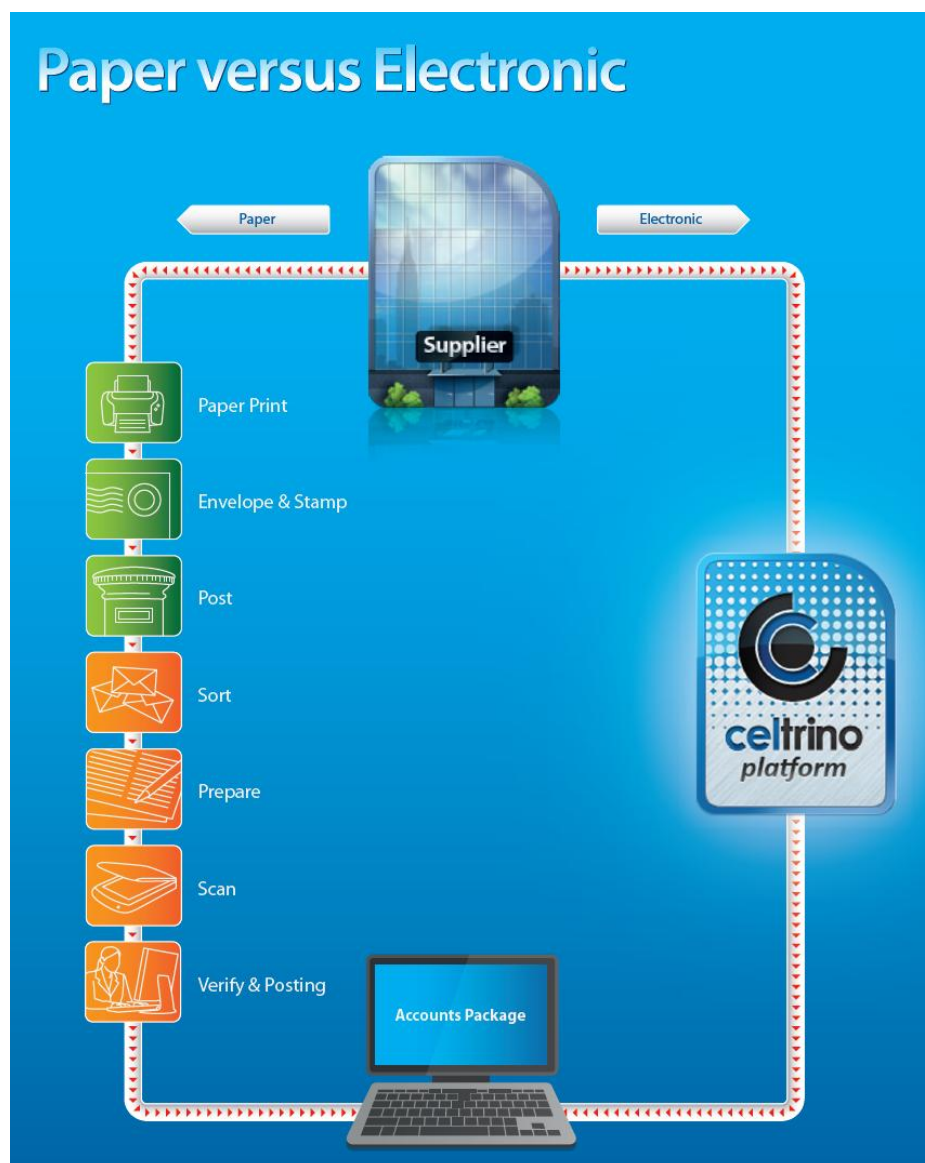
We have referenced the substantial cost savings that are achieved by eliminating manual inputting of data, print and postage, dispute resolution, hardware and IT, and a variety of other business costs. Smart Admin goes further and underpins a core requirement of the working group that existing service levels are not impacted:

- Staff are freed from the mundane task of manually processing paper-based documents for the delivery of more productive services

⁴ This figure is based on Celtrino's experience of more than 20 years automating the supply chain for hundreds of Irish companies.

- Huge reductions in dispute resolution are seen in all departments as all issues pertaining to the supply chain are immediately flagged and relevant departments can act accordingly

The following diagram is a snapshot of the king of documents in action – the invoice, so called, as without it you won't get paid. On the left, you have the traditional paper based process and what is immediately evident is the amount of hand holding that is required before the document is finally processed for presentation and payment. On the right, the immediacy of the electronic process is apparent and you can readily comprehend all the superfluous manual processes that are eliminated.



3. Smart Admin for the Public Sector

Ireland has taken tentative steps to execute public-sector projects addressing supply chain challenges. Of particular note is the LA Quotes project, developed in 2003 by Kerry County Council, to provide an annual online quotation and procurement application for local authorities. A resounding success, there are currently more than 3,900 suppliers registered on the portal and there has been a reduction in hard-copy document requests from more than 284,000 to 36,000. “Based on the benefits predicted in 2002, the system has yielded savings to local authorities in the order of €250 million in the period 2006-2009.”⁵

On mainland Europe, some of our EU partners have been more proactive. Denmark, similar in size to Ireland, has long recognised the opportunity of embracing a national electronic invoicing infrastructure. The Danes passed into law in 2005 a requirement that all invoicing with the public sector was to be electronic. Although the Danish public sector model called Nemhandel⁶⁷ is presented as an outwardly focused public-service channel for Danish business, the benefits accruing to the Danish economy are staggering. The Danish National IT & Telecom Agency (NITA) estimates that the project will save the public sector €10 million annually⁸. The real extent of the benefit is when the savings are measured in the private sector and the agency estimates businesses will save about €591 million per year from reduced invoicing costs with the public sector.

Sweden, Finland, Norway and Denmark have led the EU electronic invoicing movement and today all have legislation in place that mandates all invoices with the public sector to be submitted electronically. Spain, Italy and Greece are following suit. Other EU member countries have various flavours of legislation in place but there is a common movement to harmonize e-Invoicing across Europe.

The European Union launched the Pan European Public Procurement Online Project (PEPPOL) project in May, 2008⁹. The aim of the project is to enable companies, in particular the SME base, to bid online for public sector contracts anywhere in the EU.

Although still only at pilot stage, PEPPOL will transform an EU wide GDP spend by government of €1,500 billion. Irish businesses that trade with the Irish public sector will face competition from other SME's across Europe, and in turn Irish SME's will be able to

⁵ Source: Page 103, Report of the Local Government Efficiency Review Group

⁶ <http://www.epractice.eu/en/cases/easytrade>

⁷ <http://en.itst.dk/digitisation/nemhandel/about-nemhandel>

⁸ <http://www.futuregov.asia/articles/2010/jan/13/denmark-helps-businesses-national-e-invoicing-syst/>

⁹ <http://www.peppol.eu/>



compete for business in every European Union jurisdiction. The potential for export-led growth is obvious but the benefits that could accrue to the Irish public and SME sectors are predicated on the Irish government putting in place the mechanisms necessary to make the PEPPOL project an Irish success story.

4. Internationalising Irish business

Key actions to support the implementation of the Trading and Investing in a Smart Economy¹⁰ report are to develop a strong international reputation for Ireland in high growth-markets and to develop and internationalise our enterprise base. The public sector spend in Ireland as referenced above is significant and it should be tagged as a key imperative that Ireland takes the lead in automating the manual processes in the supply chain.

By legally mandating the Irish SME base to trade electronically with the public sector, we are in effect preparing these companies to trade internationally. The ambitions of the Department of Enterprise, Trade and Employment are now astutely aligned with those of the Local Government Review Group and the net result is a more efficient public sector that is returning millions of euro in net savings to the exchequer and at the same time has assisted in the internationalising of thousands of Irish SME's.

High-growth markets are themselves undergoing huge transformational change and Brazil and Mexico, to name but two, are in the process of mandating their public sectors to automate key processes in the supply chain. If Ireland harbours ambitions to create impact in high growth markets then it is true to say that the concept of a Smart Admin economy is inextricably linked to an automated supply chain that spans both the public and private sectors.

5. Ireland as a foreign direct investment (FDI) hub

A low-tax regime coupled with a highly educated work force and close proximity to more than 350 million people has long delivered a level of FDI that has been the envy of other governments all over the world.

Although we have reaped great returns from this level of FDI it is now more challenging to maintain such levels. Many of our European colleagues have raised their game significantly and now have competing FDI propositions. The recent Global

¹⁰ Source: Trading and Investing in a Smart Economy, published August 2010 by the Department of Enterprise, Trade & Innovation. http://www.deti.ie/trade/bilateral/Strategy_and_Action_Plan_to_2015.pdf



Competitiveness Report 2010-2011¹¹ rates Ireland at 29th, a slip of four places which places further pressure on the state agencies tasked with selling Ireland as a premier FDI destination.

It is unlikely that we will ever again scale the dizzying heights of Intel, HP or Boston Scientific FDI investments in Ireland. Instead, Ireland is attracting an increasing level of smaller FDI investment represented by smaller company sizes.

The new breed of service-led companies that are looking for an overseas hub do not want to have to incur costs that are attributable to the old ways of doing business. They require a light footprint and streamlined way of executing the inter-company processes particularly in the supply chain.

Let's revisit the Danes for a minute. They have a clear strategy which encompasses their vision for the automation of the public sector supply chain¹². Their overarching strategy is to build a networked economy that will have very good competitive differentiators for any non European company looking for a European base. In typical Danish fashion this strategy is well under way, on time and on budget.

The lessons for Ireland are clear. FDI is in integral part of our future strategy to reverse the financial turmoil of the past three years. In this instance do as the Danes have done – plan, provision, execute.

¹¹ <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>

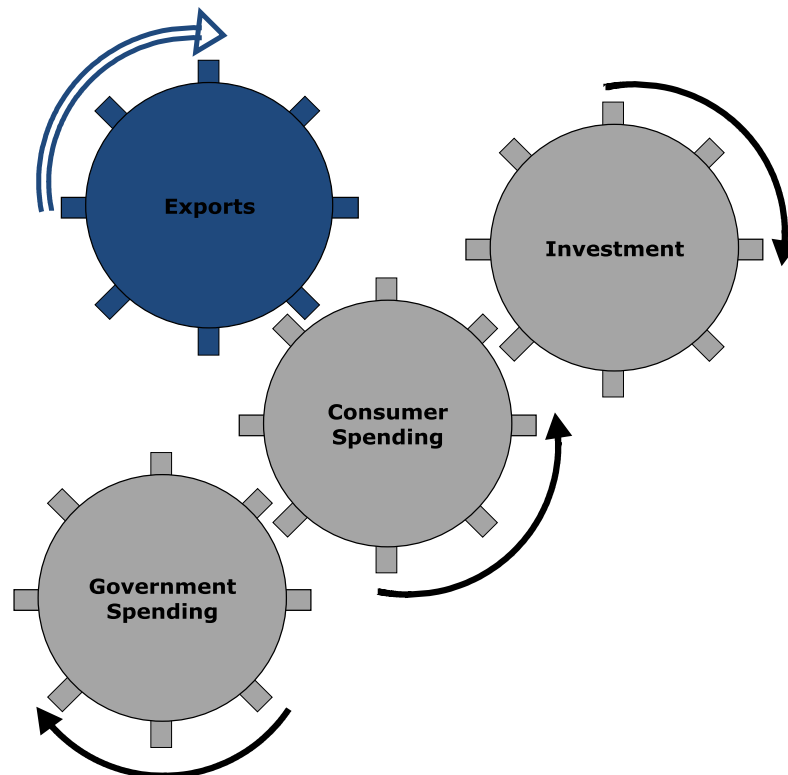
¹² <http://www.epractice.eu/en/document/288206>

6. Smart Admin - a sustainable platform to deliver

Seeking to address the imbalances in the public finances from a cost-cutting-only perspective is fraught with difficulty. Service levels are threatened and the thousands of SME's that have strong economic dependencies on the public sector are further starved of much needed business.

Smart Admin asserts that by first looking to introduce efficiencies you then reap the benefits of better value via cost reductions but maintain the existing levels of service with the same staffing levels.

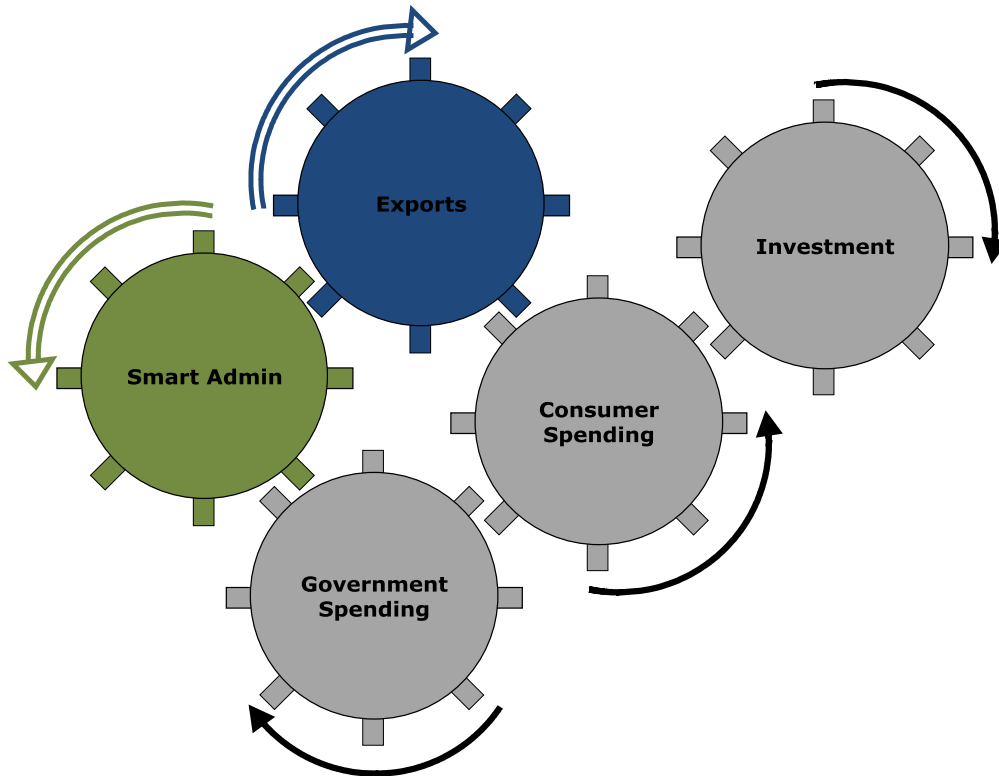
The Making It Happen¹³ report published by Forfás employs a diagram that expertly presents the challenges facing the Irish economy. The spending by the public sector is inextricably linked to export driven growth which in turn feeds investment and consumer spending. The report maintains that deviating from the export-led model cost Ireland dearly in the past decade.



The Virtuous Circle: Export Driven Economic Growth

¹³ Making it Happen: Growing Enterprise for Ireland, published October 2010 by Forfás
<http://www.forfas.ie/publication/search.jsp?ft=/publications/featuredpublications/title,6807,en.php>

By including the potential of doing business smarter in the 21st century, Smart Admin adds a new dynamic to Forfás's virtuous circle. Ireland can now reap the significant benefits of an automated supply chain which generates hundreds of millions in savings for the exchequer and at the same time empowers Irish SME's to trade overseas.



The Virtuous Smart Admin Circle: Export Driven Economic Growth

7. Smart Admin - the missing link

It is unquestionable that as a small open economy strategic decisions have to be made that will shape the economic and social landscape of the country for decades to come. In the past few years we have made tentative steps in the right direction as evidenced by LAQuotes but we should also learn from our European colleagues, especially the Nordic region that has fully embraced the concept of an automated and electronic supply chain and is reaping significant benefits.

This report should at a minimum place the topic of the paperless or automated supply chain at the top table as a serious point of discussion. Smart Admin is Celtrino's vision



not only of the future but of the here and now. It works, we have proof it works and the results that accrue are both measurable and substantial¹⁴.

The staff of the public sector in Ireland are also deserving of the latest advances in best business practices especially when they are as readily transferrable as Smart Admin. Leaving aside the growing pressure to reduce costs and trim services, it is incumbent on the country's elected leaders to ensure that all public-sector bodies are empowered to deliver the best service levels possible.

Smart Admin is Celtrino's vision of the way forward. We believe Smart Admin provides a way forward that reduces costs and maintains service levels in our public service sector, improves the attractiveness of the country as an FDI location and assists in the internationalising of a generation of Irish SME's.

¹⁴ http://www.celtrino.ie/campaign/public_sector_network_conference_2010.aspx



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