

# Messung der finanziellen Effizienz eines Amtes in einem Indikator

**Best Practice Forum: Finanzmanagement  
Moderner Staat, 13. Fachmesse und Kongress,  
Berlin, 25. November 2009**

Arnaud De Waël, Change Manager, Finance  
Andreas Bölscher, Geschäftsführer ManagementTeam



# Content

**1. Introduction: The EPO - ManagementTeam**

**2. Management Accounting: objectives, context and tools**

**3. Achievements and ongoing debates**



# Introduction

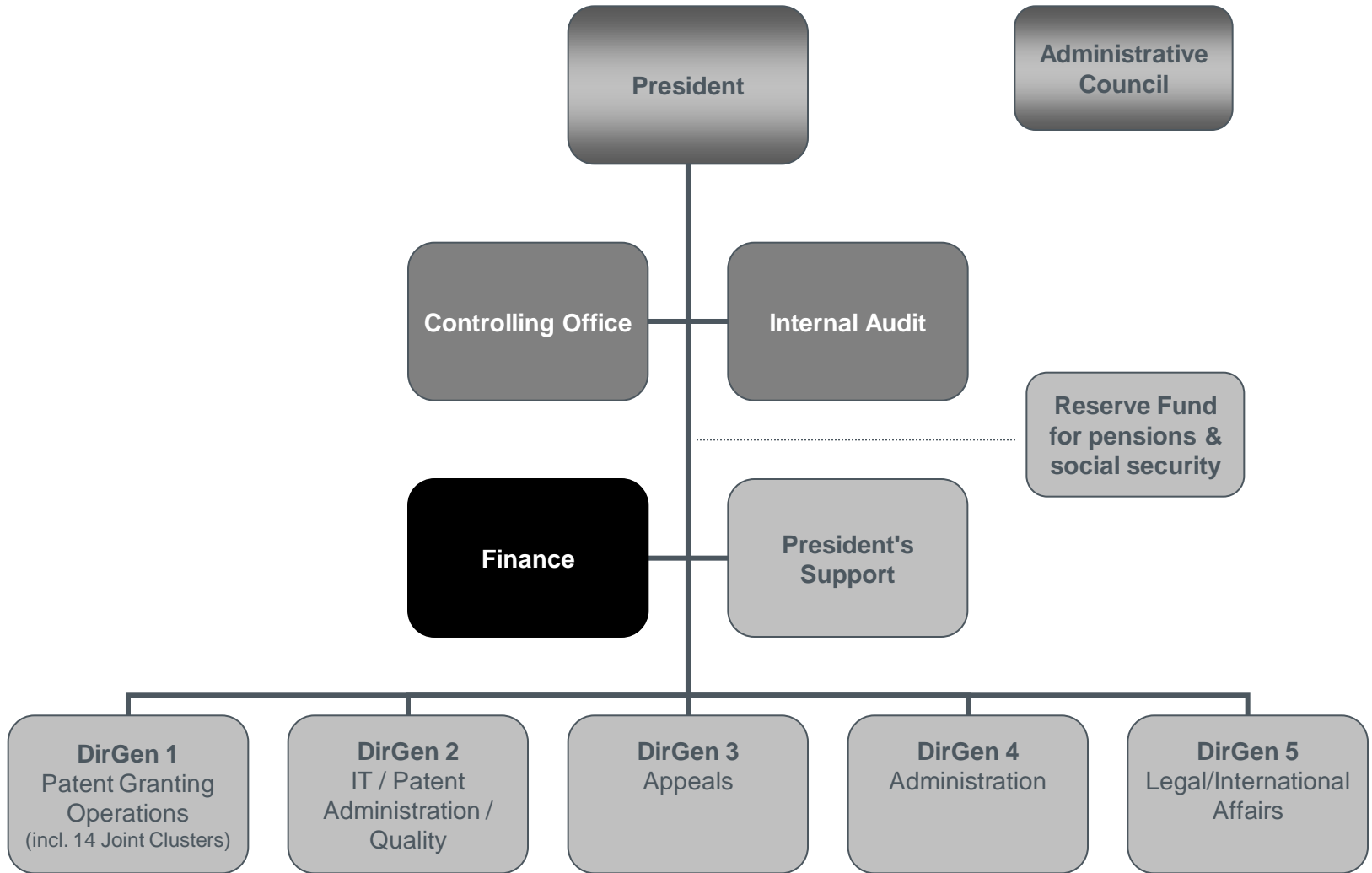


# The European Patent Office

- ✓ Public International Organisation
- ✓ Leading role in industrial property, patent law, patent information
- ✓ Headquarters in Munich
- ✓ Ca 7000 staff, EUR 1.4b Budget Total
- ✓ Self-financing, Business-oriented
- ✓ One single processing for a protection in up to 38 countries



# The European Patent Office (EPO)



### Wer wir sind

Firmenhistorie

Gründung 1995 von Prokuristen der KPMG

Unternehmensgröße

Derzeit 20 Berater

Standorte

Mainz – München – Saarbrücken – London

Branchenschwerpunkte

Öffentliche Verwaltung – Kreditinstitute –  
Leasing – Versicherungen – Automotive

Partner des  
Managements

Analyse – Konzeption – Implementierung

[www.managementteam.de](http://www.managementteam.de)

# Management Accounting



# Striving to become a Model Public Organisation

- ✓ Until 2005, traditional environment: cash budget, short- and medium term focus, limited management data
- ✓ Now, a more ambitious model:
  - EPO accounting under IFRS
  - Long-term financial sustainability in focus
  - Cost efficiency as priority
- ✓ Subsequent need for financial performance measurement
- ✓ Management focus on cost accounting
  - reporting obligations in EPO Financial Regulations
  - development boosted in 2005-2007
  - fully deployed by now, next steps already planned





# Main challenges of cost accounting

- ✓ The EPO Cost and Income Structure
  - Proportion of fixed costs
  - Association of all costs with a suitable cost centre ("causing principle")
  - Product-related income vs. not product-related "renewal fees"
  
- ✓ Medium cost-awareness and medium performance-awareness
  
- ✓ Achieving cost transparency to the right line management level
  
- ✓ Decentralisation of financial authority and achievement of savings
  
- ✓ Last but not least, methodology issues such as the use of operating costs under IFRS

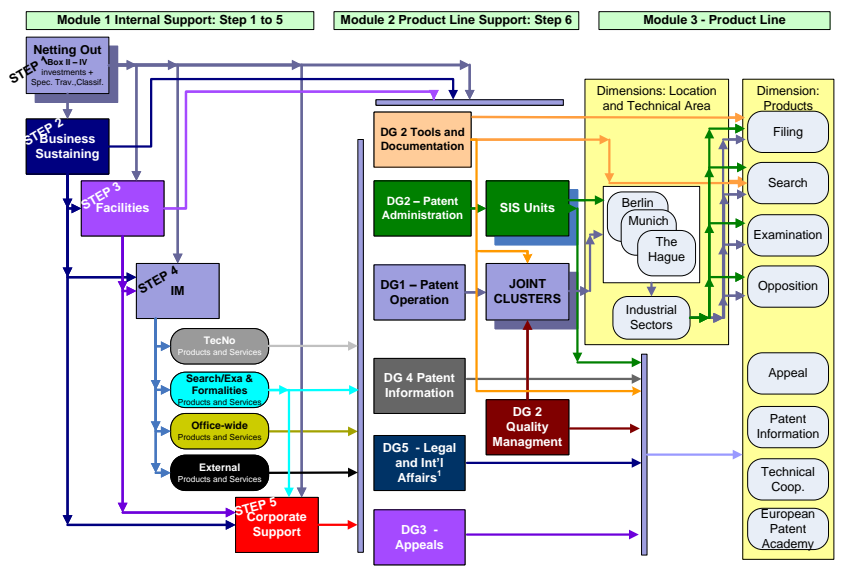
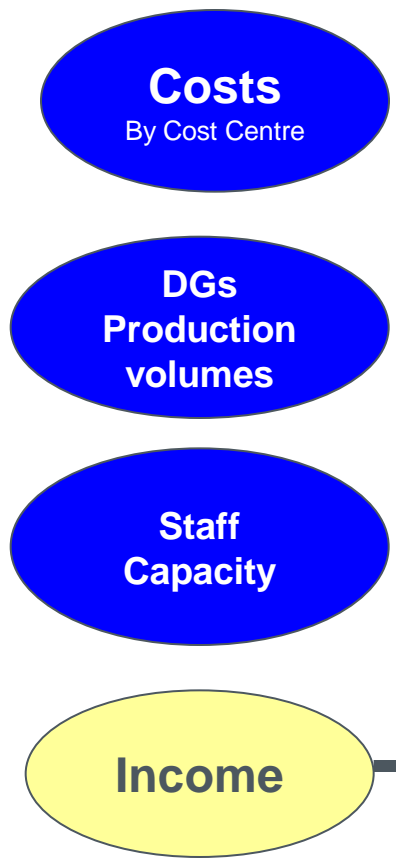
# The Tool in use

- ✓ "UNIT COST": Cost and Income Accounting per EPO product
  - Report on actual (past) or budgeted (future) costs
  - Compare with output (products)
  - Total cost approach
  
- ✓ Level of details required
  - Product
  - Site
  - Business Unit ("Joint Cluster", "SIS" Unit...)
  - Direct and Indirect costs
  - Fixed/variable costs addressed, however not as a priority
  
- ✓ Deliverables: Figures + Indexes

# Tool: the technical solution

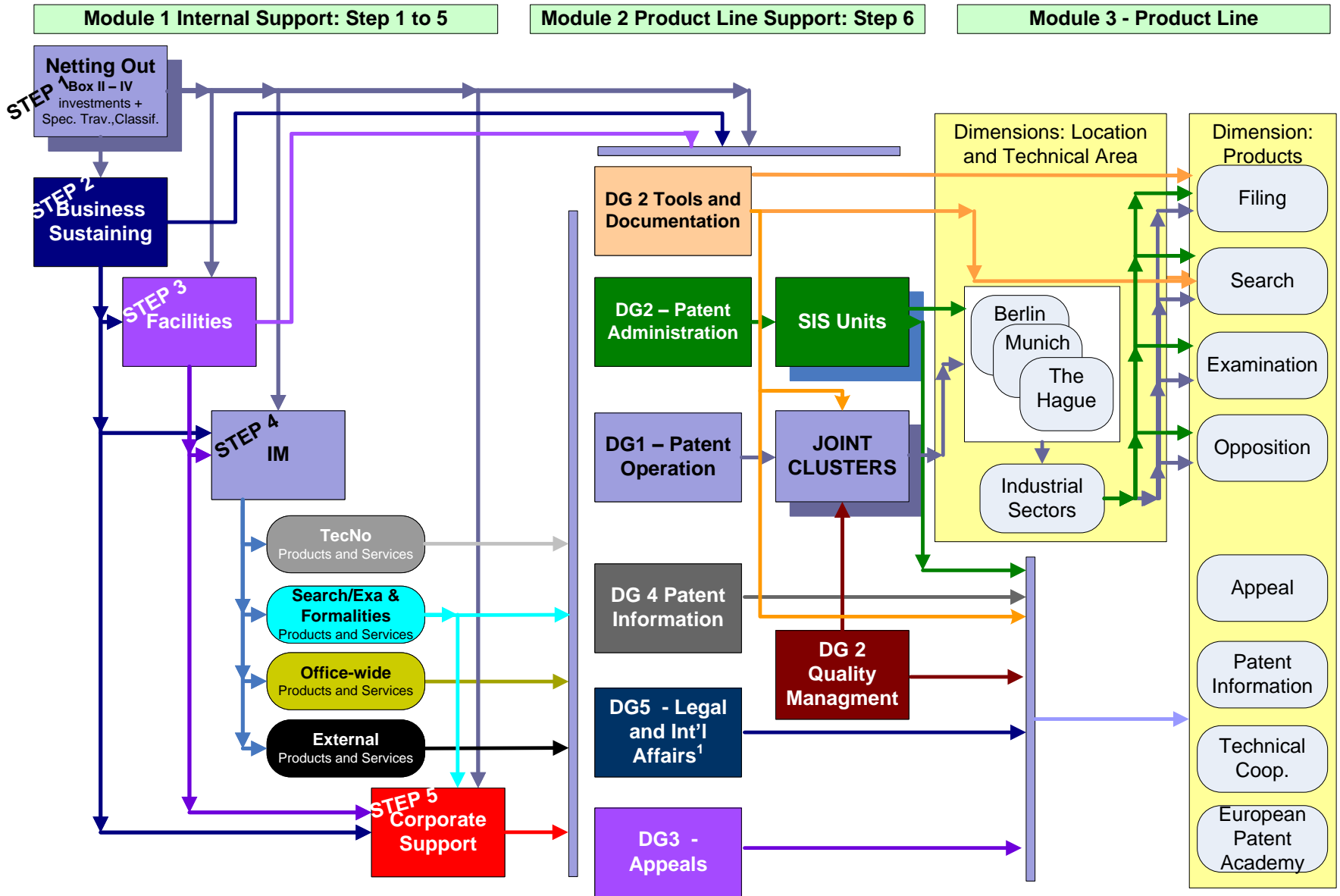
SAP, SAS Datawarehouse & other local applications

SAS Activity-based management



- Filing cost / SIS
- Search cost / JC
- Exam. cost / JC
- Oppo. cost / JC
- Appeal DG3
- Publication & Pat Info / products
- Tech.Cooperation events
- Academy events

# The model implemented in SAS ABM



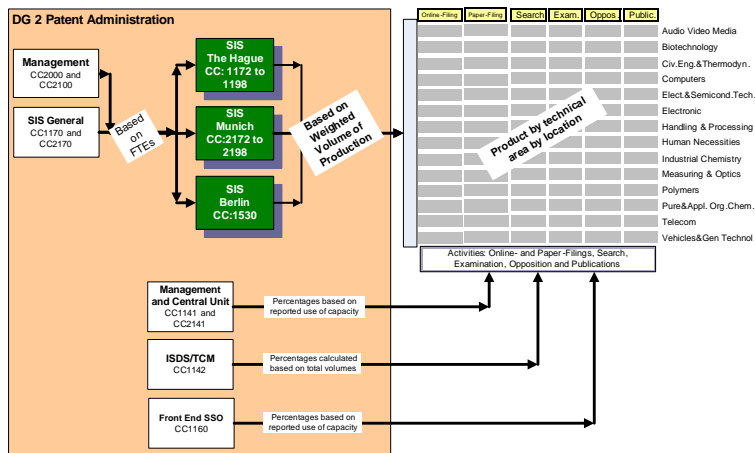
## Main characteristics of the SAS ABM solution

- ✓ SAS ABM 6.3.1
- ✓ Selection study in 2006: SAP CO – SAS ABM – MS Excel
- ✓ Replacement of a very basic solution in SAP CO
- ✓ Quarterly update of SAS ABM
- ✓ 22.322 assignments, 6.084 (ABM-)accounts (Q4-2008)
- ✓ Input-Interfaces to SAP CO, SAP HR and SAP PS; SAS datawarehouse and more than 20 data providers via Excel
- ✓ Output-Interfaces to Excel-based reporting tool, provision of unit cost index for (SAS-based) Balanced Scorecard
- ✓ Prototype for IT product costing solution based on SAS ABM developed, jointly connected end 2009

# Documentation of the SAS ABM solution

A documentation of the model and their interfaces is defined as part of the ABM system

- ✓ Model Documentation
- ✓ Interface Documentation
  - data source
  - data transformation
  - staging table update



Several graphs of the model support the understanding of the model

Table of content of model documentation

1. Introduction
  - Purpose – Scope - Approach
2. Overview of the model architecture
3. Module 1 in detail: Internal support steps
  - 3.1 Step 1 - Joint Clusters investments
  - 3.2 Step 2 - Business Sustaining
    - 3.2.1 Cost flow diagram
    - 3.2.2 Data Required
  - 3.3 Step 3 - Facilities
  - 3.4 Step 4 - IS
  - 3.5 Step 5 - Corporate Support
4. Module 2 in detail: Product line and support
  - 4.1 Step 6 - Product Line and Support Cost Allocation Process
  - 4.2 DG1 Patent Operations
  - 4.3 DG2 Patent Administration
  - 4.4 DG2 Tools and Documentation
  - 4.5 DG 3 Appeals
  - 4.6 DG5 Legal and International Affairs
  - 4.7 Technical Cooperation
  - 4.8 European Patent Academy
  - 4.9 PD 4.5 Patent Information
5. Module 3 in detail - Composition and Calculation of the Unit Costs
6. Calculation of the Performance Index
  - 6.1.1 Inflation adjustment
  - 6.1.2 Data Required
7. Appendices

# The 8 official products

- ✓ Filing (Online-filing & Paper-filing)
- ✓ Search
- ✓ Examination
- ✓ Opposition
- ✓ Appeal
  
- ✓ Publication & Patent Information products
- ✓ Technical Co-operation "events"
- ✓ Academy "events"

## Influence on total costs

<b>FILING</b>	<b>medium</b>
<b>SEARCH</b>	<b>high</b>
<b>EXAMINATION</b>	<b>high</b>
<b>OPPOSITION</b>	<b>low</b>
<b>APPEAL</b>	<b>low</b>
<b>PUBLICATION / PATENT INFORMATION</b>	<b>medium</b>
<b>TECHNICAL CO-OPERATION</b>	<b>low</b>
<b>ACADEMY</b>	<b>low</b>



# Achievements





# What for?

- ✓ Cost Efficiency Measurement tool
  - Replaces productivity measurement. Allows for sound and comprehensive assessment of efficiency
  - Performance monitoring / Balanced Score Card
  - Planned or actual costs that line managers can influence  
→ savings



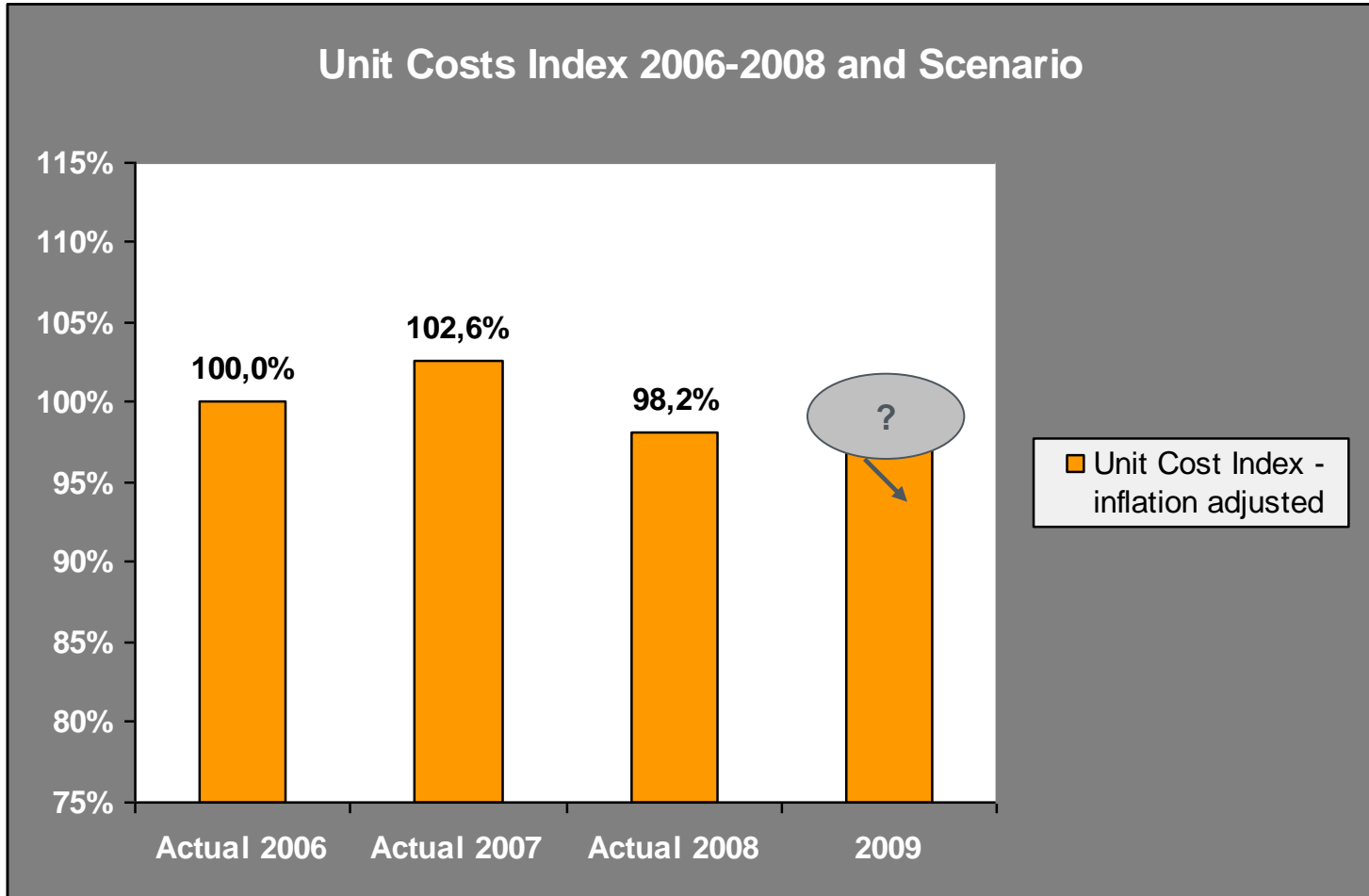
- ✓ Cost Awareness
  - Added-value for line management responsibilities
  - Modern, cost-conscious approach in public sector



- ✓ Cost Coverage and pricing
  - Enables discussion on cost coverage
  - Usefulness to be considered in a context of public sector pricing and specificity of patent offices



# Example of Result: the EPO Unit Cost Index



Index is a compound of costs and outputs for all EPO products. Is inflation-adjusted

## Examples of successful achievements

- ✓ Shared Interest!
- ✓ Successful communication campaign - two ways!
- ✓ Performance measurement well-accepted!
- ✓ Awareness and adherence of line management to financial issues!
- ✓ Improved approach to classical debates such as "overhead" costs!
- ✓ Solid basis for Cost benefit, for modelling planned costs!

## Examples of ongoing debates

- ✓ How to reflect changes in product structures?
- ✓ Is it better to use actual or standard cost information?
- ✓ Is the method right / how to address "current service costs" in times of highly volatile financial markets?
- ✓ Should long-term analysis take priority over short-term?
- ✓ May Activity-Based Costing bring benefits?
- ✓ Finally, is more debate needed on the "what for" : the EPO has a public sector culture and mandate

# Examples of draw-backs

- ✓ Honestly, none so far!

# Thank you for your attention !

