

Where there's a will

A proven approach to scoping projects saves BM Polyco from doubling their IT implementation costs



The challenge

Protect company from cost overruns on a large IT project

The solution

BPG's proven approach to supplier contracts and technical specifications helps Polyco create a 'no surprises' relationship with supplier

The benefits

- Supplier better able to allocate resources
- Polyco saved from doubling their costs.

The story

"In my view," says Greg Murray, managing director of Polyco, "the IT industry is full of people not willing to be accountable." Located in North London, Polyco is the UK's largest supplier of gloves which are sold in supermarkets. And it's a company that has co-existed peacefully with its trade suppliers for a long time, which is why Murray has found working with the IT industry problematic.

"More traditional trade suppliers," Murray explains, "are used to negotiating a working relationship where both parties define minimum acceptable performance. And if standards are not met, penalties are imposed."

However, Murray learned the hard way

that the IT industry does not like to work like that. "In 2000," Murray explains, "we decided to upgrade our office software as the first part of a two-part plan to eventually overhaul our entire ERP."

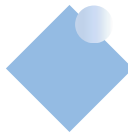
That project stalled because Polyco could not create the kind of relationship with an IT company that it enjoyed with its other trade suppliers – where costs and delivery are predictable, and a tight contract allows both parties to quickly resolve any points of disagreement without excess bad feeling. Both IT consultants and Lawyers were used to attempt to draw up mutually acceptable terms. Adds Murray, "We spent 18 months trying to find a supplier who was prepared to offer fair terms. This was such a long time that the delay was starting to jeopardise our ERP plans."

MEET THE EXPERTS

Then, he says, Polyco was introduced to the Best Practice Group PLC (BPG), a company that specialises in managing contractual and technical negotiation between IT suppliers and their customers, as well as providing 'hands-on' technical investigation services and combining this with their contractual expertise so that IT directors do not need to start costly court cases to resolve problems with their suppliers. "BPG provided a voice of reason," says Murray. "They helped us understand the motivations of the supplier we eventually chose to use, which allowed us to negotiate a contract and specification that was fair to both parties."

According to Murray, part of the BPG process was to insist that Polyco pay to

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have its business 'scoped' – analysed in detail by the supplier. He says, "I resisted that at first. I felt scoping was part of the cost of making a bid for our contract, and hence it should be paid for by the supplier."

But now Murray agrees the scoping exercise along with the other processes undertaken by BPG was excellent insurance for Polyco against 'scope creep'. This is a problem especially common to IT projects, where a poorly prepared supplier finds that they have not understood the entire work required to make a project successful, and find that they need to increase the amount of time to implement the project. This naturally leads the supplier to review their billings despite a budget having already been agreed.

"In our case," Murray adds, "we were able to create a fair contract where the supplier could not add more costs to do the work planned. But at the same time Polyco was prevented from adding extra work and expecting the supplier to shoulder that cost."



FAIR TO BOTH SIDES

According to Allan Watton, Managing Director of BPG, his company has been successful because it is known to be good at enforcing strong working relationships between IT suppliers and customers. "Our ability to create a fair contracts and procurement process has been one of the reasons for BPG's success," he says. "Our consultants have backgrounds that combine expertise in both contract law and the technical execution and development of IT projects. Without a foot in both camps, it's impossible for one person to write contracts that are proof against scope creep. Purely legal people can be



bamboozled by technical information, and IT people miss the niceties of contract writing."

"Fair contractual arrangements are critical," Watton adds. "They give the supplier confidence that they're not going to undercharge for their effort and they are not going to be landed with work they are not responsible for. And customers can be confident that when they have a problem caused by the supplier, it can't be brushed off because that incurs financial penalties." Murray certainly feels that BPG helped him establish a good working relationship with his supplier. "Our project cost increased by double over its original budget, but Polyco was not responsible for that cost," he says. "And because the customer and supplier responsibilities were so clearly defined, there was less scope for disagreement – which means less bad feeling, keeps us out of court, and more importantly means I'm not distracted from my work running Polyco by IT problems."

THE PAYBACK

Murray says "I never really expected a direct payback from BPG's involvement. I had previously been disappointed by IT consultants. But we were so desperate to implement a new IT infrastructure that I was prepared to try anything – even an IT consultant. They came highly recommended and offered to eliminate the risk in using them by stating that they would refund any fees for work that we felt was not of value to us. On this I thought – let's run with them."

On the issue of value for money, Murray says "We did think initially that their fees looked high. On reflection however, they managed to protect us



from substantial additional costs on the project and their technical expertise meant that the solution being offered by the supplier was independently verified. Overall, we have received a return of more than 22 times the fees we paid to BPG".

WHAT NEXT?

Polyco's upgrade is now complete, and in July 2002 the company started stage two of its IT plans. BPG has been engaged once more to help negotiate a scope for the ERP project. "We hope to work again with the same supplier," says Murray, ***"BPG has created such an effective relationship with this company that we want to go back for more. And had we not introduced BPG to our working relationship, believe me, this is not a comment I would have expected to make."***

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