

Avoid suing your IT supplier

Imagine the scene. A successful chain of sports shops has an approach from a specialist IT vendor selling them the latest, state of the art EPOS computer network on attractive terms. They are promised accounting, stock-taking and pricing and a host of other management information facilities, from linking the network of stores throughout the country to a single "head office" computer. It has the potential to transform the business, to make the company more streamlined and more profitable than they could have ever have imagined. Well, the brochures and silver-tongued salesman have said so! So it must be true, mustn't it asks **David Riley**.



The Author
David Riley is Marketing Director of the Best Practice Group PLC, a specialist IT legal and technical consultancy. The company is one of the four organisations to make up the IT Group.

Twelve months later, and five months

after the official project completion and "go live" date, the retailer is still manually inputting stock information because the integrated database cannot distinguish between items in the range, and the tills lock up during busy periods. Management information becomes unreliable, or the system crashes under the load of simultaneously receiving data from all branches.

Then the IT Director discovers that the supplier's main reference site has abandoned the system because of failure to cope with more than 25 branches simultaneously. However, the vendor has agreed to continue to support the system. A year on, with many problems unresolved, the supplier is now no longer working with the system developers and has signed up to a new and improved version.

The retailer is invited to see their work. In the first demo the system takes 12 seconds to print a till receipt. In the second the system repeatedly crashes. Six months later, the vendor says it has abandoned that system too. The retailer is now left with the original defective system damaging his business, and a reluctance by the vendor to admit responsibility for the problems, or liability for the consequences. One concession comes out of desperate negotiations: they have agreed to support the software but at an inflated monthly premium.

If this sounds a familiar story, then you're not



alone – 79 per cent of systems fail to work properly – only one in three large system initiatives are successful.

Reliance on systems is now absolute; a crash can mean a company very quickly brought to its knees, and sometimes put out of business.

Process mapping

Stories like these could be simply avoided if more time was spent in the planning stages. Mapping the organisation's business processes is perhaps the most important phase in the implementation procedure, and will pay dividends for the future. You should *always* concentrate on your business goals, and *never* your technical requirements.

Provide your vendor with as much information as possible on the company, its products and services, and on what performance benefits you expect to see from the system in the short, mid and long term, all of which will maximise the chances of a successful system installation.

By "mapping" your processes you should be able to:

- Understand how business processes interact in your organisation;
- Locate any flaws within business processes that may be causing organisational problems;
- Evaluate activities that provide value for your customers/clients;

'IT budget blow-outs and project failures can be avoided.

Nearly all disputes and problems arise from the same set of problems'

- Streamline and improve the flow of work through your organisation;
- Identify any business processes that need to be re-engineered;
- Improve the efficiency of your organisation and the satisfaction of your customers/clients.

This exercise can seem daunting, but it will provide the necessary information to drill down into the finer detail of your expectations. These expectations need to be conveyed to the supplier – how the software is developed to realise those goals is their responsibility.

These are the value added indicative requirements, together with the key performance indicators (KPI's) which include gains in efficiency or access to information to improve the control and management of the business process.

Avoiding project failure

IT budget blow-outs and project failures can be avoided. Nearly all disputes and problems, such as the one described, arise from the same set of

GUIDELINES FOR BUYING NEW IT SYSTEMS

- Always ensure that the vendor takes responsibility for providing the solutions to your needs. Many IT departments make the common mistake of providing too much information, but that's the wrong approach. You should never specify the functionality or the infrastructure that you want to meet your requirements. Always make your vendor take responsibility for providing the solution to your needs. Then, if something goes wrong, the problems are the vendor's – not yours;
- Always make sure your invitation to tender (ITT) is focused on your business goals – not your technical needs or functionality. Mapping your business processes is the first part of this process, defining your goals and objectives in each piece of documentation – from contracts to negotiation to specification to reports. This eliminates scope creep. If you specify the objective you want to achieve, the vendor should accurately be able to determine what you want, and deliver to expectations;
- You should always make sure your vendor has professional indemnity insurance;
- Always remember that, if you get into a dispute with your vendor, there's only one question that counts – does your new system achieve what you expected of it? You don't want a simplified "clean" contract. You want a clearly defined "paper trail" with all the relevant pre-contractual paperwork attached. It's harder for the vendor to evade responsibility if things go wrong;
- Always try to involve a specialised technical and contractual professional every step of the way in your negotiation. Never negotiate the terms yourself. A contract isn't just what you see on the page. There's another part to every agreement that's not written down – the "implied" contractual terms. These are "hidden" additional laws supported by legislation and court case history that affect every contract.
- Never take responsibility for the implementation yourself. Give your vendor all the help and advice they ask for, but make it clear who's being paid to get the job right;
- You should never inadvertently accept delivery of bad software – accidental acceptance is one of the biggest risks in IT projects. The longer a system is left, the easier it is for a vendor to argue it's been "accepted". Acceptance testing and staged "sign-offs" in the implementation process are essential to avoid this happening;
- Always select a specialist vendor because they have greater contractual obligations than a "generalist" vendor. They must provide much more specialised advice, and be able to tell you not only what a new system will do, but also what it won't do;
- If possible, you should always try to contract with one primary vendor in every one of your projects. Then contract that company to manage the partnerships between other vendors. So if something goes wrong, it's easy to explain whose bill you won't pay;
- Scope creep is the most common reason for IT budget blow-outs. You're midway through a project, then you realise your new system won't provide a particular function. This all goes back to how you defined the goals of the contract. Because here's where you really start to get results from the tendering, scoping, specifying and contractual advice you've already read about in this article. Did you contract an expert vendor to review how your business operates, and make recommendations about how they will achieve specific business goals? Have you made it clear that you are reliant on their expertise in achieving your objectives? Do all these things and you should avoid confrontation with your vendor, and get your IT right – first time.

problems. It's the lack of the single vendor that knows how to manage the entire range of risks. IT Directors and CFO's may understand technology, but most aren't contractual experts. Lawyers know the law, but few are expert in technical issues or know how to manage an ongoing IT dispute from a technical perspective.

And as technology becomes even more complex, the level of comprehension begins to lag behind. IT departments may not be familiar with the latest technology, and so are less able to judge whether vendors are overselling IT, or just plainly inadequate in their particular discipline. Many companies outsource or call in independent specialists for that very reason.

So every new project sees the same issues missed and has the same problems occur – problems that in many instances fester, unchecked, until they reach a point where they can spiral out of control or end in a full-blown dispute.

It is easy to make it a lot less risky to buy new IT systems by simply following a set of basic guidelines (see above).

If you need any clarification on any of the points discussed, or help or advice in any matter concerning IT implementation, project recovery, problem/dispute resolution, net support or business consulting then contact tom.sykes@itgroup.com