Contracting an IT implementation partner

A practical guide

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By way of example: ERP implementations

ERP implementations provide a good context: they

- combine many functions and

- require adjustments of processes - how operations are organised

An implementation partner assists with:

- making choices how to best use the software

- configuring that software

- implementing organisational changes to best use that software

First discuss the implementation process and risks, then the resulting requirements for the contract and contracting process

The bigger picture – phases

These phases may overlap

1. Assess current systems

2. Define scope of implementation and objectives

3. Select and contract a(n ERP) system

4. Select and contract a systems integrator / implementation partner

5. Make a project plan and create a change management organisation

6. Create a global design

7. Implement the design, create training materials, prepare organisational changes

8. Testing

9. Data cleansing and migration

10. Deploy and train

11. Maintain and support

1. Assess current systems

Take stock:

1. systems in place

2. improvements required

3. gaps to be filled

2. Define scope of implementation and objectives

Determine:

1. What processes are to be covered

2. What the priorities are

> reduce inventory? shorten delivery times?
>
> increase resource utilisation? …

3. difficult/unusual and important use cases

Clarity of objectives (guarded by an executive sponsor) limits deviations/specialties

3. Select and contract ERP system

Choose a system that

1. fits the desired scope and objectives

2. has a track record with similar businesses,

3. preferably at the core of the supplier's strategy

4. interacts well with your other systems

5. provides solutions for your use cases

6. provides good solutions for labour intensive processes

7. at reasonable commercials and legal terms

4. Select and contract implementation partner

More about this later

5. Project plan and change management organisation

Organise the right inputs to get the right decisions

Existing processes must be adapted to new system

6. Create global design

Especially important when the system is used in various countries

Challenge if implementation is also used to harmonise processes across countries

Deviations cause delays and additional costs – also for maintenance

Thus: importance of step 2 – clarity about priorities – and executive sponsor

7. Implement the design

—

, create training materials and prepare organisational changes

Again: limit deviations!

8. Testing

Check whether it works as intended and correct if it does not

9. Data cleansing and migration

Different systems may have different data about the same subjects

This often is a lot of work

10. Deploy and train

Get people to work differently:

      plan, motivate, support

11. Maintain and support the system

Requires documentation of configurations and custom code

This is where you suffer and pay for your deviations

Causes for failure

On the part of the **implementation partner**:

1. Overpromising and underdelivering

    Ask for references

2. Insufficient understanding of the client's needs

    Verify

3. Poor quality control

    Check use of quality control processes

4. Poor project management

    Verify experience and monitor progress against budget

5. Insufficient testing

    Discuss testing protocols and ask for test results

Causes for failure

On the part of the **customer**:

1. Unclear business objectives – see phases 1-2 above

2. Unspecified requirements – see phases 1-2 above

3. Insufficient resources

   Ask the supplier what will be required when, and make available

4. Resistance to change

   Involve executive sponsor

5. Lacking project management

   Hire competence - experience trumps savings

6. Lacking executive sponsorship

7. Insufficient testing

   Get supplier to help with scripts

8. Insufficient stakeholder engagement

   Project management and the executive sponsor fulfilling his/her role

So?

1. You need an expert (do not be penny-wise)

2. Get the expertise you need (e.g. technical, organisational change, project management)

3. Write your RfP to get the A team – be clear, reasonable, professional

4. Conduct workshops

5. Drive the right behaviour (sponsor)

6. Support collaboration

And now: the contract

- Framework for phases

- Pricing models

- Legal provisions

- Assumptions and dependencies

Pricing models

- Typically: initially time & material and estimates for program and phases

- After design phase: skin in the game

- Challenges related to fixed scope fixed price

  - Uncertainties

    - requiring clarity from customer

    - due to lack of experience from supplier

    - dependencies on customer

  - Use of change management to shift costs to customer

Legal terms (1)

- Scope of work delineations, esp. work that may not be apparent from a RACI table

- Expert responsibilities (advice) and duty to warn

- Project responsibility of supplier

- Clearly defined responsibilities of customer

  o Ask supplier to indicate what contribution will be required, also in expertise and time required

  o Data cleansing involves a lot of work

  o Speed of decision making required

  o Special attention for period shortly before go-live (data cleansing, testing, training)

- Project governance

Legal terms (2)

- Change control process, with materiality standard
  - there will be scope changes, so better prepare for them
- Acceptance process
  - not for defects not reasonably found through testing of the relevant deliverable
  - integrated testing – across systems, with real data and actual employees (training)

- Continuity of key personnel
- Approval/removal of supplier personnel and subcontractors

- Reporting mechanism

Legal terms (3)

- Remedies (repair, repair by third party, reduced price, reject & refund)

- Liability for allocating too many/much authorisations

- Rights to deliverables and related materials

  - Right to use and amend, also for included pre-existing materials and also after the term of the agreement

- Financial terms

- Liability caps and exclusions

  - Do not exclude additional costs / costs incurred to limit damage

  - Realise that most of supplier's additional costs will become additional charges

- Confidentiality and data protection

- Audit rights

- Termination rights

Assumptions & dependencies

- Attribute risks to the party best suited to manage them

- Supplier must warn for risks and otherwise bear those risks

- Clean up: get rid of explanatory texts

- Clarify what the consequences are for an assumption being incorrect

Competitive bidding

- Solicit interest

- NDA

- RfP – as clear as possible, reasonable
  - include draft agreement

- Compare bids

- Parallel negotiations with 2 or 3 suppliers
  - collaborate - help them provide good solutions

- Solid contract management

Enjoy the ride!

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