



**BARKERS**

COMMERCIAL CONSULTANCY



# How to Run an IT Change Programme Without Destroying Your Reputation

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## IMAGINE THAT YOUR IT PROJECT WENT SO BADLY, IT THREATENED THE VERY EXISTENCE OF YOUR COMPANY...

Actually, according to research conducted by McKinsey and the BT Centre for Major Programme Management at the University of Oxford, this happens in 17% of cases.

Staggeringly, their findings, based on research conducted on more than 5,400 IT projects, shows that large IT projects run 45% over budget and 7% over time, while delivering 56% less value than predicted [*McKinsey (1)*].

In the worst cases, organisations can also find themselves embroiled in time consuming, distracting, and expensive legal proceedings, as they seek to rectify the wrongs of their IT service provider. Initially engaged in 2010 to lead a SAP implementation, Wipro eventually settled a dispute with National Grid a massive 8 years later, paying out \$75M.

Hertz and Accenture remain involved in a dispute which began in 2016, when Accenture were contracted to provide web services which had still failed to materialise by April 2018, when Hertz began proceedings to sue for \$32M.



(1) "Delivering large-scale IT projects on time, on budget, and on value", Michael Bloch, Sven Blumberg and Jürgen Laartz, *McKinsey Digital*

## SO, WHERE SHOULD YOU START, WHAT ARE THE PITFALLS, AND WHERE IS MOST VALUE ADDED?

## EXPLORE OUR TOP TEN TIPS TO FIND OUT...



# HOW TO NEGOTIATE IT SERVICE CONTRACTS SUCCESSFULLY

- 1 SET A CLEAR NEGOTIATING STRATEGY**  
Fixing a negotiating strategy and agreeing this internally is essential before the first contract negotiation meeting with the vendor takes place. This should cover the negotiation objectives, timescales, internal leads, escalation points, governance, and decision stages.
- 2 PREPARE CAREFULLY FOR THE FIRST MEETING**  
The first meeting sets the tone for the whole negotiation. It is imperative that the vendor perceives you as knowledgeable, authoritative, organised and with a clear mandate from your business to negotiate on their behalf. This is likely to require senior business stakeholders to personally endorse you in that meeting.
- 3 CONFIRM THE SCOPE**  
The breadth and depth of the scope of work will evolve both during negotiations and after signing. During negotiation changes to scope should be carefully tracked. This will enable pricing challenges to be assessed based on the size of overall change. Commercial models in the contract must be flexible and unit priced, so increases and reductions in scope can be accommodated without renegotiating the contract.



- 4 SEPARATE OUT THE COMMERCIAL NEGOTIATIONS**  
Commercial negotiations should be separated from negotiations on service requirements and transition requirements. Commercial negotiations are fundamentally different in terms of attendees, objectives of the parties, outcomes and how the process should be managed. Service and transition requirements are focussed on mutual understanding and documentation of like-for-like requirements, or agreed enhancements managed between the knowledgeable service experts of both parties. Commercial negotiations inevitably require give and take where not every decision will be mutually beneficial.
- 5 SET THE RIGHT PACE**  
The cadence of the meetings is important to determining the outcome. Running the process too quickly will result in important details being left unaddressed or only partially resolved. If there are too many 'TBAs' left in a signed contract then, in the absence of commercial comfort clauses, the price may vary post-signing by up to 50%. Running the process too slowly will result in a lack of focus, often with too few resources being deployed and issues being debated for too long without resolution.
- 6 DON'T LET THE SUPPLIER DO ALL THE WORK**  
It is very tempting to start the negotiation process with a contract that the supplier already has on the shelf. Whilst this gives both parties something to talk about, it often results in the overall process taking longer, because it does not represent what is required by the customer, and because the supplier has a greater propensity to stick to what they first issued. Creating and issuing the first draft of the contract to the supplier bears fruit at almost every stage of the negotiation.
- 7 FOCUS ON THE TRANSITION SCHEDULE**  
The key to a successful IT services contract is a properly scoped and negotiated transition schedule. A good business case can easily be destroyed by a poorly drafted schedule with insufficient detail and commercial protections. As a rule of thumb, the transition schedule (including appendices) should be the longest schedule.

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#### COMMUNICATE WITH INTERNAL STAKEHOLDERS

If you don't manage your internal stakeholders, then your supplier will! Regular updates for internal stakeholders, including face-to-face time with senior stakeholders, are essential. These should be honest and open discussions where opportunities and blockers are discussed. Agreement on how to progress should be reached and supplier communication strategies determined. Hard work is required to ensure that a supplier is not able to 'divide and conquer'.

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#### BE CLEAR ON TEAM ROLES

Roles on the negotiation team should be clearly understood and adhered to. Internal debates should be had behind closed doors. Listening to an internal debate had at the negotiating table will often give the other party an advantage through revealing where weaknesses lie. One person on the team should be given the role of leader and the others on the team should follow their lead. It is important that if that person is not the most senior person on the team, the leader role is still respected.

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#### MANAGE RISK

Over the course of the negotiation, different risks will be identified. It is important to document these risks as they occur. Some risks will be mitigated through agreement with the supplier during the drafting process. For the risks where it is not commercially acceptable to the supplier to mitigate these, it is important that they are considered prior to the contract being signed. If necessary, they may need to be confirmed acceptable through internal governance procedures. Having the risks clearly documented and working with internal audit and other governance bodies during the negotiation, will make this final stage easier.

Considerable time and effort are spent training procurement personnel to be excellent negotiators, but much less time is dedicated to equipping those individuals to run large multi-stage negotiations that extend over multiple months, rather than weeks.

Many of the points covered, although focussed on IT Services Contracts, are equally applicable to Service Contracts for areas other than IT.

**Happy hunting!**

## ABOUT THE AUTHOR

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*Mark is a Senior Managing Consultant at Barkers, where his extensive experience of IT sourcing in FTSE 250 companies is utilised to support clients sourcing software, hardware, telecoms and outsourced services, including negotiating major software deals from vendors such as SAP, Oracle, IBM and Microsoft.*

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Our product service lines include:

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- Procurement Transformation
- Digital Procurement Technology
- Supply Chain Management

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