TEN TIPS TO PREVENT IT PROJECT FAILURES

Best Practice Group (BPG), expert witnesses in court cases involving IT disputes, has highlighted the ten major contractual errors made by companies implementing large-scale IT projects. The advice, based on the 400 IT disputes BPG has been involved with, is designed to eliminate the problems that result in project failure and costly court cases with suppliers.

Technical requirements – Companies' IT departments should be discouraged from writing overly detailed descriptions of each piece of functionality a new system requires. Suggesting hardware that may be required should also be avoided – suppliers are the experts and are viewed as such by the courts. This means that if something goes wrong the problems will always be of the supplier's making and the supplier will be encouraged to throw more of its own resources at the project. Of BPG's last 100 dispute and project recovery cases, 85% involved highly detailed technical contracts.

Shortlists – Companies should hire a supplier to solve a business problem, not just to provide hardware and software. Invitations to tender (ITT) for suppliers should focus on business goals rather than technical functionality. This ensures the shortlist includes only companies focused on delivering business objectives rather than kit; 72% of BPG cases show this fault.

Supplier insurance – Nearly all companies involved in disputes did not check if their suppliers had professional indemnity insurance. While this does not always cause a problem BPG says insurance is critical if a supplier goes bust in the middle of an implementation. Insurance will fund the project until completion and may even cover disruption costs. More commonly, a supplier may make a mistake that affects a client's ability to continue operations. If the supplier has no insurance you face downtime and operational costs, even if you are protected contractually.

Create a paper trail – Client companies should attach all documentation to a contract, including business requirements, specifications, testing plans, supplier brochures and emails. This makes it easy for the supplier to understand your needs and more difficult to evade responsibility. This avoids simplified 'clean' contracts that skirt around the business issues and responsibilities of the supplier. In 78% of cases the client company lost vital evidence in this way.

Terms of the contract – BPG suggests that as IT contracts require a degree of technical as well as business expertise, it is advisable to involve specialist lawyers and third-party advisors with technical expertise. This helps control the "implied" contractual obligations that are not written down but are always points of argument in court cases.

Responsibility for implementation – In 98% of cases BPG found that client companies inadvertently take responsibility for implementations and therefore an unnecessary risk. When client companies take control of projects they cease to rely on their supplier's expertise. A supplier project manager should be informed about the business goals and risks of a project to such a degree that he directs the client team and not the other way around. If a client pays for specialist advice then the supplier should take responsibility for making the project work. Client companies should monitor performance against set deliverables.

Delivery of IT – It is difficult to double-check all hardware and software introduced in a complex IT implementation – especially as testing takes some time. But if a new system that does not fit requirements is identified late in the implementation, suppliers can argue that it has been tacitly "accepted" by the client. Client companies should define testing milestones at the contract stage. Suppliers should take responsibility for testing systems and reporting on their effectiveness.

Is the supplier a "specialist"? – In 18% of cases implementation failed because the client did not purchase IT from a specialist supplier. Although this is uncommon, examples cited by BPG include an accounting system that was purchased from an IT hardware specialist rather than a financial accounting software supplier. A "specialist" supplier has greater contractual obligations than a general IT supplier. A specialist supplier is also legally obliged to warn clients of potential problems and shortcomings of their system before they start work. It is also unacceptable for a specialist to argue that a client didn't ask for a particular requirement – a specialist is considered by the courts to know more than the client.

Contracts with multiple suppliers – Where more than one supplier is needed it is advisable to avoid including multiple suppliers in any one contract. This, in BPG's experience, leads to suppliers conflicting with each other when trying to tie different elements of the project together. If separate contracts are drawn up for each supplier then it is easy to know whose bill not to pay when a particular part of a project goes wrong. Ideally, clients should try and contract with only one supplier and make them responsible for managing the relationships with the other suppliers.

Changing requirements – Scope creep – or changing requirements – is the most common cause of IT project failure. Too often client companies are told that particular business-critical functionality has not been included in a finished system because the client never asked for it. If a contract is focused on business goals and deliverables rather than technicalities then this should be avoided. Suppliers who claim expertise in a specific field also help minimise scope creep as they have greater contractual obligations to ensure the suitability and effectiveness of a project than other suppliers. BPG found that 96% of IT projects that failed suffered from scope creep.

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Useful links

- For a copy of the White Paper, ***The ten mistakes everyone makes with IT projects***, follow-up research, legal advice and IT failure case studies, visit www.bestpracticegroup.com.