

Case Study – SAP Contract Negotiation

Our client has a Joint Venture business that needed to migrate from their existing ERP application to SAP.

Itica negotiated the contract and then performed a key Governance role during the implementation.

Itica IT Contract Framework

- > Governance
- > Deliverables
- > Service Management
- > Price Protection
- > Commercial Terms

Background

Itica's client is a substantial subsidiary of a FTSE 50 business and operates at the heart of the agricultural industry. It is the UK's market leader in almost all of the sectors in which it operates, and is fast expanding its global footprint to become a major international agri-business.

A programme was running to migrate away from the existing ERP systems to Microsoft Dynamics AX. The existing ERP system was also used by two Irish Joint Venture businesses which needed to migrate away from these systems.

The Joint Venture businesses decided not to use Microsoft Dynamics AX, but to move to SAP All in One as there were other group companies who would use the ERP system and SAP met the business requirements of the group better than Microsoft Dynamics AX.

Itica was engaged to negotiate the SAP contract and provide a key Governance role during the implementation.

Contract Negotiation

The Joint Venture business is equally owned by our client and a third party group and Itica was engaged to represent our client in the negotiations.

The negotiations were complicated by the nature of the Joint Venture agreement and the differing requirements from our client, the third party group and the supplier.

The supplier provided an initial set of documentation comprising:

- > A Services contract for the implementation
- > A Software Licence Contract
- > A Maintenance Agreement for the support of the system post implementation.

ERP Implementation

Itica negotiation & implementation:

- > Fixed Price negotiated
- > Effective Implementation Plan
- > Positive impact on the business

Industry norm:

- > Half fail to deliver on expectations
- > Key reasons for perceived failure:

1 Cost over-runs

2 Implementation too long

3 Adverse impact on the business



Case Study – SAP Contract Negotiation

Our client has a Joint Venture business that needed to migrate from their existing ERP application to SAP.

Itica negotiated the contract and then performed a key Governance role during the implementation.

Itica IT Contract Framework

- > Governance
- > Deliverables
- > Service Management
- > Price Protection
- > Commercial Terms

Contract Negotiation Actions

Itica has developed an IT Contract framework based on good practice and expertise gained through many years' experience of procuring and operating IT services in diverse industries. The framework is adaptable to suit any IT service or industry and covers five essential elements:

- > Governance – How will the relationship be managed through implementation and into live service?
- > Deliverables – What will be delivered and when?
- > Service Management – Is the Service adequately defined?
- > Price Protection – What will it cost, now and in the future?
- > Commercial Terms – Termination, Exit, IP, Breach, etc.

Itica reviewed the initial document set against the Contract Framework and identified the key areas for negotiation. These items were prioritised in consultation with the client and the Joint Venture partner and a detailed Negotiation Plan was produced.

Negotiations were held with the supplier. This was an iterative process with the Negotiation Plan being updated as each issue was resolved. In total there were eight versions of the documentation before agreement was reached. The Negotiation Plan was then complete and showed a complete audit trail of the negotiation.

Itica then represented our client throughout the implementation on the project team and on the Steering Group.

Results

The project was a success, taking four months from the project kick off to the end of the first month of live operation. This was easily within the time constraints set by the client. The project was negotiated for fixed price which accommodated a few minor scope changes. The key deliverables were:

- > A fixed price for the implementation
- > The project delivered on time and on budget
- > Clearly articulated deliverables
- > Minimal business disruption

Negotiation Plan Content

- > Client strengths & weaknesses
- > Supplier strengths & weaknesses
- > Client's best outcome
- > Supplier's best outcome
- > Expected outcome
- > Give-aways
- > Levers
- > Bottom line position
- > Negotiation items
- > Risks
- > Actual outcome