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Challenges in dealing with large scale IT customers, **a supplier perspective**

JASON DIXON

Former General Counsel, IBM Australia/New Zealand
Ash Street Partners, Director.

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Suppliers put **profit** and **reputation** on the line every time they enter into large and complex IT projects.

Three reasons

- Market dynamics
- Sophisticated tender processes
- Projects fail for reasons beyond the supplier's control.

Market dynamics

- Level of competition
- Rate of commoditisation
- Shift in buyer behaviour
- Competitive tendering

Sophisticated Tender process

- Consultants driving the process.
- Aim to derive maximum concessions from suppliers on price, solution and terms
- Contracting process lawyer driven
- Relationship and relational elements being overlooked in favor risk allocation

Result for suppliers

- Low margins
- More risk around delivery
- One-sided contracts
- No real incentive for customers to perform
- More risk than the supplier is comfortable with

17%

Fail entirely

45%

Overrun budget and time

3%

Attributable to technical issues

Why projects fail

- a. Unclear objectives and **lack of business focus**
- b. Shifting requirements** and technical complexity
 - a. Unaligned team and lack of skills
 - b. Unrealistic schedule** and reactive planning

McKinsey, 2012

- c. Unrealistic budget**

Transfer the risk

Balance the risk

The fix?

- Win win is presently chartware.
- Balance risk and reward
- Share the responsibility between customer and supplier.
- Incentives to perform.

JASON DIXON

ASH STREET PARTNERS, DIRECTOR

M 0406 428 944

E jdixon@ashstreetpartners.com.au

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