Technology Procurements: Common Derailments and How to Avoid Them

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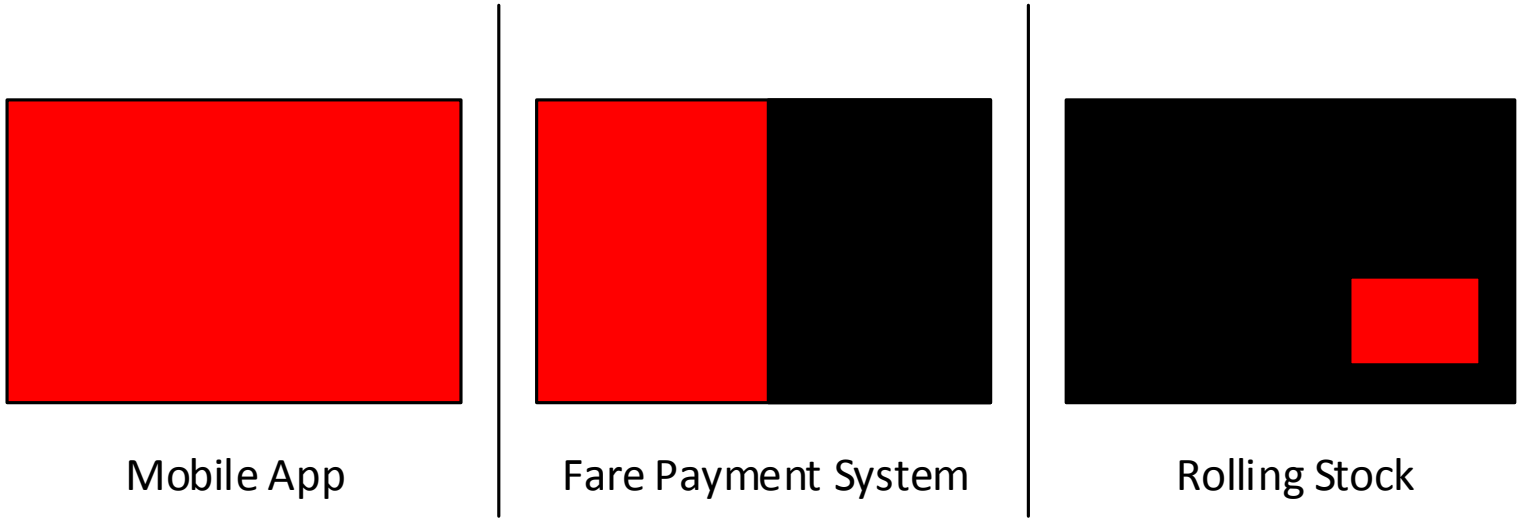
Roadmap

- Types of technology procurements
- Key procurement considerations
- Avoiding derailments

Types of Technology Procurements

- Full spectrum:



Technology Procurement Takeaways

- Technology has a disruptive impact on procurements
- Technology is pervasive
- Balance is fundamental
- No one-size fits all

Key Procurement Considerations

- Procurement model: low bid vs. best value
- Solicit feedback:
  - Alternative bids/value engineering proposals
  - Vendors are smart
- Sole source
- Be nice to your procurement department

Avoiding Derailments

- Technical specifications
- Project management
- Service level agreements (SLAs)
- Data privacy
- Standard contract terms; IP example

Technical Specifications

- Technical specifications are contract documents:
  - Harmonize with terms and conditions to avoid ambiguity
  - Engage your lawyers early
- Include flexibility:
  - Consider both (i) non-functional/business requirements, and (ii) specific functional requirements
  - Be prepared for changes
  - technology ≠ wine

Project Management

- Strong project management is crucial to success:
  - Establish a project team
  - Identify decision makers and champions
  - Secure and maintain internal buy-in and support
- Develop a realistic schedule:
  - Major and minor milestones
  - The project team has day jobs
  - Be prepared for change and be reasonable
  - Testing and acceptance process

Service Level Agreements

- Objective metrics to measure performance:

SLA	Measurement	Requirement	Measurement Period	Service Credit
Availability	Trip Planner available for use in compliance with specifications	99.9%	Per month	5% of monthly fees

SLA Goals and Considerations

- Incentivize for good performance and compensate for poor performance
  - Credits are not penalties
  - Credits are (probably) not sufficient compensation
- Focus on important issues because SLAs can be costly
- Calibrate SLAs to actual needs:
  - 99.999% = 26.30 seconds per month
  - 99.99% = 4.38 minutes per month
  - 99.9% = 43.83 minutes per month (1.44 minutes per day)
- Exclusive vs. non-exclusive and chronic failures

Data Privacy

- New sources and uses of data
- Significant added value
- Significant potential risk

Mitigating Risk: Vendor Management

- Vendor management begins before the procurement process:
  - Project due diligence
- Vendor management continues during the procurement process:
  - Privacy by design
  - Security by design
  - Procurement due diligence

Mitigating Risk: Vendor Contract Considerations

- Compliance with proactive efforts
- Data collection and handling practices
- Securing data rights and data ownership
- Data breach response obligations
- Allocation of financial risk
- Transition services
- Subcontracting

Standard Contract Provisions

- Existing terms and conditions must be updated to address technology:

- Confidentiality
- Information security
- Data privacy
- Representations and warranties
- Term and termination; transition
- Intellectual property
- Warranty support
- Testing and acceptance
- Indemnification
- Limits of liability

IP Example: Original Considerations

- Why own developed intellectual property:
  - Commercialize the technology itself
  - Potentially increase valuation in an acquisition
  - Enforcement of infringing use/block competitors
  - Bankruptcy protection
  - Total freedom (at a price)

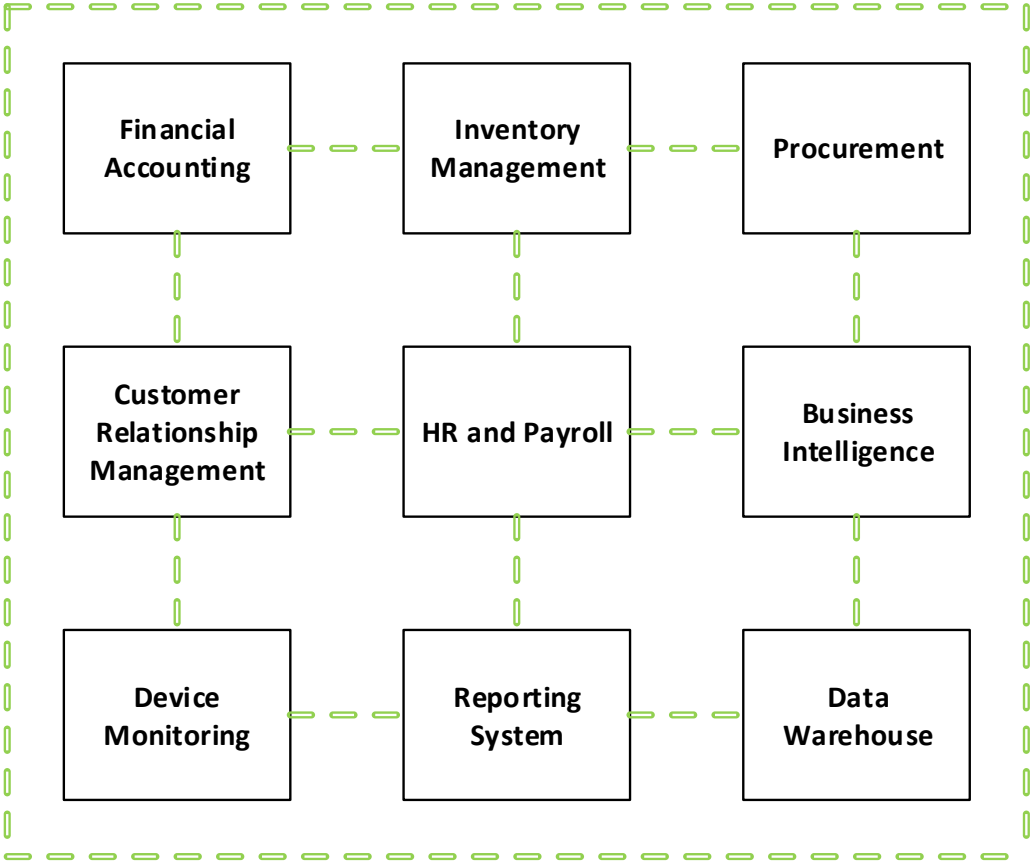
IP Example: Traditional License

- The alternative to owning is licensing, but traditional models created vendor lock-in:

IP Example: New Approach

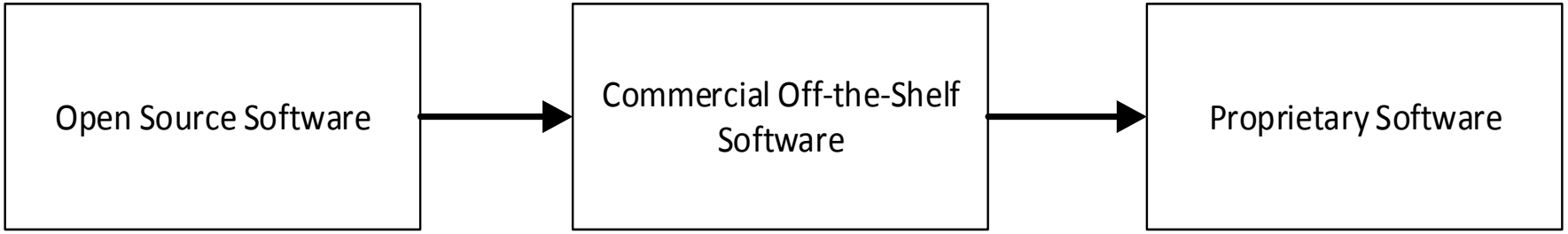
- Open architecture:
  - Add, upgrade, and swap functionally equivalent components without custom development
  - Open standards for interoperability
  - Application Programming Interfaces (APIs)
  - Modular programming

IP Example: Open Architecture



IP Example: Self-Sustaining

- Create a self-sustaining ecosystem that survives vendors
- Ideal source distribution of technology:



Questions

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