



Case Study - Tech Sourcing

To buy High-Tech products and solutions is sophisticated. - It normally not a huge sourcing category in procurement organization, however it's vital for almost for every organization. Since without technology, organization can hardly function. Or manufacturing facilities cannot produce and deliver its products. It simply like oil and lubricate for a vehicle, without it today modern business simply will not work. Thus, getting tech sourcing right is significant for organizations.

Tech sourcing is not about buying commodities like pen and paper, it's by nature a complex sourcing category and it is time consuming as it includes many components and ingredients that need to coexist. And, if you do not get it right it organization, offices, building, factories, logistics etc. would not work. This is something that need to be clarified for the environment, while building capabilities for a procurement organization, or planning for sourcing projects.

Tech sourcing normally includes IT office like computers, software, different servers, CRM suits and application for HR, finance, sales, R&D. As well as application for managing industry and manufacturing processes, supply chain, security and surveillance application used I product and network etc. Moreover, almost every industry has their own unique need of applications, that need to be integrated and sometime customized.

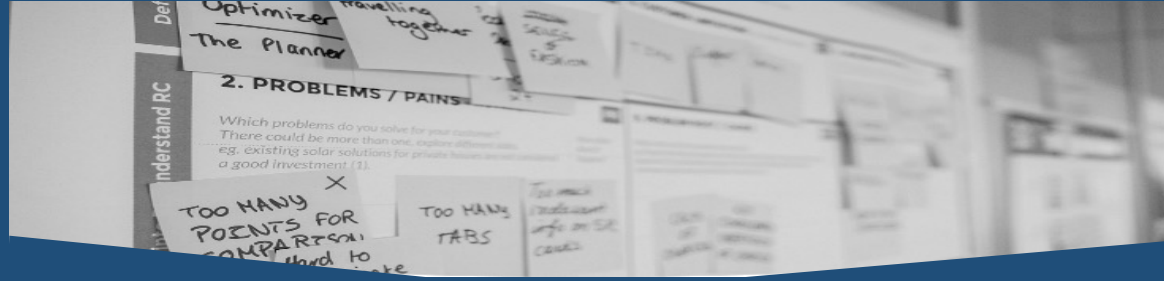
The cost of acquiring these applications is not enormous in comparison with other sourcing categories like raw material however, considering that most of them are used more than 10 years when installed. And the transaction cost of swapping application can be both costly and associate with major risks. As well as risk for application fault and integration issues that can lead to massive production loss. Therefore, its critical need to understand Tech Sourcing roles in an organization and its complexity and impact if manage in a sloppy manner.

In comparison with other sourcing categories, the delivery of IT and Technology solutions is normally a combination of different component such as *software, hardware installation and support or cloud bases services (SaaS)*, which often requires integrations to other systems, which make Tech sourcing more complicated compare with other sourcing. This meant that buyers not only need to have knowledge about the products, likewise the buyers need to understand how technology will be delivered, deployed in an organization and co-existed with new and legacy systems. As well as grasping the requirement for maintenance and support over time.

As tech sourcing includes various components, the buyer also needs to understand different types on contractual and commercial set-ups. As delivery of a tech solution normally includes 2-4 contracts such as *license, products, installation, services and support contract*. Hence, the legal skills and commercial knowledge needed to get the commercial puzzle right for ONE tech agreements is comprehensive and takes time. Moreover, an increased

The nature of
Tech Sourcing

Commercial
Puzzle



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demand to connected IT contract to areas like, suitability, corporate responsibility, GDPR and security frameworks etc. drives more sophisticated contractual arrangement, which requires more greater commercial a legal skill of IT buyers.

Some other industries have as the Tech sector, i.e. many sub-contacts that form a delivery agreement.

Industrial standard

The construction industry is an example of an industry where standard agreements can be complex. Still, they come with a common contractual set-up and common nomenclature which do simplify contractual arrangements – however that is normally not the case in the Tech industry. Although some standard terms and contract do exist however, contractual standards are very rare in the tech sector, due to the pace of innovation and the number of applications and solutions available and the fact that technology is used and deployed in different ways.

Categories volumes and management attention

Other categories, i.e. raw material, chemicals, components, services, transportation etc. that goes into production and manufacturing have rather simple contract set-ups and focusing on volumes, discounts and delivery times. – And they normally out preformed Tech Sourcing due to spend and volumes - and they are, compare with tech suppliers, more ease to swap out for other commodity suppliers

These volume-based contracts are normally easy for understand and manage for most people. While Tech Sourcing appears to be somewhat suspicious, since it requires tech and organizational development experience and competence to manage, which the average procurement community lacks. Even management sometimes are not aware of the importance of getting tech sourcing right to establish robust operational processes, consequently Tech Sourcing is a neglected category, even if it vital for any organization's survival.

Strategic insight

High-Tech Investments is of strategic importance for organization because its drives innovation, digitalization and it is deployment across laboratories, production plants, supply chain, financial reporting system etc. Few other investments in an organization will have such impact on operations and exist over such long period of time. Therefore, selection of tech supplier and products need to be discussed thoroughly across multiple disciplines, in order to be carefully planned and evaluated to avoid ambiguity in specification and time constraints for the sourcing planning process and the project implementing schedule.

Finally, with no high-tech product and solution, we would not have any manufacturing or production capabilities or digitalization of organizations, since all these initiatives are dependent on the IT and Technology development.

Consequently, Tech sourcing ought to have a more strategic place within an organization, *as it not a commodity, instead it the oil in an ecosystem that get the vehicles moving.* - It is a strategic resource that manage the right way creates a platform for sustainable competitive advantage.