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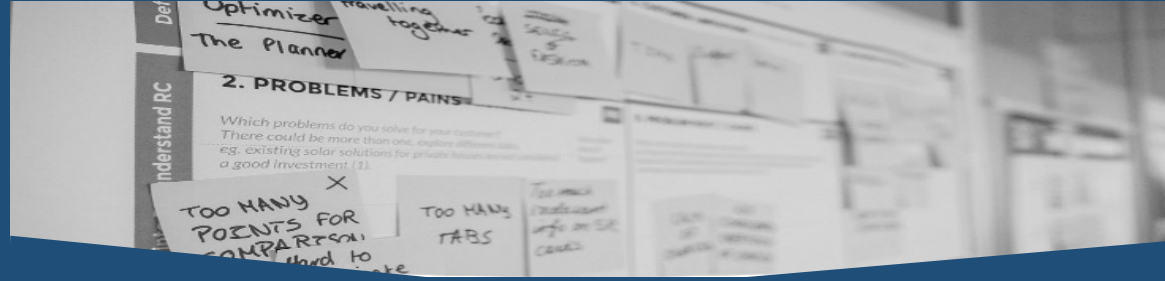
To buy High-Tech *products and solutions is sophisticated.* - It normally not a huge sourcing category in procurement organization, however it's vital for almost for every organization. Since without technology, organization can hardly work. Or manufacturing facilities cannot produce and deliver its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

The nature of Tech Sourcing

Tech sourcing is not about buying commodities like pen and paper, it's by nature a complex souring category and it is time consuming, as it includes many ingrediencies. Without it organization, offices, building, factories, logistics etc. would not work today. 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, servers, CRM suits and application for HR, finance etc. Application for managing industry and manufacturing processes, supply chain, security and surveillance application used I product and network. Almost every industry has their own unique need of applications.

The cost of acquiring this for these applications are not enormous however, considering 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 application fault and integration issues can lead to massive production loss. Therefore, its critical need to understand Tech Sourcing roles and it complexity.
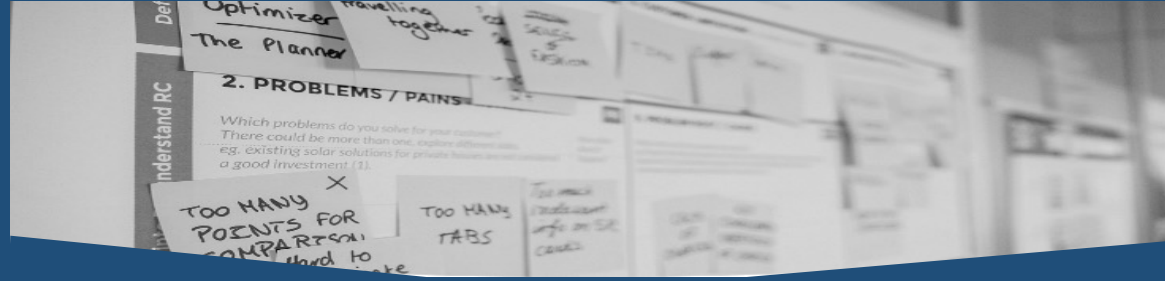
Commercial Puzzle

In comparison with other sourcing categories, the delivery of IT and Technology solutions is normally a combination of *software, hardware installation and support or cloud bases services (SaaS)*, which often requires integrations to other systems and, this makes it complicated. 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.

Industry standards

Some other industries have similar set-up of contractual arrangement as the Tech sector, i.e., many sub-contacts that form a delivery agreement. The construction industry is an example of this, however, the agreements used in this industry is to a very extend standardized, although they can also be complex. Still, they come with a common

contractual set-up and common nomenclature which do simplify – 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.

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 om 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

Experience and complexity

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 experience and competence to manage, which the average procurement community lacks as well as management, consequently Tech Sourcing a neglected category, even if it vital for any organizations.

High-Tech Investments is of strategic importance for organization because its drives innovation, digitalization and 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, plus 10 years is not an unrealistic time horizon. Therefore, selection of tech supplier and products need to be discussed, and thoroughly across multiple disciplines, in order to be carefully planned and evaluated to avoid ambiguity in specification and time constraints for the sourcingplanning process and implementing schedule.

Strategic insight

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 ton technology. 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*.