Technology Acquisition Process

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Background: Why is there a need for an Acquisition Process?

- To protect [Company's] financial and legal interest
- To maximize technology investments
- To minimize costs
- To ensure acquisitions are made in considerations of [Company's] long term strategies

Acquisition Process Statement

All acquisitions of products and services will be handled in a uniform manner following the Acquisition Process.

Any product or service requiring internal support must get approval of the acquisition from the department supplying the support.

All larger, more complicated, higher risk acquisitions will utilize a Negotiation Team approach.

Any new product acquired must follow the existing Change Management process as defined in [fill in the blank].

All products developed for [Company] will be owned by [Company].

All source code will be either owned by [Company] or available to [Company] through an escrow agreement.

All contracts will adhere to contract standards, be reviewed by the Legal department and originals of all documents will reside in the [Insert Process Owner] area.

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Sign-off and Review Levels

All contracts are subject to the following minimum sign-off and notification procedures:

$ Level		Notification and Review Required
$0	**$XXX,000**	**Notification and Review and Sign-off by [level of management]**
$XXX,001	**$YYY,000**	**Negotiation Team Required and Sign-off by [level of management]**
$YYY,001	**$ZZZ,000**	**Negotiation Team Required and Sign-off by [level of management]**

Notification means that [Insert Process Owner] must be notified prior to starting the acquisition process and must get the final contract with original signatures for central contract storage and expense forecasting.

Negotiation Team Required means that a Negotiation Team as defined in this document must be assembled and must sign off that they have participated in the acquisition.

What is the Negotiation Team?

The Negotiation Team consists of representation from [Insert Process Owner], Legal, the project sponsor, and the client area. The client could be the user, manager, or beneficiary of the product or services being purchased.

The negotiation team will be led by the [Insert Process Owner] with the Legal department providing direction on contract terms and conditions. [Insert Process Owner] will provide information on other similar transactions, successful negotiation tactics and financial information on the potential vendor.

[Insert Process Owner] will serve as the central repository for all IS contracts.

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What is the Acquisition Checklist?

The Acquisition Checklist is a series of questions designed to familiarize you with the types of issues faced in a product or service acquisition.

The following pages may be used as a checklist of the major steps and components to be considered in a successful product or service negotiation.

There are four (4) parts in this process:

- **Acquisition Analysis**
  This identifies the reasons the product or service is being acquired, the size of the transaction, and the level of Senior Management commitment.

- **Pre-Negotiation**
  This is where the groundwork is done to bring the right people to the table and to answer important questions about the product or service.

- **Negotiation**
  This is where we identify the items being negotiated and describe how the negotiation will be conducted.

- **Contract Administration**
  Ensures the items you negotiated for are actually received.

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Acquisition Analysis

1. What is the business need?

2. Is there budget available?

3. Has the relative value of this acquisition vs. other products and services been established?

   3.1 Has the acquisition been analyzed and a recommendation completed?

   3.2 Have the resource needs been determined from the project plan?

   3.3 Have the skills, duration, number of resources, and estimated rates of outside contractors been determined?

   3.4 Have the time and location schedules been determined?

   3.5 Is an asset liquidation plan required for an existing asset?

4. Has senior management approved?

5. Is there an existing contract or relationship with the vendor?

6. Has a Request for Information (RFI) or Request for Proposal (RFP) been issued?

7. Have the following financial analyses been conducted?
   - Total cost of ownership impact?
   - Budget impact?
   - Lease vs. purchase?

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Pre-Negotiation

1. Has an Acquisition Analysis been completed?
2. Do all components of the product being considered currently exist?
3. What is the exposure if future features are not delivered on time?
4. Has an impact analysis been performed?
5. Identify who will be impacted by the acquisition.
    - 5.1. When should they be notified?
        - 5.1.1. Have all parties signed off on the impact analysis?
6. Is there an existing, supported product that does the same thing?
7. Have in house resources been sought, and are they either not available or lacking needed technical skills?
8. Is this a strategic or tactical acquisition?
9. Is the acquisition enterprise wide? If not, what departments are involved?
    - 9.1. Is product use going from tactical to strategic place?
    - 9.2. Is the product becoming the de-facto standard?
10. Have you been asked to provide a letter of intent?
11. Has a competitive analysis been done?
12. Who are the market leaders?
13. What are the costs of products offered by competitors?
14. Check the vendor financial statements.
15. Get vendor annual reports and/or Dun & Bradstreet reports.
16. Check customer references.
17. Identify the software licensing options.

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Negotiation

1. Have all steps in the Acquisition Analysis and Pre-Negotiation process been completed?

2. Does this transaction require a Negotiation Team?

3. Have the following negotiation tactics been employed?

   3.1 Has contact between the vendor and anyone but the negotiation team spokesperson been minimized?

   3.2 Should the sponsor negotiate or should you use a disinterested third party?

   3.3 Has credible competition been created? If so, how?

4. Have the following items been negotiated?

   - Acquisition Price
   - Maintenance after the first year
   - Financing
   - Volume purchase agreements with minimum commitments
   - Platform transfer rights
   - Growth requirements
   - Minimum discount levels on the vendor's other products
   - Service Levels
   - Reporting requirements

5. Are there measurable and meaningful performance incentives or penalties?

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Contract Administration

1. Have the [Company's] standard contracts been used?

2. Have the final contracts with an original signature been given to [Insert Process Owner] for central storage?

3. What procedures or requirements are in place to enforce or audit the terms of the contract?

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