

# Key Risks in ICT Procurement

How to manage Regular Risks and  
Black Swans ?

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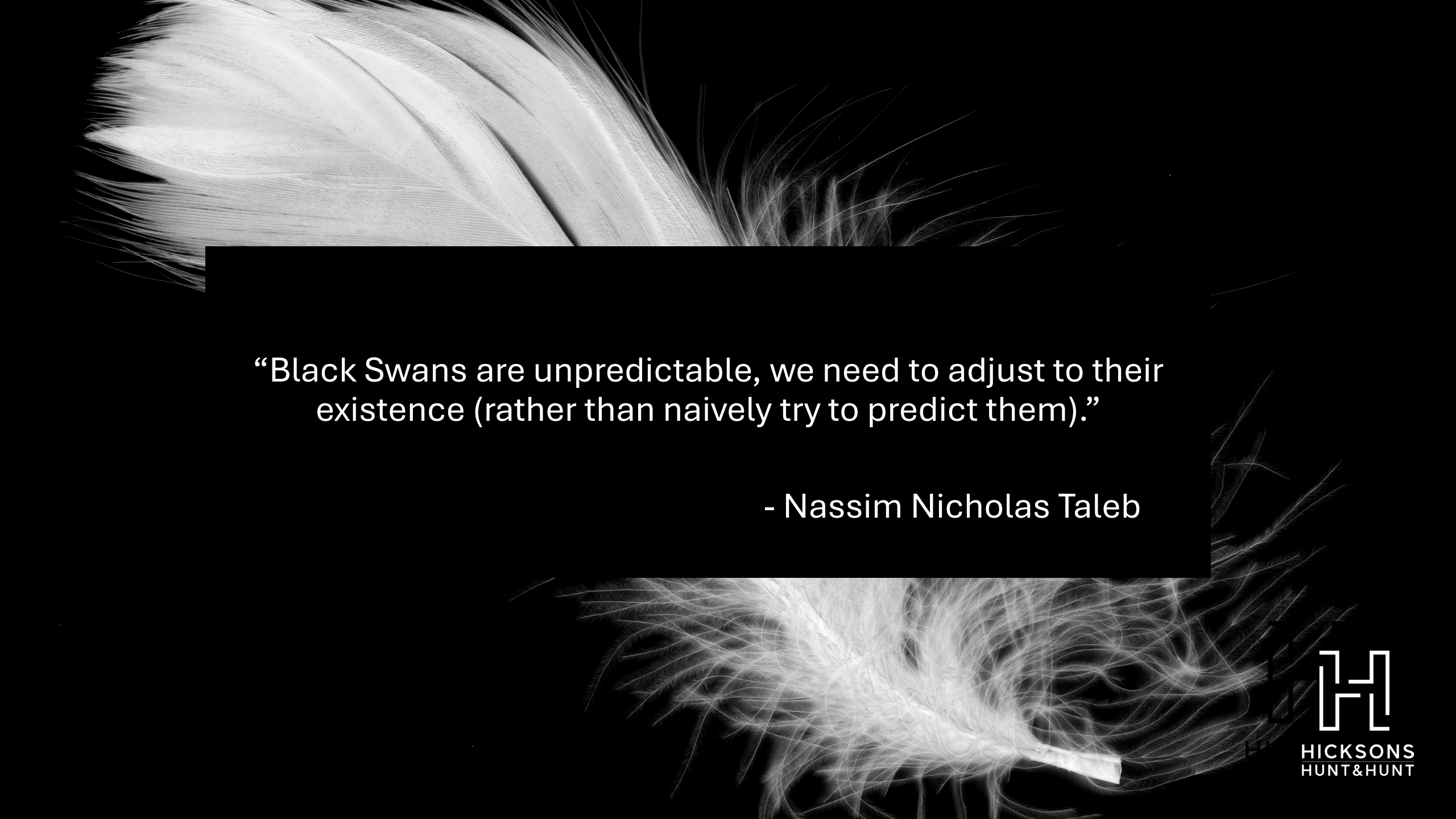


## **Regular Risks**

Reasonably conceivable, and can be assessed, and managed through planning and controls

## **Black Swan Risks**

High-impact events that are impossible to plan for



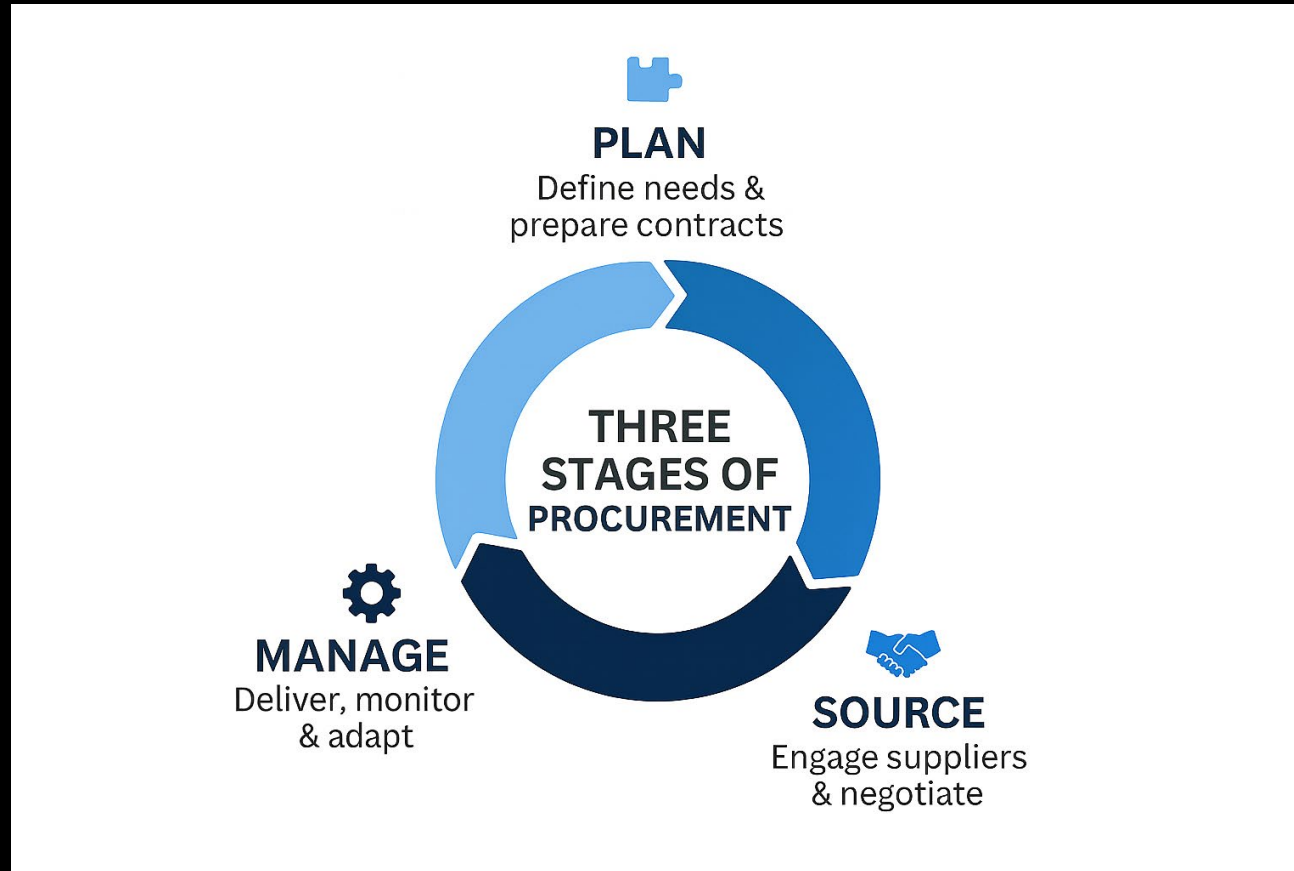
“Black Swans are unpredictable, we need to adjust to their existence (rather than naively try to predict them).”

- Nassim Nicholas Taleb



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# Three Stages of Procurement



A close-up photograph of a hand with a pink manicure moving a black chess pawn on a checkered board. The background is a soft, out-of-focus grey.

# Stage 1: Plan

- Identify business needs
- Finalise procurement strategy
- Develop requirements
- Draft a contract



# Key Risks

- Unclear customer requirements
- Draft contract not fit for purpose

# Stage 2: Source

- Approach the market
- Select preferred suppliers
- Negotiate contract
- Award



# Supplier Risks

What are the contractual protections if the Supplier's financial position is weak?



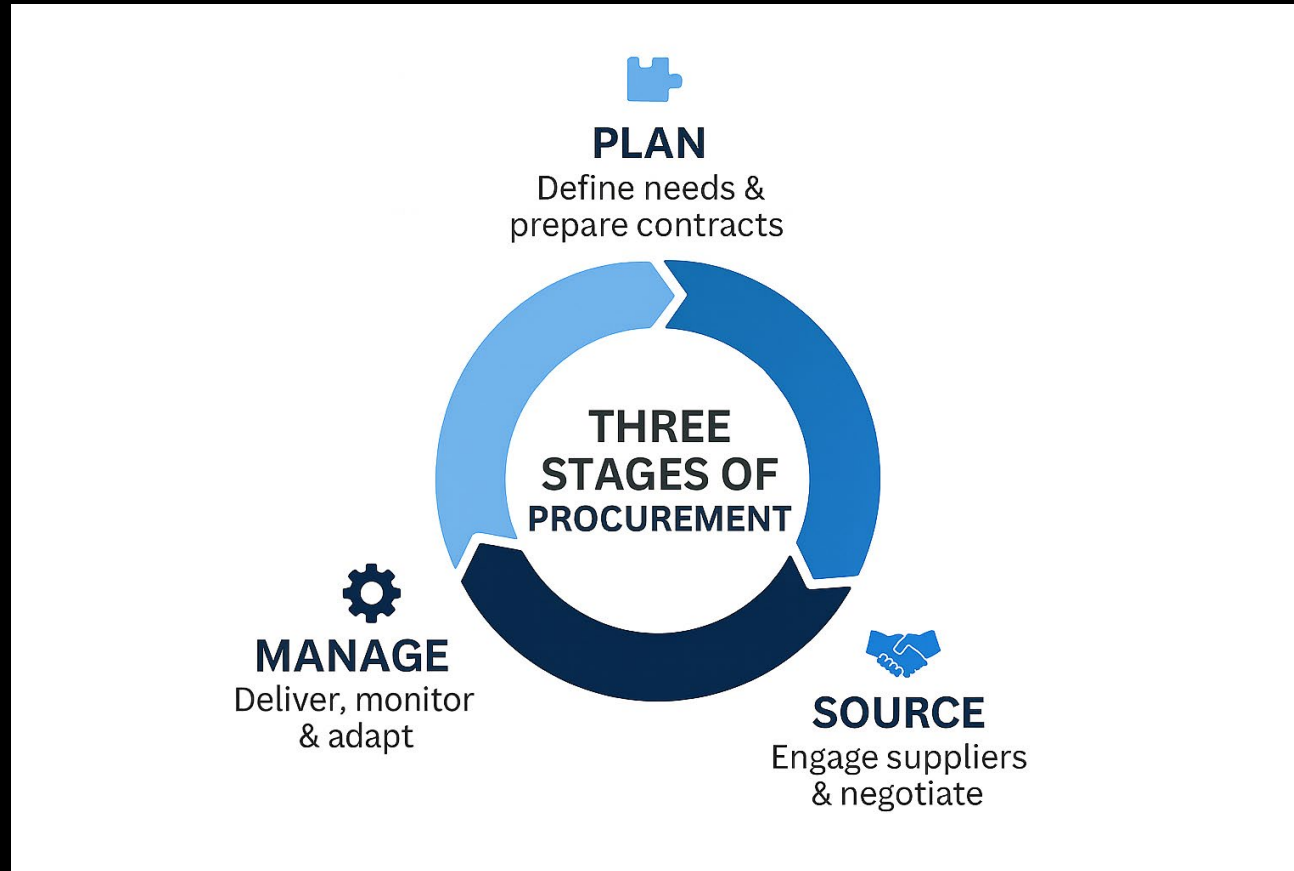
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# Escrow Arrangement

- How does it work ?
- When is it required ?
- What should be placed in escrow ?

# Three Stages of Procurement





# Transition-In & Out

- What to consider when negotiating transition-in?
- What are the risks of delaying the transition-out plan?



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# Delays

- **Liquidated Damages:** are they always an effective way to prevent or manage delays?
- **Service Credits/SLAs:** what role do they play and what to watch for?
- **Beyond LDs and SLAs,** how else to manage delays ?



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# Testing & Acceptance

- Is it essential to have a Testing Plan agreed before contract signing ?
- What's the risk of leaving it till later?



# Data Protection

- How broadly should the Customer Data be defined ?
- What Customer Data will the Supplier use and how exactly will that data be used?
- Should all Customer Data be treated the same, and subject to the same requirements ?



# Intellectual Property

- Is it always in the Customer's best interest to own IP in deliverables ?
- When is licensing a better option for the Customer ?

# Payment & Pricing

- How to structure payments to manage risk?
- What to watch for when negotiating pricing ?



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# Liability

- What are the risks in this deal ?
- Who is better positioned or has great control over that risk ?
- Do the liability cap and exclusions reflect that reality ?



# Contract Negotiations

- What are the common mistakes customers make in supplier negotiations ?

# Negotiation Strategies

- **Adopt a 3-D approach:** plan the setup, design the deal, and apply the right tactics
- Have a clear **post-evaluation strategy**
- **Consider concurrent negotiations:** nothing is agreed until everything is agreed
- **Research the Supplier**
- **Know** who you're dealing with: confirm if you're negotiating with the right entity (reseller vs. cloud provider)



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# Stage 3: Manage

- Contract commencement
- Performance monitoring
- Contract completion





# **How to adopt the Black Swan thinking in ICT Procurement ?**

# How to Build Flexibility in ICT Procurement ?

- Multi-stage contracting
- Business continuity planning
- Repurposing licences
- Change mechanisms
- Robust governance and contract management
- Termination rights and transition-out plan
- Supplier relationship management



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