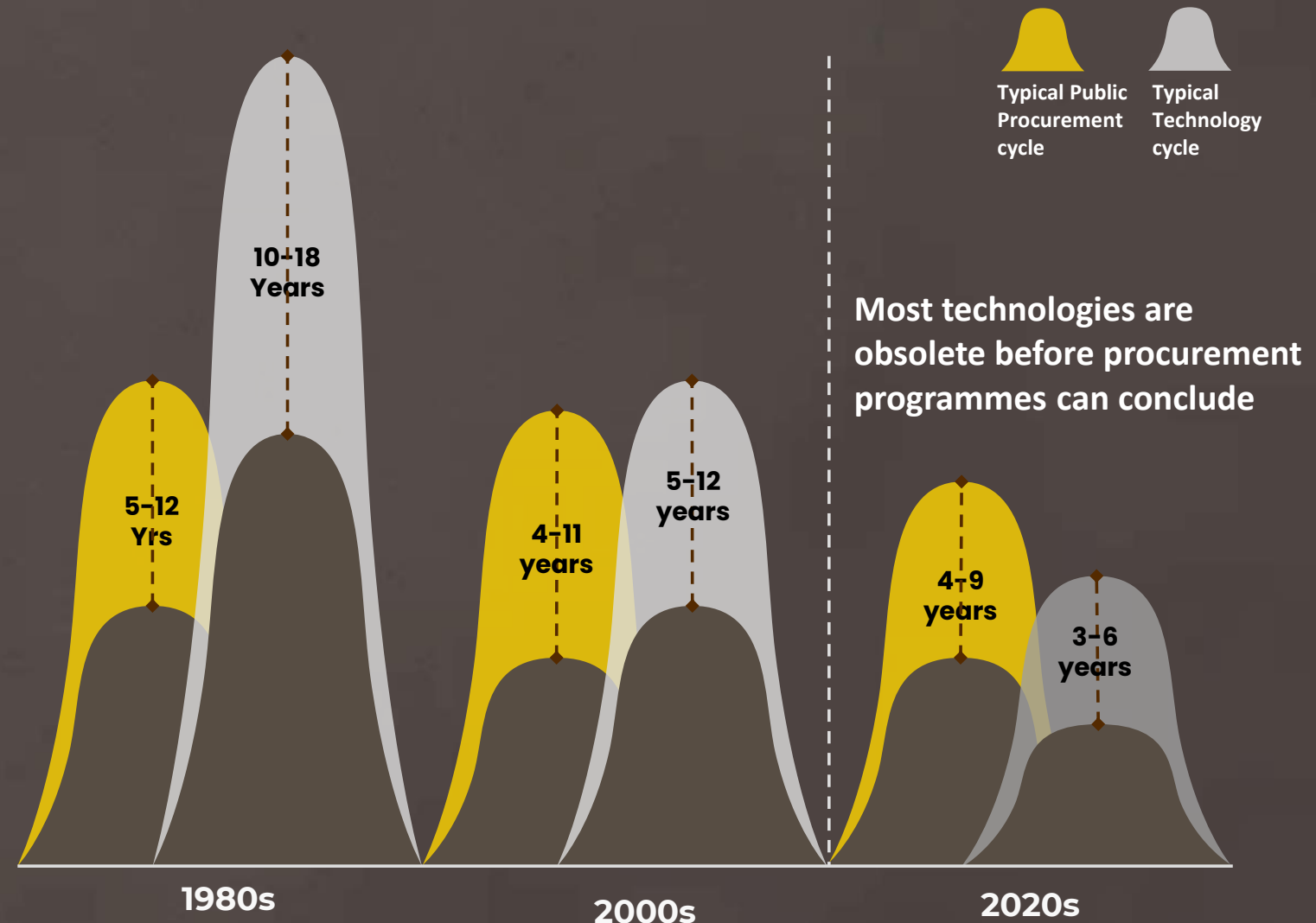# Managing technology obsolescence for bidders in public procurement

August 2024

For long-lifecycle goods, accelerated shortening of technology cycles is placing new challenges before suppliers, especially in public procurements

Rapidly shortening technology cycles

- Public(government) procurement cycles for capital goods across the world have progressively shortened over the last 40 years as procurement processes have become more efficient

- Concurrently, technology cycles have shortened, but at a pace greater than the pace of reduction of procurement cycles.

- This has led to agencies not being able to plan procurement and companies bearing unnatural costs to undertake bid participation with little comfort on the bid actually converting to a contract

Typical Public Procurement cycle   **Typical Technology cycle**

Most technologies are obsolete before procurement programmes can conclude

10-18 Years

5-12 Yrs

4-11 years

5-12 years

4-9 years

3-6 years

1980s

2000s

2020s

This results in a variety of dilemmas that a modern CXO needs to plan for

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Questions a CXO needs to address

Are there ways to delink programs from technology cycles?

Can there be a business model that provides the ability to bid on government contracts and yet delinks the bidder from technology obsolescence risks?

Are there any market actions that can be considered including education of the customer

Is there a way to evolve the market model itself so as to limit the technology risk

What is the operationalization framework for deployment of such an approach

How does one manage the operationalization of such an approach if it is available as an option to a bidder

How does one account for and build provisions for such a risk?

Dilemmas here include issues around scope of supply chain alignments that allow for such eventuality to be addressed

CXO dilemma stack

CXOs thereby need to consider the STONESBURY 4D approach – deploying it both upstream –downstream & internally-externally

*Elements of the CXO 4D toolkit to address this issue*

- **Declutter their production activity scope** - focus on core activities like integration, product testing, validation, QA/QC, supply chain management whilst outsourcing / islanding components that are having extremely short technology cycles

- **Develop a PE style portfolio approach for short technology cycle components** which could be rapidly swapped as technologies evolve

- **Design this is a manner that obfuscates costs** so as to improve product margins with the end customer whilst strengthening product feasibility and business viability

- **Drive a customer engagement plan** to ensure that customers identify these actions as de-risking the entire programme

Declutter

Design

Develop

Drive
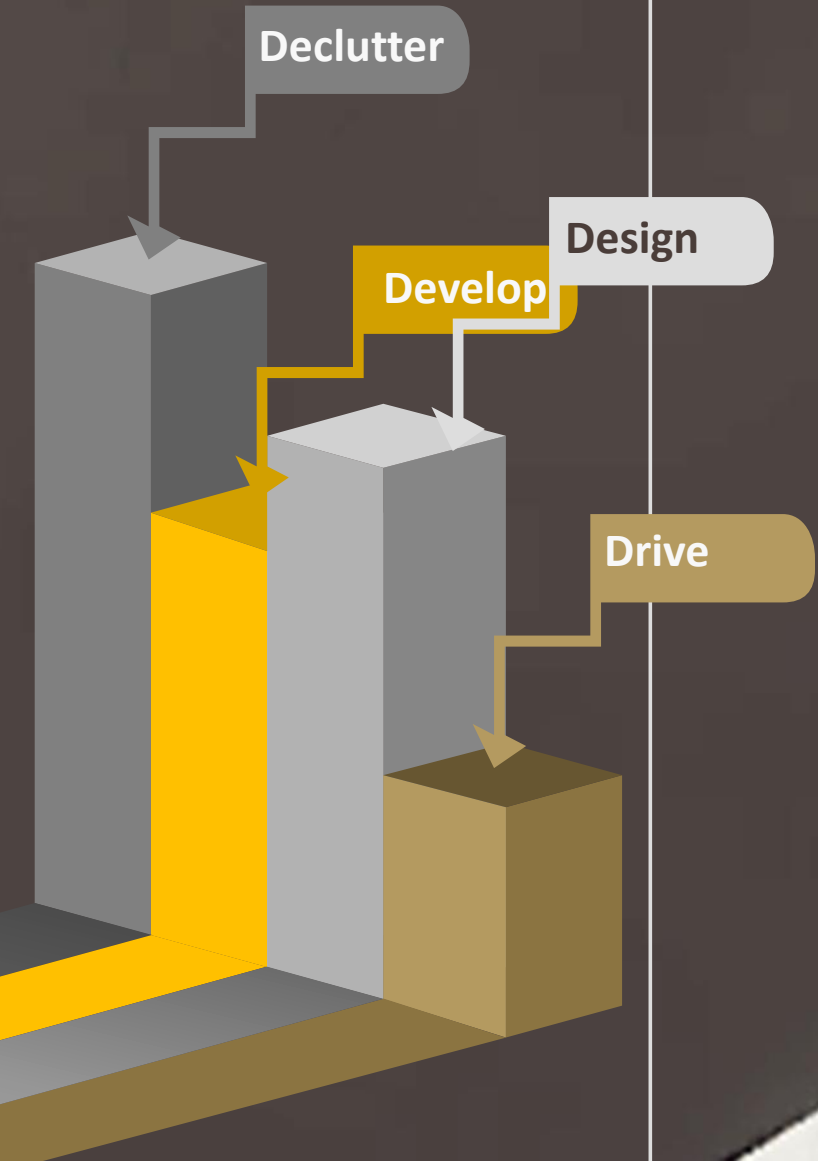
The deployment of the STONESBURY 4D framework delivers a time-bound, disciplined approach that maximises returns for a business
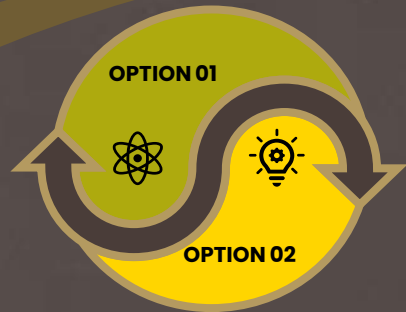
Elements for a disciplined structural approach to the issue

Typically, a 5–8-week approach

OPTION 01

OPTION 02

Growth Paths and $ impact

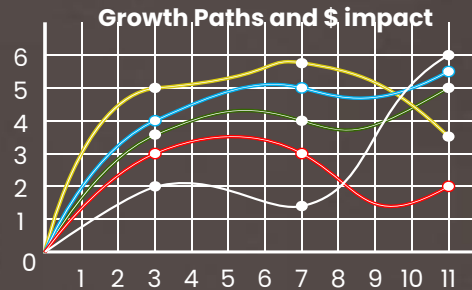**Deployment and Stakeholder management**
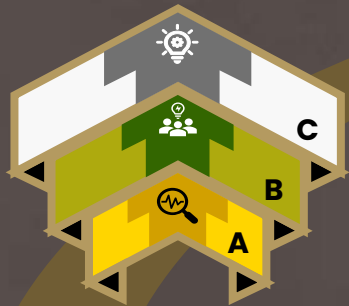
Step 1

Commencement with a dispassionate understanding of hierarchy of product technologies and their outlook

Step 2

Clear articulation of Elements to own vs. outsource considering all parameters including management bandwidth, cost of capital and costs associated with maintaining technology leadership

Step 3

Clear calibration of economic impact on top-line, bottom-line and cash-flow with a clear validation of risk

Step 4

Time-bound deployment with an active stakeholder communication plan and measure tracking

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To know more about this journey, please contact us at:-

rgangal@stonesbury.com
+1-647-881-1807
+91-98914 31818

www.stonesbury.com
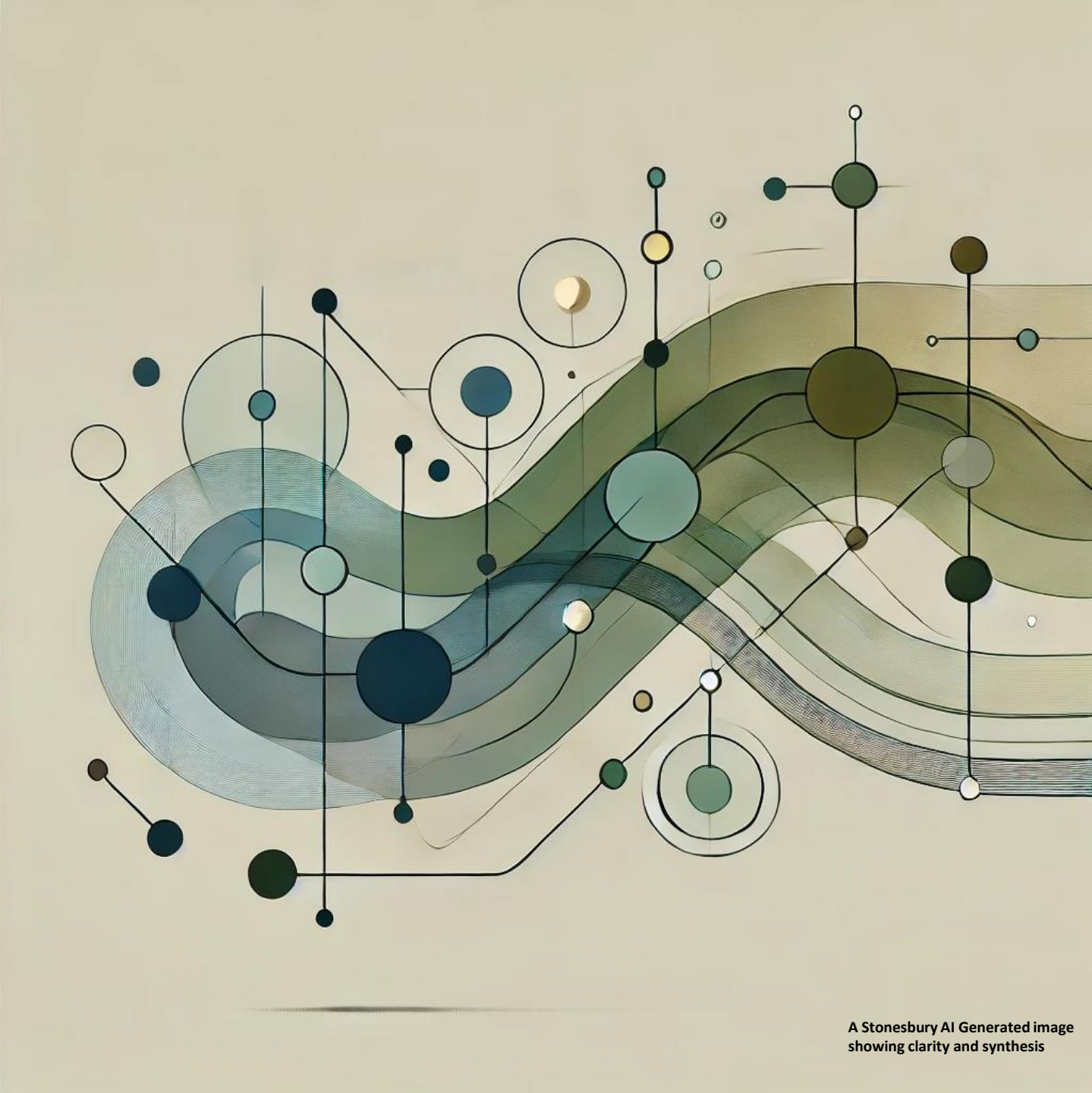
A Stonesbury AI Generated image showing clarity and synthesis