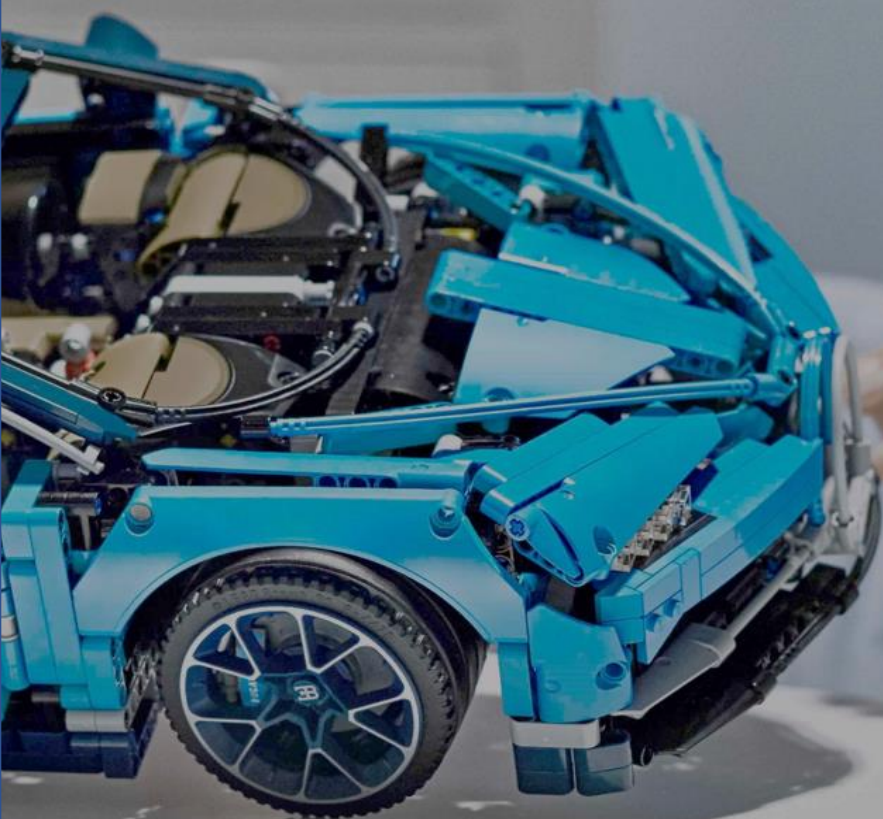




Technology Sourcing Handbook

A guideline for decision-making in the sourcing process

Version 2.0 | 01 April 2019

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1. Introduction



1.1 The Purpose of the Technology Sourcing Handbook

1.1.1 Introduction to the LEGO IT Technology Roadmap

The IT Technology Roadmap (ITR) contains over 110 initiatives that will be executed over the next four years. To support the ITR, an IT Sourcing Strategy has been agreed to accelerate the sourcing and procurement activities for each initiative. The IT Sourcing Strategy will aid and enable Initiative Leads to balance speed and value to achieve operational excellence for the ITR, whilst managing both commercial and legal risks for the LEGO Group.

1.1.2 Objectives of the IT Sourcing Strategy

1

Enable faster, more efficient sourcing execution

2

Leverage relationships with suppliers to build partnerships, optimize cost, and maximize value

3

Align sourcing to technology strategy, providing foundation for increased maturity

Getting a new IT Sourcing Strategy that combines the direction from the strategy and the higher focus on execution that Niels has brought to the table is an important part of what we are aiming for in the roadmap. We must grab this opportunity we have now to develop our teams, work a bit different to raise our game and meet the challenge of the technology strategy. Delivering more value must go hand in hand with the focus needed on excellent execution. Bringing in outside help to scale is something we should become great at and getting most out of the existing vendors and contracts is important get most for our money.

Lucia Cioffi
Chief Procurement Officer

It is an exciting time to be in Technology! We have created a window of opportunity for ourselves with the technology strategy and agile transformation to bring even more value to the LEGO Group. Being successful and deliver on our promises is not going to happen if we continue tomorrow what we did in the past. There must be changes to the way we think and act. The IT Sourcing Strategy is a good example where "Doing the right things and doing things right" can be achieved at the same time. We should be creative when we think sourcing and find ways to deliver more value from BT with our partners and vendors. The IT Sourcing Strategy provides a framework for that.

Henrik Amsinck
Chief Information Officer
henrik.amsinck@lego.com



1.2 Structure of the Technology Sourcing Handbook

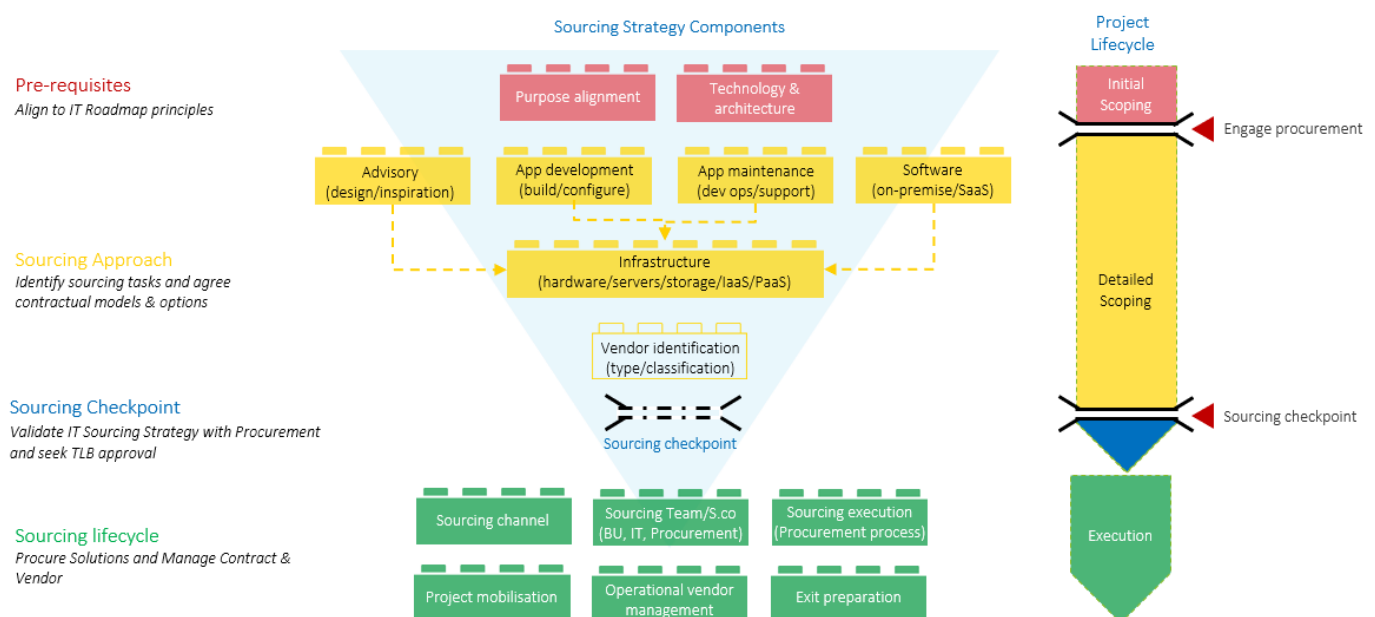
1.2.1 How is this sourcing handbook structured?

The Technology Sourcing Handbook (TSH) outlines the process that aims to help the Initiative Leads implement the IT Sourcing Strategy for each technology initiative. The TSH process contains three key components:

	1	2	3
Objective	Define sourcing pre-requisites for each initiative	Define sourcing approach	Manage sourcing lifecycle
Responsibility	IT	IT & Procurement	Procurement & IT

1.2.2 How the IT Sourcing Strategy will work

The Sourcing Strategy provides guidance for each initiative in line with the Technology Architecture principles combined with smart commercial practices. An overview of the process is described below:



2. Sourcing Prerequisites

Initial scoping



The position of an initiative on the Market differentiation is determined by the level of customization required as outlined in the diagram below, the higher the level of customization the higher the differentiation:



Mapping the initiative to the quadrants of the purpose alignment grid, frames some of the key decisions that are to be made later in the sourcing process.

2.3 Technology & architecture principles

The second prerequisite that needs to be defined is the technology and architecture principles set out by the ITR. [Five of the eight principles](#) outlined in the ITR have a direct impact on an initiative's sourcing strategy and execution and have been outlined below:

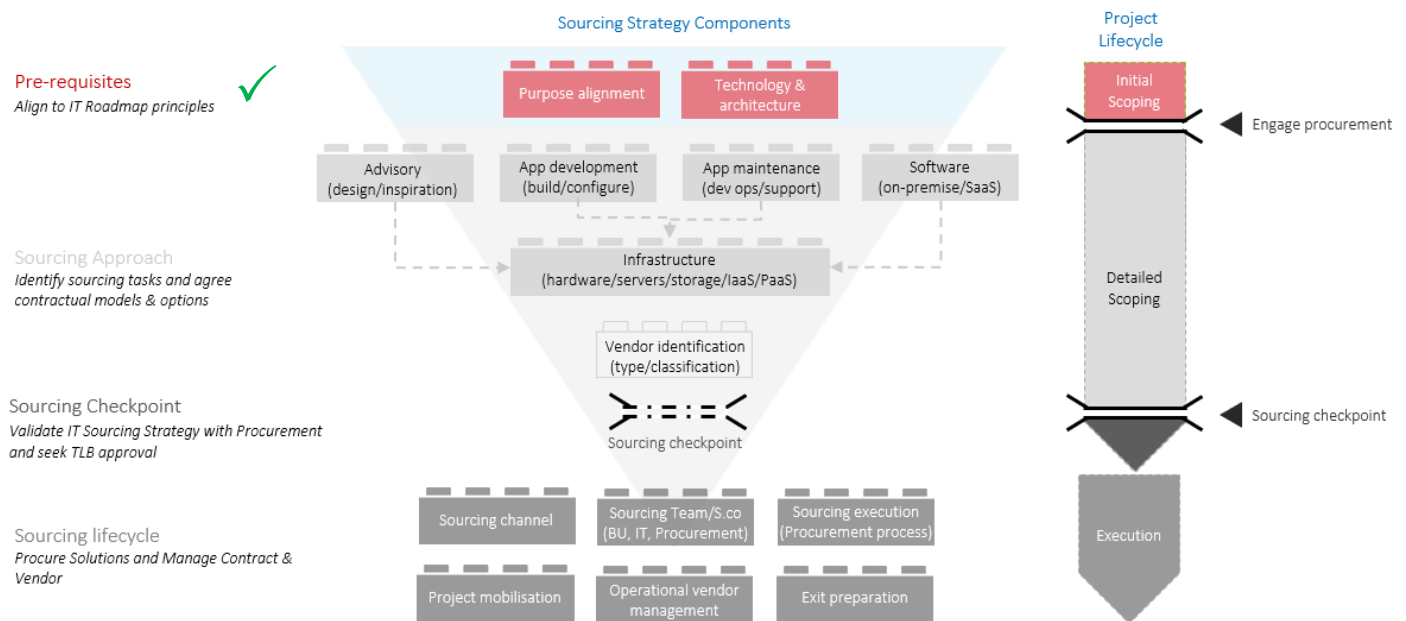
➤ Leverage cloud. Cloud solutions are preferred. Any deviation needs to be justified and agreed by the Enterprise Architect team.	Contract for SaaS as the preferred mode over PaaS, IaaS, or physical infrastructure. Procurement should ensure that contracts have sufficiently flexible commercial models and exit provisions.
➤ Prioritize security and confidentiality. Any selected solution must meet the defined security and confidentiality requirements.	The location of the solution must be considered (local, nearshore, offshore for professional services, ensure solutions are not hosted in locations where IP protection is weak, suppliers who have not met GDPR requirements, etc.)
➤ Stable and compliant core*. Industry-proven, stable and compliant solutions to be used at the core.	Avoid start-up vendors/solutions and go with known, mature solutions.
➤ Buy solutions for standard capabilities. All standard, non-differentiating capabilities are to be provided by industry-standard solutions.	Avoid niche providers for standard capabilities and go with best of breed and established solutions.
➤ Build only for differentiating capabilities. Differentiating capabilities are based on the workstream outlined above.	Procurement to ensure that LEGO retains control over IP created, as well as the architecture and design of the solution.

2.4 Conclusion to prerequisites

By the end of the Pre-requisites phase of the sourcing process, the objectives, value drivers and level of required customization for the purchasing requirement will have been clearly defined.

The level at which the technology and architecture principles align to the purchasing requirement will have been assessed and confirmed.

Completing these two steps will allow for a clear sourcing approach to be defined, as described in chapter 3.



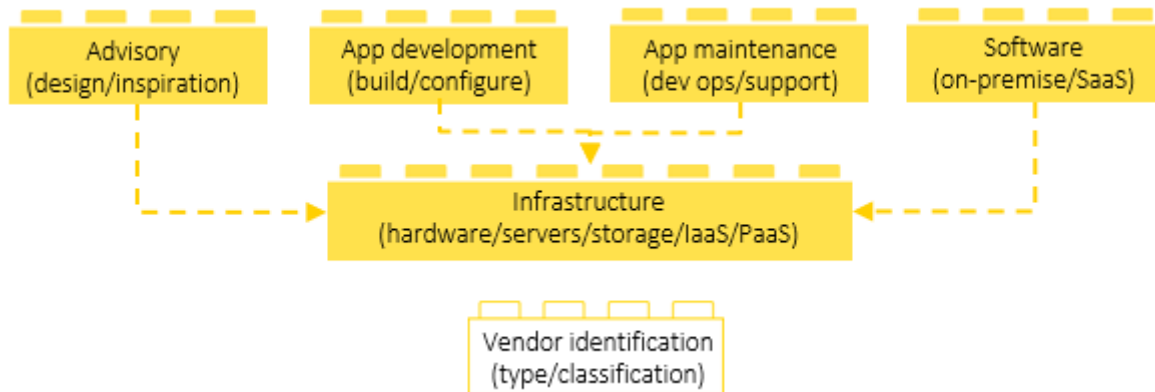
3. Sourcing Approach

Detailed Scoping

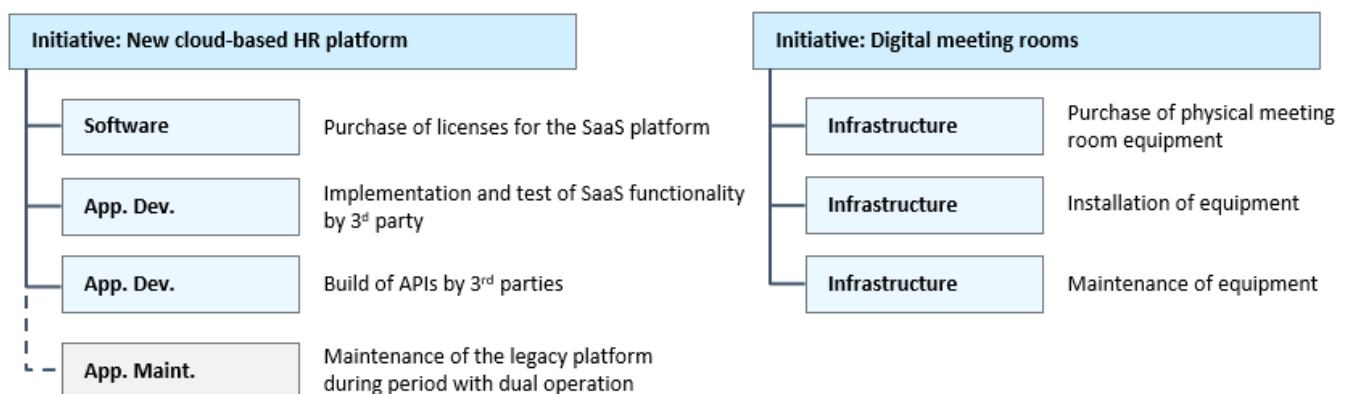


3.1 Determining the sourcing tasks in each initiative

Each initiative may have multiple sourcing requirements described as *sourcing tasks*. To help define the sourcing tasks required for an initiative, Procurement should be engaged at this stage. The sourcing tasks categories are outlined in the diagram below:



Each initiative could have one or many of these sourcing tasks in any combination e.g. an initiative may not have a software component if the solution is developed from scratch, or an initiative may not require advisory services if the initiative's strategy is already known. Examples below show how different initiatives can have different sourcing tasks:



Each sourcing task has different sourcing principles, contracting methods and commercial models. As such, sourcing decisions need to be made for each sourcing task individually i.e. the sourcing, contracting and commercial principles for an advisory sourcing task is different for a software sourcing task.

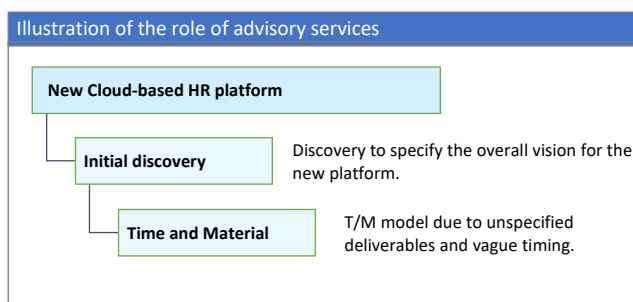
A sourcing task can only be categorized as one of the five sourcing tasks categories. If you find that several descriptions fit a sourcing task, it should be broken until the individual components fit the categories. Categorizing the sourcing tasks this way provides a transparent and targeted approach to the sourcing requirements of an initiative and does not increase the overall complexity.

3.1.1 Sourcing configurations for advisory services

Advisory services can be applied to any initiative at any stage, irrespective of delivery model, scope or duration.

They are predominantly used to conduct an initial discovery phase to assist in clearly defining the business need or problem to be addressed.

As soon as an initiative hits the operations phase, use of advisory services is usually significantly reduced, however, advisory services may be utilized to overcome major obstacles during any phase.



Sourcing building blocks related to Advisory initiatives				
Initiative phases		Discovery	Plan/Build/Run*	
Commercial models	Teaming agreement	FTE-based	Time and material	Fixed price
Shoring options		Local or landed resources	Nearshore or offshore	
*Advisory initiatives can be related to any of these phases. For the purpose of this handbook there is no distinction between which phase the advisory service is provided for.				

Advisory services can either have clearly defined outcomes to be delivered over a fixed timeline or can adopt a more agile approach, with a broad vision for final delivery and fluid delivery milestones. Depending on how far the outcome of the initiative, and the required process, can be defined up-front, a suitable commercial model should be chosen.

If the initiative has a clear outcome, milestones and initiative plan, it can easily be contracted for on a fixed price basis and therefore shift the delivery risk and responsibility to the supplier. If this definition is not possible, variable pricing models should be chosen to avoid a risk premium being factored into pricing by the supplier.

Principle 1:

Advisory services should be used for inspirational/best practice purposes

Advisory initiatives are suitable options for getting inspiration on the possible future directions and/or scoping of an initiative. They could be used when assessing the viability of starting a new initiative, to assess the market for suitable/new/best practice technologies and delivery models or to validate and add expertise to existing business thinking.

Principle 2:

Contract with impartial and objective suppliers and avoid one-person advisories

Advisory services should preferably be provided by a supplier that is not currently providing operational services to LEGO, especially any services related to the initiative in question. This way LEGO can make sure to receive advice that is not designed or intended to favor the current supplier's services. In addition, avoiding one-person advisory firms also provides long-term stability in delivery

Principle 3:

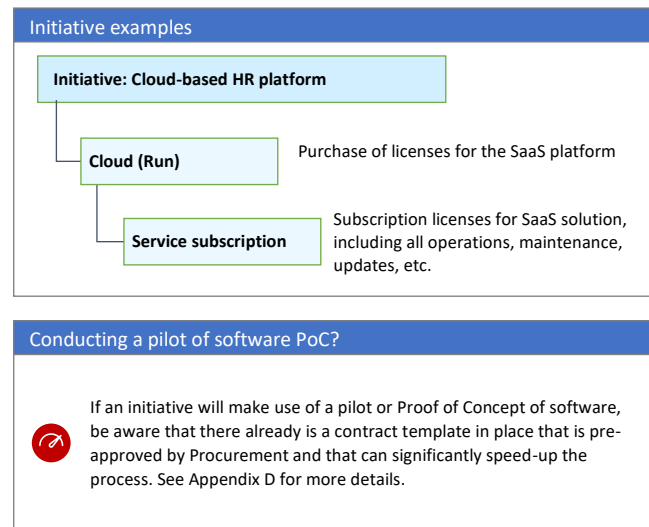
Be clear on the context

In some instances, defining deliverables upfront can be challenging e.g. for discovery phases as part of an agile initiative delivery. Advisory services can build on the same call-off structure as other agile initiatives, but a clear context definition is always needed to set out where the initiative is anchored and what the initial deliverables look like.

3.1.2 Sourcing configurations for software

Software can be a major part, and often the focus, of any initiative. There are two main options for sourcing software, depending on whether LEGO is buying software-as-a-service or traditional on-premise software. Irrespective of the delivery model, software is usually sourced for the stable operations phase of an initiative.

Whenever an initiative involves a software element, an assessment needs to be made regarding the software's implementation, customization and integration effort, which is explained further in the *Application Development* category. This is applicable for both software-as-a-service and on-premise software. In addition, if the software sourcing job consists of traditional on-premise software, capacity needs should be discussed with the infrastructure team.



Sourcing models related to Software initiatives				
	Cloud-based software (SaaS)		On-premise software	
Initiative phases	Run	Delivery	Run	Delivery
Commercial models	Service subscription	Service subscription call-off	License subscription	Purchase order
Shoring options	n/a		n/a	

Principle 1:
SaaS wherever possible

Principle 2:
Assess vendor's suggestion of implementation partner

Principle 3:
Limit customization

As per the enterprise architecture principles, SaaS solutions should be chosen wherever possible. If no suitable SaaS solution is available, a combination of PaaS or IaaS and on-premise software should be used. PaaS and IaaS are still preferable to traditional on-premise infrastructure, so any software that can avoid running on a traditional infrastructure foundation, is the preferred option.

If the software vendor points out a preferred implementation partner that is a strategic partner to LEGO, consider this as an option, however, competitive benchmarking and market comparison is still recommended. If not, initiate a capability assessment in collaboration with procurement to cover other candidates.

Proven and standardized solutions should be chosen to the largest degree possible. If the initiative requires differentiating capabilities, niche solutions can be chosen to allow for the implementation of these. Assessment of whether or not a customized solution is required can be undertaken using the purpose alignment grid and workstream differentiation overview (p5, p6).

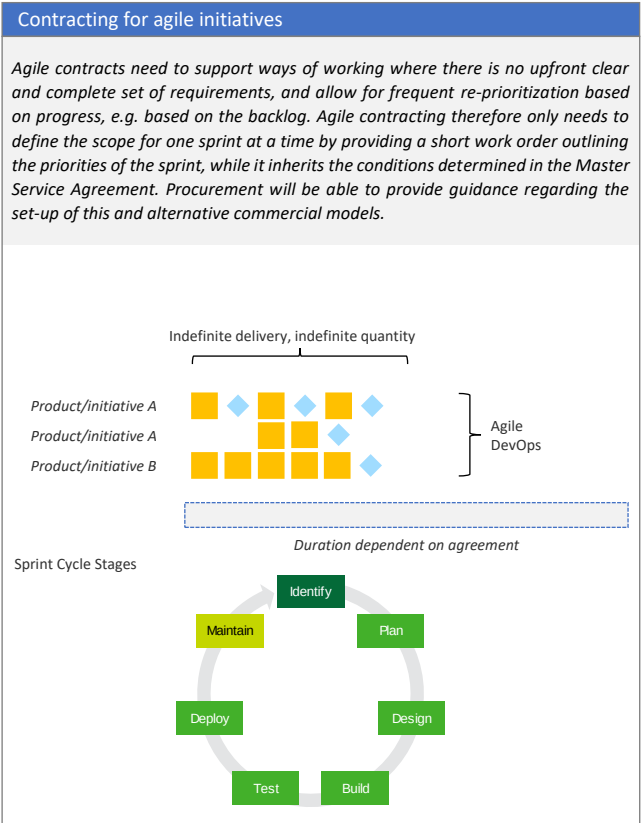
3.1.3 Sourcing configurations for application development

An initiative can be a stand-alone Application Development initiative, but it is mostly one sourcing job out of many for a given initiative.

Application Development can cover:

- **Building** the solution either **front-end, back-end** or **full-stack** (*Build or delivery*),
- **Customizing** off-the-shelf on-premise or cloud solutions (*Build or delivery*), or
- **Transitioning** to and **implementing** the solution (*Transition/implementation or delivery*).

As a guiding principle, when an initiative is not part of the differentiation quadrant in the purpose alignment grid (p5), it should consist of commercial off-the-shelf applications rather than custom-developed solutions. If it does sit within the differentiation quadrant then the initiative may be custom developed or heavily customized to create a market differentiator for LEGO. Application development can follow a waterfall approach if the initiative content is clearly defined upfront. It can also be part of an agile initiative where requirements or function points are defined and specified as part of the development process.



Sourcing models related to Application Development initiatives								
	Agile				Waterfall			
Initiative phases	Delivery				Build		Transition and implementation	
Commercial models	Teaming agreement	FTE-based	Sprint/user story-based	Target cost	Teaming agreement	FTE-based	Fixed price	Time and material
Shoring options	Local	Landed	Nearshore		Local or landed resources		Nearshore of offshore	

Principle 1:

Leverage existing framework agreements with key suppliers where possible

LEGO has framework agreements in place with key suppliers that can be drawn upon for agile application development initiatives. For these initiatives, rates and conditions will already be defined, and work can be started through a simple statement of work executed together with procurement.

Principle 2:

Consider resource location in relation to cost, speed and desired proximity to LEGO

Not all phases of the software development lifecycle need to be sourced through local or landed resources with physical co-locations. In agile initiatives, initiative leads can make use of nearshore resources, while keeping the necessary closeness to LEGO. Off-shoring some of the development work can be considered for end to end sourcing or where supplier capability has been proven and processes and teams are mature.

Principle 3:

Start small with the end in mind

Whilst having a grasp on the overall end state, limit LEGO's risk and exposure by contracting in small chunks, e.g. one or several sprints. When the initiative warrants it, leverage the supplier master agreement to extend or intensify supplier involvement in the same sprint-based approach.

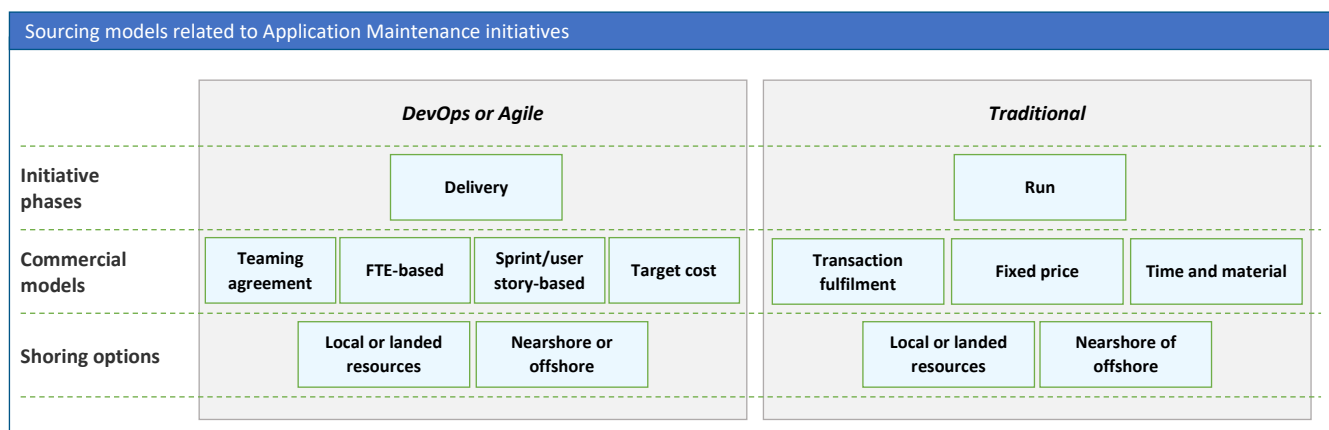
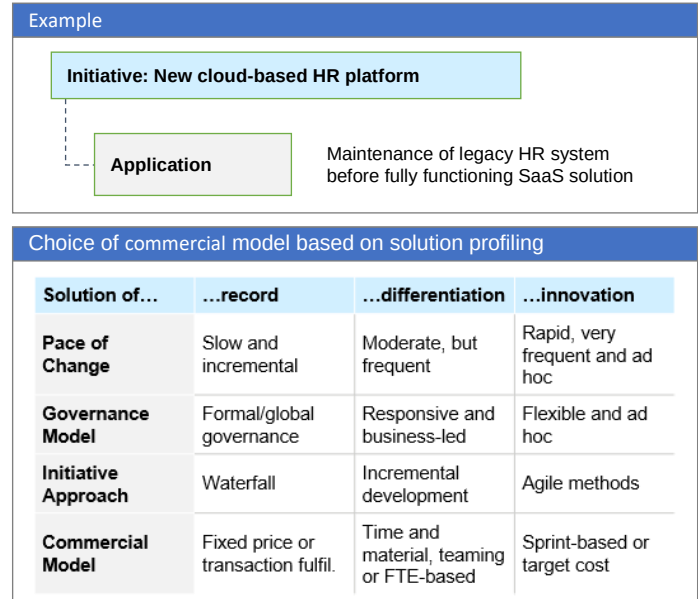
3.1.4 Sourcing configurations for application maintenance

Application maintenance services need to be in place for all applications that LEGO is running that are not SaaS solutions, where suppliers are responsible for maintenance processes, or where LEGO conducts application maintenance inhouse.

Initiatives that introduce new SaaS components are likely to have application maintenance spin-offs for the period where the legacy applications are running in parallel with their SaaS successors.

Application Maintenance with a DevOps mindset

Application maintenance in a DevOps setting or agile initiative differs from a traditional, stable, well-known waterfall approach in the sense that maintenance tasks will be incorporated into the same backlog as development tasks and prioritized due to urgency, impact, effort or other factors. Therefore, the maintenance task will be handled by the same team as the development tasks and therefore needs to be contained in the same contractual relationship between LEGO and the supplier.



Principle 1:
Combine application maintenance and application development under the same framework agreement

Principle 2:
Assess applications by pace of change and differentiative edge

Principle 3:
Use external resources for peripheral activities

Application maintenance connected to development initiatives will typically be a combined rather than stand-alone service. The maintenance scope will therefore change upon each deployment and release originating from the development work and sustain a moderate to rapid pace of work without having to conduct change orders to suit the evolving product.

If a system or application's pace of evolution is slow with only incremental changes over a long time horizon, it is not a differentiator for LEGO, and can be serviced by regular patches, updated and pre-scheduled enhancements, for this a traditional managed service approach is well-suited to provide stability while at the same time ensuring cost-efficient operations.

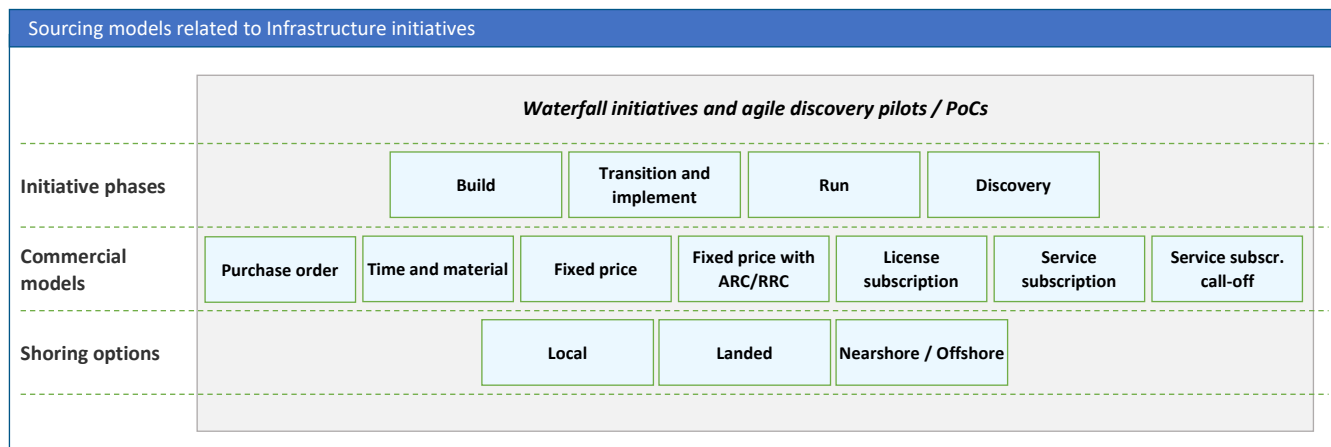
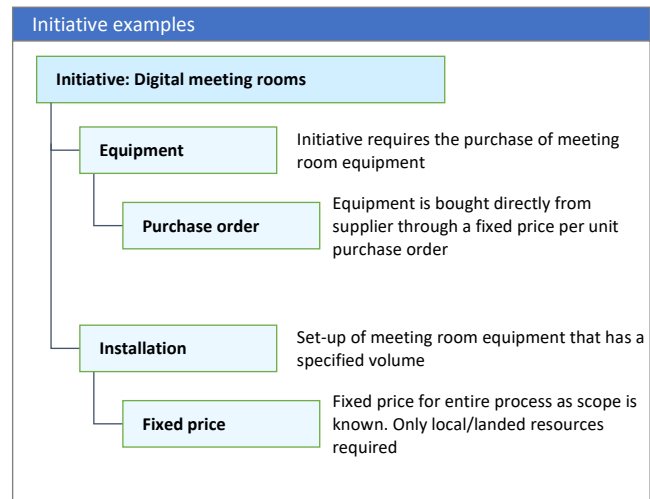
As new applications are introduced, consult with the business or system owner as to who should take on the maintenance of the pre-existing applications in scope for replacement. Aim at allocating internal LEGO resources to take part in the development or maintenance of the new application(s), as they add significantly more value here.

3.1.5 Sourcing configurations for infrastructure

Infrastructure covers initiatives such as physical end user IT equipment, service desk services, data center equipment, LAN services, and any infrastructure solutions both on-premise and cloud-based (IaaS and PaaS).

If any initiative requires infrastructure components, these can be ordered directly from LEGO's infrastructure team, in its function as an internal service provider.

Traditionally, infrastructure initiatives are managed in a waterfall manner because of the clear dependency between tasks and outcomes, which allows one to contract on clear requirements and milestones. However, infrastructure services can also be provided as part of an agile discovery phase by using pilots or PoCs, i.e. the opportunity to test equipment in delimited sites or environments scaling flexibility. This approach commercially falls into the *Fixed Price with ARC/RRC* model including a low fixed component and a significant price tag for volume fluctuations as pilots may carry a larger risk for the supplier.



Principle 1:

Only choose traditional infrastructure when cloud services do not offer the same value

Principle 2:

Pilot solutions before implementation

Principle 3:

Implement standardized solutions only

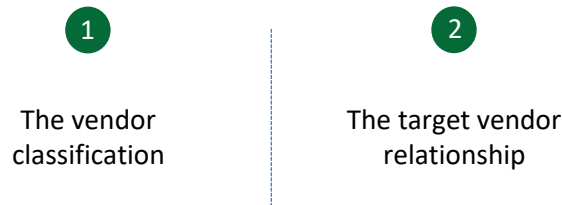
As per the enterprise architecture principles and technology strategy, traditional infrastructure should not be purchased unless there is no equivalent alternative provisioned as-a- service to LEGO.

Given the often wide-reaching implications of changing traditional infrastructure components, make effective use of pilot initiatives to have suppliers practically demonstrate their solutions before committing to a larger scale. Limit the pilots to the shortest possible time period to avoid increased costs to cover the supplier's risk and use the provided accelerators to increase procurement speed.

Infrastructure is one of the areas where the technology roadmap requires best of suite integrity. Go with the strategic or critical vendors to assess whether they have supplementary products or services that fit into their existing portfolio or their engagement with LEGO. Make active use of Procurement or the Orchestration team to assess this.

3.2 Vendor identification

Once the purpose and technology principles are defined, the possible suppliers/vendors to deliver the solution will need to be identified. With the help of Procurement, the following should be determined:



3.2.1 Vendor Classification

Classification	Characteristics
Technology Provider	Provides a specific technological platform or service capability for a solution. This could be in the form of software, hardware or Cloud Services (FaaS, SaaS, PaaS, IaaS).
Managed Services Provider	Fully responsible for providing a defined set of solutions/services. The supplier should have the ability to own and manage the full scope of services/deliverables agreed in the contract (measurable success criteria or KPIs – i.e. the service will provide a well-defined, consistent output.)
Professional Services Provider	Provides expert resources/capabilities for a particular service, solution, technology or functional area. Only use when required to gain access to a larger resource pool with deeper levels of expertise than LEGO retain in-house.
Advisory Provider	Provides broad advisory services and assistance in connection with strategy or specific functional service areas such as IT, finance, procurement, human resources, sales, logistics etc.

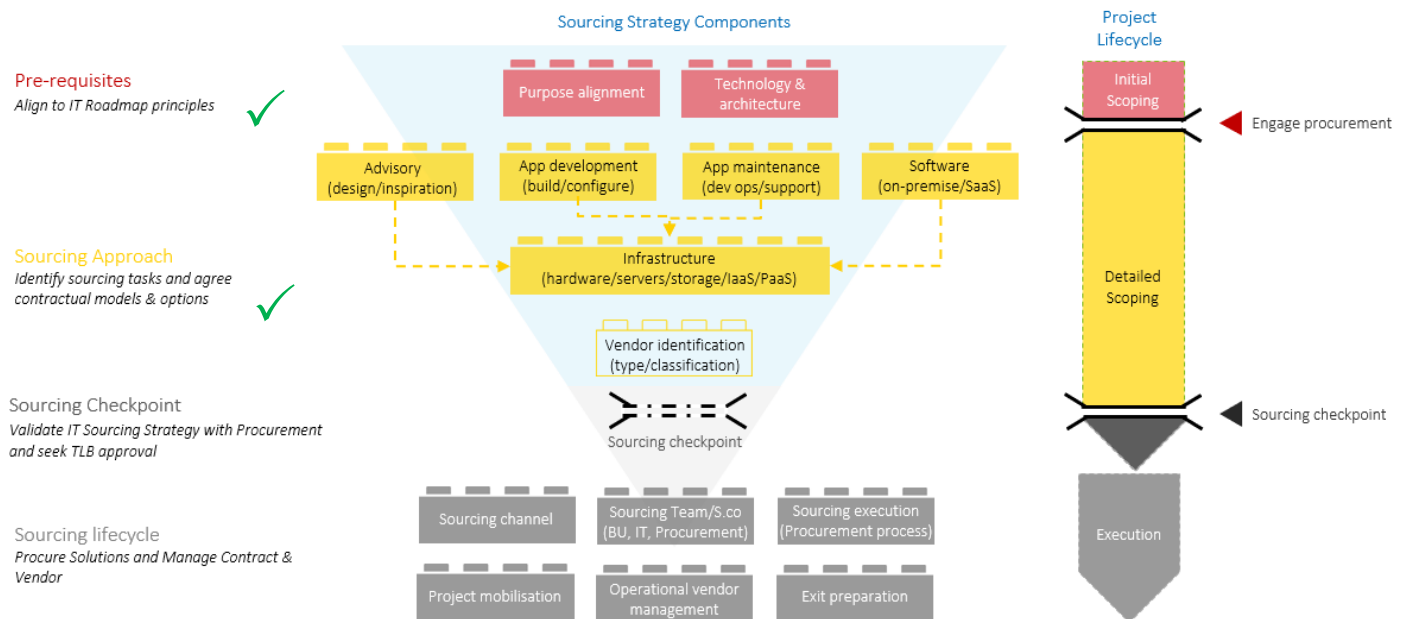
3.2.2 Vendor Relationship

Relationship	Characteristics	Engagement strategy
Strategic partner	Strategic vendors deliver trusted and stable solutions. If managed correctly with the support of Procurement, they can also deliver beneficial innovation. The overall number of strategic vendors is low and they typically make up a major portion of the total IT spend.	- Active partnership, e.g. through a partnership agreement or otherwise close and integrated collaboration - Supplier may require access to overall IT strategy and could input to the strategy if required
Critical vendor	Critical vendors provide vital components to the IT landscape. Only minimum collaborative engagement is required because they deliver standardized solutions. They typically make up a significant portion of the outsourcing spend.	Quarterly performance meetings are required and some input to the IT strategy could be useful
Niche	Niche suppliers deliver high value in specialized area. There are usually no direct substitutes and spend can vary significantly depending on the solution.	- Direct contact with key stakeholders and close follow-ups on deliverables - Engaged partnership with supplier
Transactional	Transactional suppliers provide delivery only services.	- Automated monitoring of solution - Periodic account reviews may be required

When the vendor type and relationship are determined, the initiative is ready for sourcing execution.

3.3 Conclusion to sourcing approach

At this stage the correct sourcing approach will have been defined, depending on the product or services being purchased. Now a plan can be put in place to execute the sourcing lifecycle and make the relevant purchases. Prior to implementing the sourcing lifecycle a Sourcing Checkpoint is required to ensure the sourcing direction aligns with LEGO's key sourcing principles and that the Procurement team are on-board and in alignment. The checkpoint process is described in the following chapter.



4. Sourcing checkpoint

Technology Leadership Board & Procurement Leadership approval



4.1 Introduction to the sourcing checkpoint

Once the sourcing approach is defined it must be taken to the Technology Execution Forum to enable sourcing checkpoint approval. The details of the sourcing pre-requisites and recommended sourcing approach should be clearly stated and validated on the Initiative One Pager presented as part of this forum.

The Sourcing Question in the One Pager will be updated to “Has the Sourcing Strategy been validated with Procurement?”.

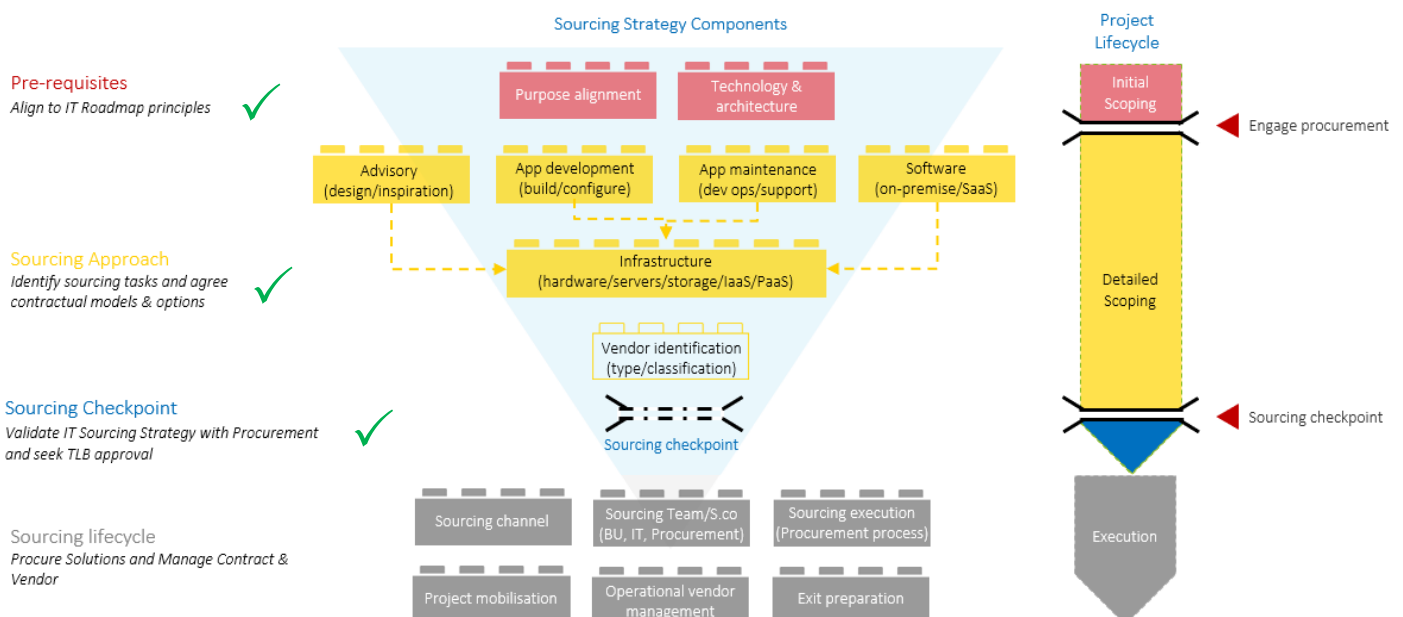
Prior to presenting the One-Pager at the forum, the initiative leads must ensure that a Procurement Category Manager has been engaged and has validated the sourcing approach and has notified the Procurement Director. This needs to be done for both discovery and delivery phases and validation should be marked on the One Pager prior to the forum.

The process should be carried out as follows:

Task	Owner
Complete sourcing section in Initiative One Pager	Initiative Lead
Engage Procurement Category Manager for agreeing the Sourcing Approach	Initiative Lead
Procurement Director Notified	Procurement Category Manager
One Pager Presented at Technology Execution Forum	Initiative Lead

4.2 Conclusion to the sourcing checkpoint

Once the One Pager has been presented to the Technology Execution Forum, and the initiative has been approved, the sourcing lifecycle can commence, and purchase of the products or services can take place. This process is detailed in Chapter 5.



5. Sourcing Lifecycle

Execution



5.1 Introduction to the sourcing lifecycle & procurement process

Once the initial scoping, discovery and approval to proceed has been received at the Sourcing checkpoint, the initiative is ready for delivery by executing the sourcing lifecycle. There are six phases to the sourcing lifecycle:



These will be described in further detail within this chapter.

5.2 Sourcing channel

Purchases can be conducted through one of three main sourcing channels, as described in the table below.

The contract call-off channel allows LEGO to utilize existing agreements to quickly and simply purchase further products or services from a supplier. Pricing may be pre-agreed in the contract or require further negotiation/benchmarking, e.g. if LEGO have not bought the item previously or if a bulk purchase is being made and a volume discount could be achieved. The benefit of this channel is that the time to contract is significantly reduced as in most cases a statement of work (SOW) will suffice.

Single sourcing involves purchasing from a single supplier, without the need to go to market to create competition. This reduces the timeline of the sourcing process but doesn't always drive best value so is best suited for proven capabilities and purchases under 200k DKK only.



Competitive sourcing involves approaching several potential vendors to propose for a sourcing requirement. It can take a little longer than the other sourcing channels, however, it usually delivers best value and requests for proposals (RFPs) can be run using an agile sourcing methodology, which will help fast track the process. This channel should be used for purchases >200k DKK.

Channel	Characteristics
Contract call-off	Proven technical capabilities, supported by existing contractual and commercial frameworks (confirmed & benchmarked rates)
Single sourcing	Go to market for proven technical capabilities and spend is less than DKK 200k
Competitive sourcing	Required for new capabilities or solutions and spend is greater than DKK 200k

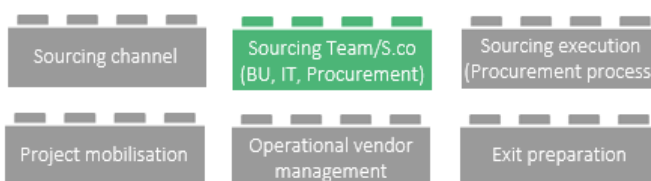
Requirements	
Activities conducted by Procurement • Input provided on sourcing channel selection • Advice provided on incumbent LEGO suppliers • Recommendations presented for alternative/new suppliers	Input from the initiative to Procurement • Pre-requisites review and initial scope of requirements • Potential supplier suggestions, if applicable
Output from Procurement • Sourcing plan put in place for selected sourcing channel • Initial due diligence for selected suppliers	Activities for Product Owners and/or Initiative Leads • Review of and final selection of potential supplier(s) • Sign-off on sourcing channel selection
Responsibilities • Stream Lead (Accountable) • Product Owner/Initiative driver (Responsible) • Legal (Informed) • Procurement (Responsible) • Orchestration Team (Informed)	Key requirements to the process: • Sourcing Strategy/Checklist • Resources availability to conduct vendor evaluation • RFP packs and templates • Commercial and legal framework

Sourcing steer co. & Sourcing team

A sourcing steering committee (steer co.) typically consists of the relevant authorizers/approvers for the sourcing project (as mentioned in the table below). It is required to provide direction, overcome obstacles and provide certain approvals at various stages throughout the sourcing process, e.g. when a shortlist of RFP vendors has been identified. It is also a useful forum to communicate potential risks, project challenges or escalations e.g. a supplier's financial risk or holiday periods where work may be delayed.

Typically, bi-weekly/monthly meetings are held with the sourcing steer co to update them on sourcing progress against the plan and to gain any required approvals and support at certain stages.

Beneath the steer co. will be the sourcing team which must consist of a technical, procurement and legal resource at the very least and will often have a



business/operations and finance resource in place too, even if only to be informed. This team typically meets weekly and is responsible for completing the sourcing project tasks.

Please note, if you are making a purchase <200K DKK with a new vendor to LEGO via the single sourcing channel, then you will not require a steer co. or sourcing team. You can setup the vendor and make the purchase without procurement involvement and without putting an agreement in place.

Forum	Type	Characteristics
Sourcing Team	Technical team	- Key subject matter experts to define requirements and evaluate vendor capabilities/solutions - Enterprise architects to validate solutions are in line with technology roadmap principles
	Commercial team	Procurement team to manage procurement process and negotiate commercial terms and conditions
	Support team	- Legal - required set overall contract frameworks and lead contractual negotiations - Finance – required to confirm budget availability
Steer co.	Authorizers/Approvers	- Business – Initiative business sponsor - Finance – As per finance authorization policy - IT – Steam lead - Procurement – Head of IT Procurement/ VP IM&S sourcing
	Signatories	Business/IT VP+

Requirements			
Activities conducted by Procurement		Input from the initiative to Procurement	
- Sourcing project plan that can be presented at both steer co. and sourcing team level - Steer co. defined and meetings scheduled		- Identification of steer co. members - Communication of initiative to steer co. members	
Output from Procurement		Activities for Product Owners and/or Initiative Leads	
- Sourcing project plan development and adoption - Identification of leg/proc sourcing team members/approvers		- Identification of tech/ops/bus/fin sourcing team members - Updates to technical, operational and business activities defined under the sourcing project plan - Attendance at meetings	

Responsibilities

- Stream Lead (Accountable)
- Product Owner/Initiative driver (Responsible)
- Legal (Responsible)
- Procurement (Responsible)
- Orchestration Team (Informed)

Key requirements to the process:

- Sourcing Strategy/Checklist
- Resources availability to attend meetings
- Sourcing Project Plan packs and templates

5.3 Sourcing Execution

Procuring new IT products and services involves vendor evaluation and selection, contract and commercial negotiation and signature. If the sourcing channel selected is call-off then commercial negotiation can commence quickly once sourcing team is established.

For competitive sourcing initiatives, this phase can be fast-tracked using an Agile RFP process or executed via a normal RFI/RFP processes, depending on the initiative complexity, size and scope.

The Agile RFP process involves three sprints (see Agile RFP Process diagram), the first sprint involves workshops with the sourcing team and the supplier to define a detailed scope of requirements. Once this is agreed a final, consolidated version can be shared with all participating vendors to enable them to produce a proposal.

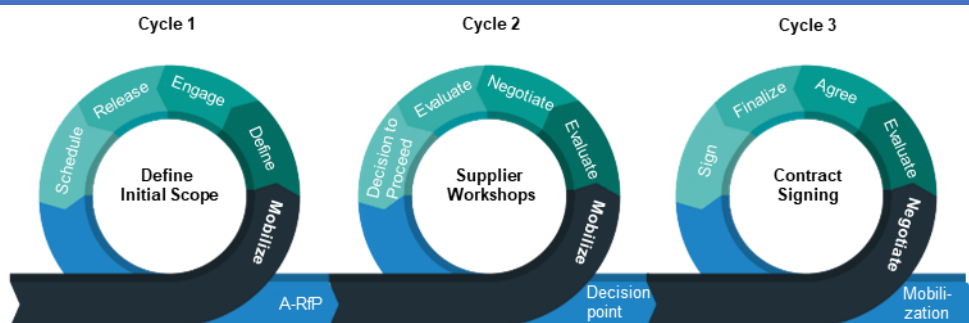
The second sprint generally consists of three workshops with each supplier (these can be consolidated). The first is to evaluate the technical proposal, the second is for the functional and the third and final for the implementation proposal.



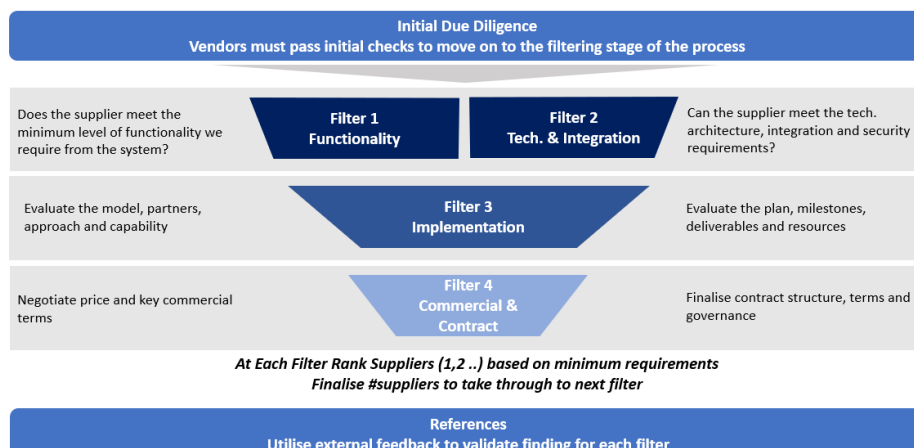
At the end of each workshop the sourcing team should assess and down select suppliers based on the capability demonstrated, see Evaluation Approach diagram.

The final sprint of the Agile RFP process involves commercial and contract negotiation resulting in contract signature. More than one vendor may be involved pre-contract signature to utilize competitive leverage during negotiations.

Agile RFP Process



Evaluation Approach



Requirements

Activities Conducted by Procurement

- Configure legal framework
- Validate RFP scope
- Define service/requirements
- Workshop and evaluation process
- Develop vendor scoring model
- Evaluate supplier responses

Input from the initiative to Procurement

- Initiative sourcing jobs, incl. functions, services, capabilities, technology, and geography to the extent possible
- Confirmation of availability of resources and decision makers for RFP workshops and vendor selection
- Fill out required templates (e.g. briefing document, initial scope, problem statement or use cases) depending on the sourcing job

Output from Procurement

- Vendor evaluation process facilitation and management
- Request for proposal (RFP) pack
- Supplier scoring model and evaluation
- Provision of the signing authority framework
- Final contract documents

Activities for Product Owners and/or Initiative Leads

- Understand legal framework (constraints, implications, boundaries)
- Secure finance approvals
- Define and finalize requirements
- Secure Business and IT resources for vendor evaluation
- Conduct workshops to develop and review vendors
- Evaluate supplier responses
- Down select and sign contract with supplier(s)

Responsibilities

- Stream Lead (Accountable)
- Product Owner/Initiative driver (Responsible)
- Legal (Responsible)
- Procurement (Responsible)
- Orchestration Team (Informed)

Key requirements to the process:

- Sourcing Strategy/Checklist
- Resources availability to conduct vendor evaluation
- Meeting room availability to conduct supplier workshops
- RFP packs and templates
- Commercial and legal framework
- Travel budget for critical LEGO attendees

5.4 Project Mobilisation

Post signature mobilization is primarily owned by IT and the Business. It relates to ensuring the vendor is onboarded and related overarching activities and tools from an operational, managerial and strategic perspective are established.



Activity	Description
Supplier Registration	When using a new supplier to LEGO a New Vendor Request should be completed by Product Owners and approved by BSO and Procurement
PO Creation	Once the supplier is registered Purchase Orders (POs) for the purchase can be raised by Product Owners
Delivery Tracking	Establish measures and tracking of delivery, fulfillment and benefits as per the contract

Requirements

Activities conducted by Procurement

- Set the tone of the relationship with the vendor as per the governance model (see Chapter 5)
- Establish contract management

Input from the initiative to Procurement

- Deliverables under the contract (either per sprint or otherwise defined milestones)
- Change Requests
- Requirements updates

Output from Procurement

- Support for escalations and change requests if needed by the initiative

Activities for Product Owners and/or Initiative Leads

- Complete Vendor Creation form and submit to BSO/Shared Services
- Onboard vendor
- Create POs and financial track plan
- Monitor and track supplier deliverables/obligation fulfillment either per sprint or otherwise defined milestones or phases throughout mobilization
- Definition and establishment of benefits to be tracked

Responsibilities

- Stream Lead (Accountable)
- Product Owner/Initiative driver (Responsible)
- Orchestration Team (Informed)

Key requirements to the process:

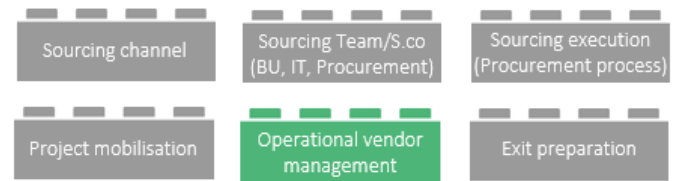
- SOW/Contract Signature

5.5 Operational vendor management

Ongoing vendor management relates to the execution of activities to ensure that the vendor is performing, and the contract is being delivered as expected. With larger vendors there may be a more complex governance structure, see Chapter 6 for details.

Vendor management has two main anchoring points: operational vendor management within the initiative, and strategic vendor management within Procurement.

Operational vendor management within the initiative will track day to day progress against deliverables, benefits and KPIs and will tend to meet to review this progress with the supplier on a regular basis.



Strategic vendor management reviews the complete vendor relationship, which may include more than one initiative, and focuses on stakeholder feedback commercial trends, success and improvement areas. This review will typically include senior LEGO sponsors of the supplier and Procurement decision makers. It is the forum where any supplier escalations will also be raised and discussed.

Activity	Description
Track value measures	Track measures from the agreement for performance and delivery
Establish governance forums	Identify attendees, schedule regular operational and strategic reviews
Manage escalations and changes	Ensure there is a forum to manage any delivery challenges e.g. resources, timeline dependencies etc. Review any proposed changes in scope, timeline and cost. Engage Procurement for commercial review/negotiation

Requirements	
Activities conducted by Procurement Vendor strategic performance assessment	Input from the initiative to Procurement - Deliverables under the contract (either per sprint or otherwise defined milestones) - Change Requests - Requirements updates
Output from Procurement Support for escalations and change requests if needed by the initiative	Activities for Product Owners and/or Initiative Leads - Participate in and lead governance forums as appropriate - Monitor and track supplier deliverables/obligation fulfilment - Monitor and manage benefits tracking - Issue and approve CRs
Responsibilities - Stream Lead (Accountable) - Product Owner/Initiative driver (Responsible) - Orchestration Team (Informed)	Key requirements to the process: Vendor evaluation and benefit tracking

5.6 Exit preparation

Exit preparations relate to defining, communicating, planning and executing any supplier contract expirations, renewals, extensions or terminations. The supplier will need to be managed to ensure consistency of services until expiry/exit or renewal/extensions have occurred.



In most cases Exit procedures will have been set out in the contract with the supplier and will detail any notice periods, termination dates and exit support. Any price changes on renewal should also be stated in the contract terms.

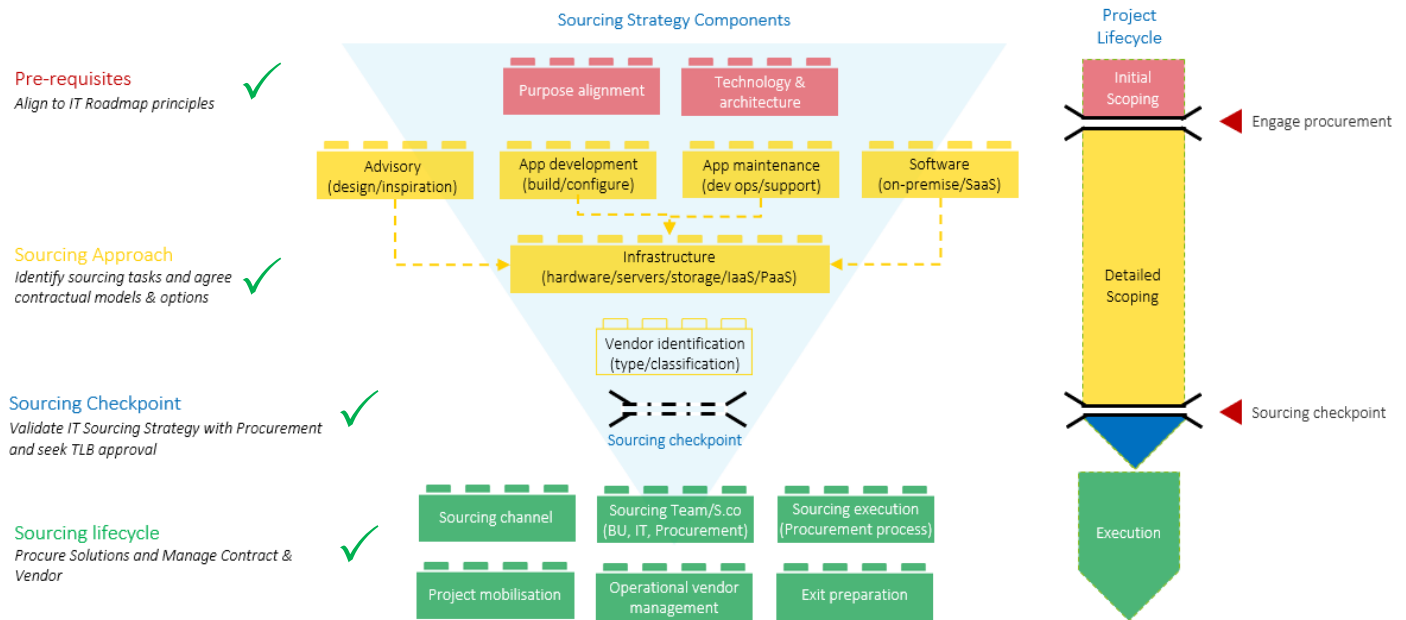
Each exit requirement will be managed on a case by case basis and the Initiative Lead should engage Procurement to plan.

Activity	Description
Termination of service provision	E.g. advisory or implementation services where the contract term is expiring
Continuation of Core Services	E.g. renewal of a managed services, software support or software management contract Procurement should be engaged to assess pricing, potential alternative suppliers and to complete any required contract documentation
Discontinuation of Existing Services	E.g. replacing one support supplier with another Watch out: some contracts will contain notice periods for termination, and some will auto-renew. There may also be requirements for knowledge transition etc.

Requirements	
Activities conducted by Procurement - Develop exit preparation plans - Preparation of termination rights overviews - Prepare renewal or extensions rights overview - Support negotiation team - Negotiate or renegotiate contracts or close down supplier engagement.	Input from the initiative to Procurement - Deliverables under the contract (either per sprint or otherwise defined milestones) - Exit requirements (final deliverables, milestones, etc) - Exit timing and plan
Output from Procurement - Contract rights overview - Renegotiation/renewal/re-bid plans	Activities for Product Owners and/or Initiative Leads - Review and understand contract conditions e.g. notice period, penalty charges etc. - Participate in and lead negotiations to re-negotiate, renew or terminate contract. - Secure and approve final/outstanding deliverables - Sign new contract, extend existing contract or close down supplier engagement.
Responsibilities - Stream Lead (Accountable) - Product Owner/Initiative driver (Responsible) - Procurement (Responsible/Informed) - Orchestration Team (Informed)	Key requirements to the process: - Contractual termination notice - Review of Legal Framework - Final deliverables of the initiative - Financial closure

5.7 Conclusion to Sourcing Lifecycle

The information in this chapter will have enabled a carefully considered, well planned, swiftly delivered vendor selection and mobilization process. A well negotiated contract will be in place with clearly defined, measurable delivery targets and pricing. The vendor should be on-boarded, initial POs delivered, and the project mobilized. Finally, a project governance process will have been established to track progress, monitor performance and to manage CRs and escalations efficiently and where required executive relationships.



6. Governance



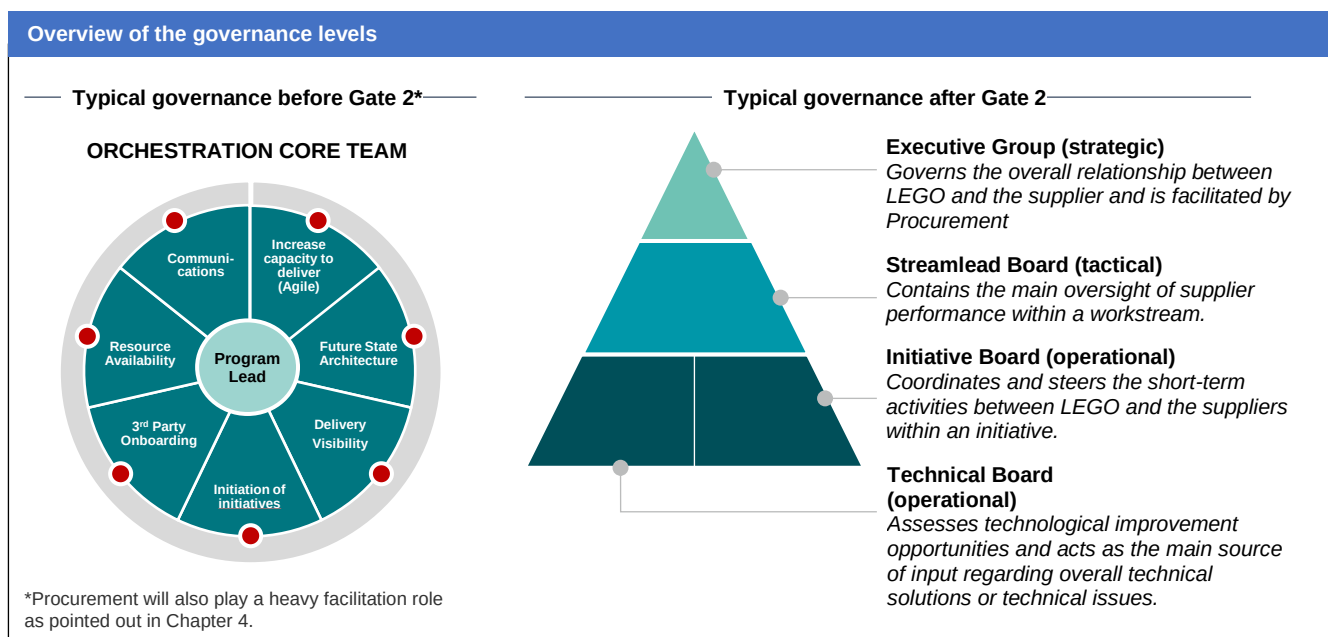
6.1 Governance Set-up

A clear idea of how to manage vendors is required to execute a portfolio the size of LEGO's transformation program. Here we detail how to engage with significant vendors to LEGO, whom to involve, how frequently to touch base and on what topics. Governance comes in multiple layers, depending on the intensity of the suppliers' involvement and importance, and whether any stage is pre- or post-signature of the contract for the sourcing job in scope.

On the service delivery side, agile initiatives will typically have less focus on rigid meetings cadences as compared to traditional waterfall initiatives. They usually feature an increased focus on top level alignment, which tends to take place outside of a single initiative's scope but rather takes place across a supplier's engagement with LEGO. This does not decimate the importance of a clear governance, but rather highlights that the various governance forums must be adapted to fit the specific scope of the initiative at hand.

In addition to the responsibility distribution between the initiative and Procurement, this handbook proposes three layers of governance forums that are to be utilized following the contract signature:

- An **executive board** anchored with Procurement that seeks to establish a partnership at the top level between LEGO and the supplier, provided that the supplier is classified as either strategic or critical;
- a **tactical** level that serves as the link between the day-to-day boards and the Executive Group, as well as an **operational** level that is rooted within the initiative leads, technical leads and other relevant participants



Principle 1:

Keep daily governance to a (necessary) minimum

To be able to focus on operations, keep the governance that is applied to each initiative to a minimum. Remember to be able to trace the continuity in the services without overburdening the supplier.

Agree a standard governance template that can be shared, updated and communicated easily at each governance meeting.

Principle 2:

Apply modular thinking to how you structure your initiative governance

Depending on factors such as the specific initiative's delivery model, the scope and complexity of the services or the supplier classification, combine different fragments of the proposed full governance to make it fit. Treat the proposed board like modules to agree to a structure that works.

Principle 3:

Recognize a supplier's other involvements in LEGO

A supplier you choose to contract with may have a number of other engagements within LEGO, be it within the same workstream or others. Make sure you check-in with procurement to know escalation paths you can use as well as understand whether your input is needed elsewhere

7. Appendix



