

Vendor Due Diligence

By Brian Von Hatten

Companies that engage technology vendors for various services such as co-location, hosting, cloud services, and software licensing often get lost in the negotiation of the monetary and non-monetary terms of the agreement, and fail to consider the threshold question—*is the vendor capable of performing?* The terms and conditions of the contract spell out the rights and the obligations of the parties to the transaction, but ideally, companies should select vendors that have a low probability of breaching. A key to mitigating this risk is conducting due diligence before selecting the vendor.

Some of the questions companies should be asking during their due diligence include:

- What is the vendor’s familiarity with your vertical market? Do they have account references you can contact within your industry?
- What are the vendor’s internal control audits if any?
- What is the vendor’s financial position?
- Is the vendor certified for the technologies it is implementing or supporting?

Ultimately, many forces may drive an organization to consider outsourcing some or all of its technology needs. To combat some of the risks inherent with outsourcing, companies should work with trusted advisors to guide them through the difficult due diligence process.



About the author Brian Von Hatten:

Brian represents many large and mid-market organizations on matters related to transactions, software licensing, and disputes. Brian’s focus includes substantial attention to complex information technology issues for companies of all sizes.

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