How to Evaluate Startups:

The CIO's Technology Scouting Checklist

A Quick Guide to Repeatable Innovation

If you're a Chief Information Officer— or are otherwise responsible for business technology transformation—then you know how challenging it is to deliver wins year after year.

It's a good challenge to have: *the burden of success*. As your company grows into a complex enterprise, the big bets that drove your initial growth become harder to re-create internally.

Outside-in Innovation

That's why partnering with nimble startups can deliver phenomenal value. It combines the resources and scale of your enterprise with the agility and innovation of new players. With cloud and software-as-a-service (SaaS) lowering the barriers to entry, the number of small companies bringing smart, scalable ideas to the market has exploded.

Their ability to take risks and adapt quickly is part of their appeal. At the same time, you take on some of that risk when you stake part of your business on whether they can deliver.

Win and Win Again

That's where the evaluation process comes into play. For many enterprises, evaluating technologies that can power digital transformation is an ad-hoc affair, driven by the most enthusiastic stakeholders of the moment. This can work, but it's also inefficient and difficult to repeat.

And repeatability is the trick. Finding one great technology partner is a win. Finding them over and over again is a strategy. If startup partnerships are part of your vision, it pays to follow a proven process and choose purpose-built tools to make the process go smoother. *Why?*

- Building a shared vision early drives internal adoption and ROI.

- Capturing and sharing the right information at the right time drives better decision making.

- Establishing KPIs at the outset enables you and your team to measure success.

How We Do It

At **Traction Technology**, we help Fortune 500 organizations evaluate emerging technologies and startups using our proprietary software and services tailored to the task. Along the way, we have identified seven steps that are common to a successful startup evaluation processes.

1. Define the Problem

There are always shiny new technologies in the marketplace, from AI to blockchain, and it's tempting to buy first and find a use case later. We encourage clients to do the opposite: to invest an apparently unreasonable amount of time defining the problem with internal stakeholders from both business and IT before they ever look at the market. Most importantly, although you are evaluating emerging technologies, the problem should be defined in business terms first.

2. Identify the Gaps

Once you've defined the challenge, it's time to measure the distance between here and there. Identify the gaps between where you are today as an organization and where you want to be. Sometimes, this means figuring out how to build on what is already working. It's also useful to consider the benefits of approaching the problem from an entirely different angle.

3. Establish a Shared Framework For Success

At this point, because you started with a solid business case and brought multiple stakeholders to the table, it's relatively easy to identify the important KPIs the new technology needs to hit. Don't be afraid to set a high bar for success. Because of the risks inherent in working with startups and emerging technologies, you want to seek multiples of improvement where possible. This varies by industry, but don't settle for incremental if you can get incredible.
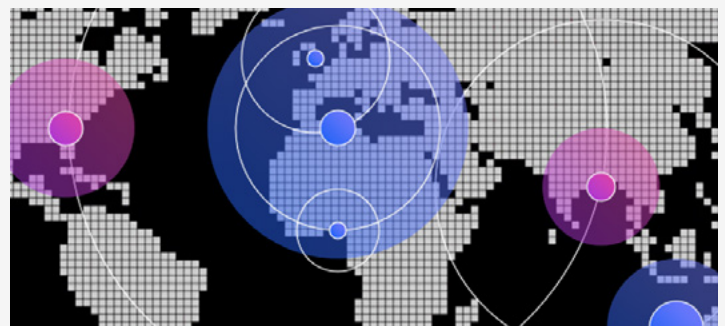
4. Survey the Market

Now you're ready to start looking. Companies with a strong track record can be less risky, but they might not have the freshest technology or offer the biggest potential. Include both established leaders and new players in your initial screen. At this point, keep your basket broad and don't overthink it.

5. Analyze Your Options

Building on your gap analysis, you can lay out the pluses and minuses of each choice. This is where you compare features, pricing models, technology stack, company vision, and other characteristics. Just keep in mind that any new IT innovation will have implications not only for your customers, but also for your brand, your employees, and your technical staff, as well. A structured tool for capturing and comparing this information is essential to keeping the process efficient and contained.

6. Build the Risk/Reward Profile

Think like an investor: what are you willing to risk, and what are you likely to get in return? Sure, Microsoft was a couple of geeks in a garage at one point, and early investors made out like bandits. But there are a lot of companies that never get past the garage. Have they served enterprises with the same scale and industry as yours? Are they financially viable? Can they demonstrate that they meet security and compliance requirements? Do you think you would like working with them? These are all important criteria.

7. Select, Pilot and Learn

With the information you've gathered, it should be clear which solutions make the grade. Trying them out in a low-risk, high-information environment is the next step. The ability to measure agreed-upon KPIs is fundamental during any Proof-of-Concept— and offers a clear process for moving to production. Too many technology scouting initiatives end with nothing more than a poorly conceived pilot and a pat on the back. Real innovation requires something more, which is**...**

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A Growth Mindset: The Most Important Key of All

Our most successful clients see technology scouting as a process of learning rather than a binary decision. They look for the opportunity in failure and adjust their goals and expectations. Sometimes, a technology you sought for one purpose turns out to deliver value in an unexpected way. If you keep your eyes open, you might get more ROI than you thought possible.

Get Startup Evaluation Moving with Traction Technology

The process we've described requires a lot of collaboration and generates a lot of data. At Traction Technology, we've built 25 years of startup evaluation expertise into our software and services. We help enterprises like yours kickstart innovation with successful, repeatable technology evaluation--and we can even handle the process for you end to end.

**Contact us to learn how your organization can cash in on innovative, emerging digital technologies.
Visit our website, email us to schedule a demo, or call us at: 781-956-7991.**

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