Recommendations

IT Funding Structures Review of Discretionary and Mandatory Common Good Software and Services

Case Study #3 and #4: Discretionary and Mandatory Common Good Software and Licensed Software Services

Scope
Case Study #3 encompasses software and license software services in which there may be a common good basis for institutional procurement and management. This recommendation focuses on end-user based services only – individual and/or department, and does not include business-critical software, such as financial systems, or common good infrastructure services, such as middleware. Existing examples considered included Lynda.com, Microsoft, and Cayuse. These have been funded respectively by the university, a pass-the-hat approach, an institutionally managed license that allows for individual units to decide and pay. This case study is important because licensed services (Software as a Service) are proliferating. As an example, Box.net is a new service the university is considering.

Case Study #4 includes common good software and license software services that are procured to comply with mandatory or mission critical needs, including but not limited to: legal compliance, security, and standardization of administrative tasks. Existing examples include Sophos and Cognos. Historically, Sophos has been funded institutionally, while the campus-wide license for Cognos was funded by IT Services.

Recommendations Working Principles

- The default assumption is that user software and licensed software services are decided and funded locally

- The ‘market’ should make decisions on discretionary user-based software licenses and services, NOT the University
  
  - University funding and pass-the-hat funding are rarely sustainable because value and funding are typically not aligned with subsidy
    Subsidies whether university or unit may not reflect market value. Common good is not sustainable unless value and funding are aligned.

  - Technology changes
    Another justification for market-driven approaches is that technology changes. The market will determine the usefulness of the product and the time to change.
• There are ‘market driven’ reasons that ‘market-driven’ services should be considered for institutional funding and management:

  o **Economies of scale**
    If there are cost-savings involved when funding software licenses institutionally, such as volume purchase agreements or efficiency of administrative overhead, then an institutional approach to management and/or funding could be justified.

  o **Leveraging network effects**
    Software and services could be funded institutionally or centrally in order to prevent duplication of systems or the cost of dealing with a diversity of systems. The benefits of having a single system could justify the campus shouldering the cost, since it often outweighs the cost involved for various units to implement different versions of the same system.

• There are institutional reasons that services should be considered for institutional funding and management:

  o **Regulatory and policy mandates or to avoid negative externalities**
    Justification for institutional funding is if the software is needed to prevent external issues that would hinder the work of others on campus, such as copyright and privacy issues or computer virus infections. Policy 401 requires all computers connecting to the campus network meet a certain level of security. Having Sophos available to users free-of-charge through central funding allows them to easily comply with the campus policy.

  o **Critical to a business or operational need**
    The more business-critical a software or service is, the more justification it holds for institutional funding and prescription. For example, the institutional use of Cognos to standardize end user reporting.

• The principles for institutionally funded software licenses and services include:

  o **Efficiency**
    Licenses and services should be more cost or operationally efficient when provided institutionally than if units were to procure them in a distributed fashion.

  o **Avoid mandatory use of central services**
    Services should only be funded institutionally when it makes sense that they are. If a distributed system is more effective and its benefits outweigh the cost of having multiple systems, centralization should not be pursued. Institutionally funded services
should only be purchased because campus users find that it adds value, rather than a service that is imposed on units.

- **Minimize incentives for people to opt-out**
  These services should be overall more attractive when funded institutionally than those units are able to provide for themselves. Units cannot otherwise lose benefits. Users should not prefer to opt-out of institutionally funded services, either from a cost perspective or a features perspective.

- **Transparency**
  Centrally and institutionally funded services need to provide transparency in process, cost, benefits, usage, etc. in order to prove value to the campus and be able to justify why it should receive central funds.

- **Fairness**
  Services provided institutionally should strive to be fair to all constituents, from price to access to service quality.

**Recommendations**

- **Operations**
  
  - **There is a high bar for mandatory or required end user software services at a campus level.** Mandatory or prescribed software services require unit sponsorship and IT Governance endorsement whether institutional funding is sought or not.
    - Software licenses and services are generally deemed discretionary unless (as above) the case is made for mandatory or prescribed. It is also important to clearly define what is being “mandated.” In the Sophos example, virus protection is mandatory, but the use of Sophos as the tool to meet compliance is not.
    - CITI and/or ITPB endorsement is required for mandatory or prescribed software services.
    - The University generally expects the sponsoring unit to fund campus-use software (cost of operation), especially if there is internal savings.
    - Institutional funding including TIF, Department Fees and/or user fees and loans may be sought through CITI, ITPB and POSSSE processes.

  - **Institutional discretionary software licenses and services involve unit sponsorship for market driven management**
    - It is assumed that a sponsoring unit will set up a sales and service model for end users and/or department fees that will be approved by POSSSE.
    - A unit that sponsors a discretionary software service can benefit from the savings/value, but must also assume the risk in procuring the license and/or delivering the service. The sponsor can work with POSSSE to set prices to recover costs, including costs of evaluation, overhead, keeping services up-to-date, as well as funds for evaluating new technologies and services.
The unit can request a loan (to be paid back) through the POSSSE process.