



2014 -2015 IT Strategic Sourcing

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## **CHARGE**

Analyze current business process and recommend changes leading to a more effective and transparent UC-wide software contract program.

## **EXECUTIVE SUMMARY**

Information Technology (IT) and Telecommunications (Telecom) had a total spend of \$417.4M in FY 2013. Such a significant expenditure presents an opportunity and a challenge to have a robust UC-wide software contract system that efficiently uses the financial and human resources. Recognizing this opportunity, the current UC IT leadership established Strategic Sourcing Center of Excellence (SS COE) in August 2013 to provide strategic sourcing and category management. As the reorganization process continues we recommend:

- Invite presentations at future CUCSA quarterly meetings from system-wide procurement and IT leadership to discuss progress on IT strategic sourcing organization and strategy.
- Establish a single point of contact at CUCSA to ensure an ongoing awareness of IT strategic sourcing efforts and engagement in the issues.
- Suggest the creation of a small group tasked with initiating, testing, and developing horizontal, cross-campus IT-sourcing related communications.
- Ensure front line IT staff have input on the business process

## **INTRODUCTION**

There is a potential for significant savings in software costs and staff time if there was a robust, UC-wide software contract system that would allow IT staff and faculty to purchase, download, and install software packages. Some of the common observations are:

- Pricing difference between campuses for the same product has an appearance of unfairness of UC wide licensing process;
- For some widely used programs, e.g. Microsoft Office, the contract should provide as simple as possible licensing and access;
- The download system does not support organizational hierarchy to get access to already purchased software, e.g. to transfer license from departing employee to a new hire;
- Some licensing of products, e.g. Adobe, ties the license with individual's login. That makes it impossible for the supervisor to manage purchased products within a group with sizable turnover rate, e.g. students;
- More flexible contracts for products used by groups with large turnover, e.g. where only annual license is not suitable;
- No information center for licenses in use that are not UC-wide negotiated, e.g. to see if it would be beneficial to join resources;

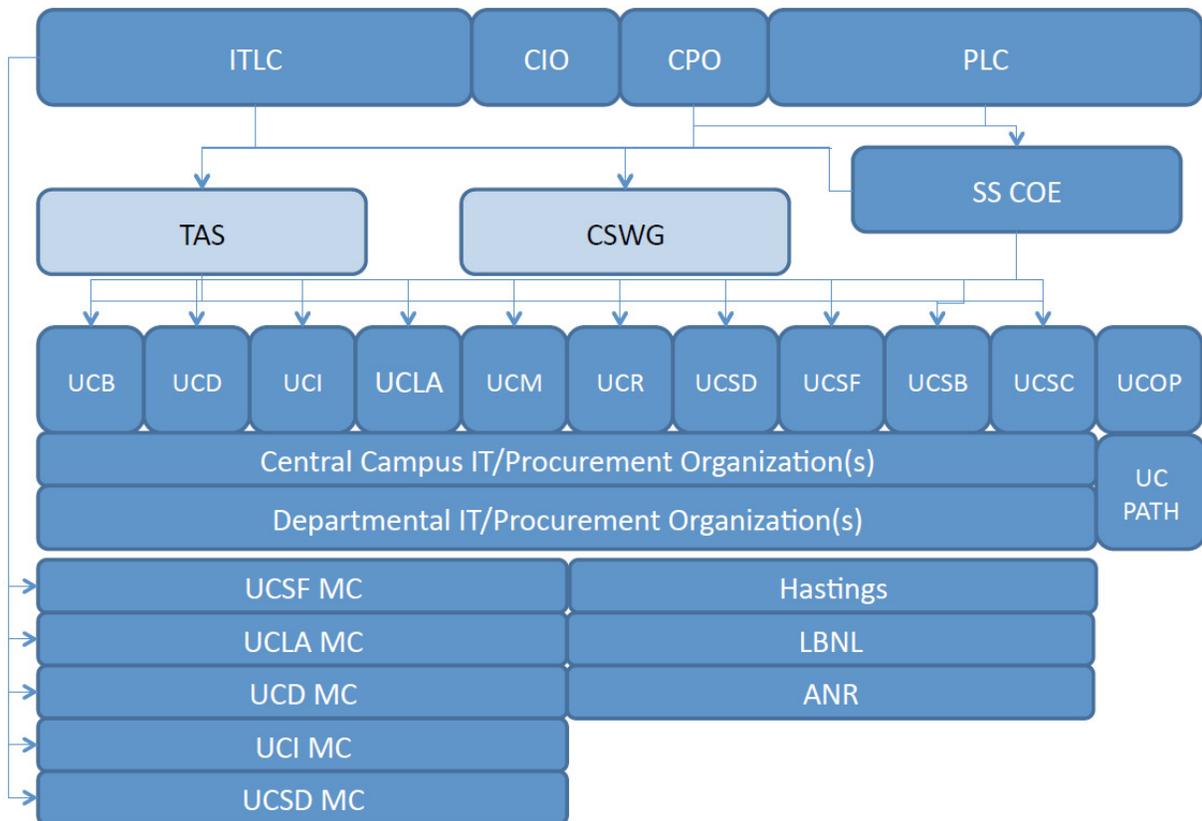
- UCOP provided contracts need some short, user understandable summaries. The full contracts seem to be written by lawyers for lawyers and are impractical for the users;
- There is no process for UC-wide licensing of new software with no purchase history yet;
- No UC-wide contract with Apple for publishing apps to the App Store. This is an example of how deficient UC is at providing new licenses for new emerging technologies.

The usage of IT products will continue, so it would be beneficial to create a flexible process with feedback leading to improvements and quick adaptation to changing IT needs and vendors.

**STATUS OF UC IT SOURCING**

The UC-wide strategic IT sourcing is in the process of reorganization. The current structure places the Strategic Sourcing Center of Excellence (SS COE), established in August 2013, at the top of the decision making process. It’s priorities are based primarily on spend statistics. It provides updates to the Information Technology Leadership Council (ITLC) and Procurement Leadership Council (PLC). The ITLC members are the chief information officers (CIOs) and other senior IT leaders from the UC campuses, Office of the President (OP), medical centers, and LBNL, ANR, and Hastings College of the Law. The PLC has a similar equivalent membership of campuses, etc. chief procurement officers (CPOs).

**IT Strategic Sourcing Organizational Structure**



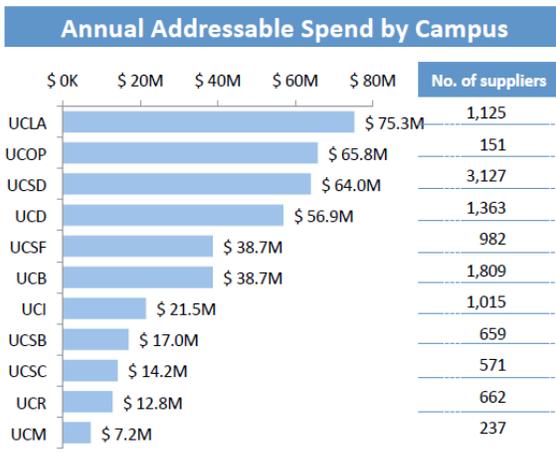
Two other groups, the Technology Acquisition Support Group (TAS) and the Cloud Services Work Group (CSWG), support the SS COE. TAS was established by the ITLC in 1993 to identify and implement system-wide agreements for IT products and services. Its members are IT and procurement representatives from each campus. TAS originated many of the current system-wide agreements. Until about year and a half ago, when the spend statistics became available, TAS ad-hoc prioritization process was based on informal polling and campus members awareness. The CSWG was established to identify and implement system-wide agreements and deployment guidance for cloud computing services. Its initial prioritization process is based on surveys.

Each of the three groups, SS COE, TAS, and CSWG, are connected, via members, with IT and procurement organizations of individual campuses and through them with departmental equivalents (see "IT Strategic Sourcing Organizational Structure" above). They also are advised by the UCOP Office of General Counsel (OGC).

## Information Technology and Telecom - Category Snapshot

Information Technology and Telecom has a total annual addressable spend of \$412.2M with top 20 suppliers contributing to 49.0% of the total annual addressable spend.

Key Facts	
Total Spend (FY13)	\$417.4M
Annual Addressable Spend	\$412.2M
Suppliers	7,280
Suppliers for top 80% spend	159



\*Oracle has additional spend of \$16.2M in the Professional Services category

Annual Addressable Spend by Suppliers			
Supplier Name	Spend	% of Spend	System-wide agreement
Dell Inc	\$26.8 M	6.5%	Y
IBM Corp	\$26.2 M	6.4%	Y
Apple Inc	\$20.8 M	5.0%	Y
Oracle Corp*	\$18.9 M	4.6%	Y
Cisco Systems	\$14.3 M	3.5%	Y
Hewlett-Packard Co	\$10.3 M	2.5%	Y
SHI International Corp	\$9.5 M	2.3%	Y
CDW Direct Llc	\$9.5 M	2.3%	N
Office Max	\$8.4 M	2.0%	Y
Starting Line	\$8.0 M	2.0%	N
KST Data Inc	\$7.0 M	1.7%	N
Xerox Corp	\$6.4 M	1.6%	Y
Point & Click Solutions Inc	\$5.4 M	1.3%	N
The Emmes Corp	\$5.2M	1.3%	N
Blackbaud Co	\$4.9 M	1.2%	N
Sciguest Inc	\$4.4 M	1.1%	Y
Signal Perfection Limited	\$4.3 M	1.0%	Y
Bear Data Systems Inc	\$4.1 M	1.0%	N
Comsys IT Svcs Inc	\$4.1 M	1.0%	N
Nexus Integration Svcs Inc	\$3.5 M	0.9%	N
Others	\$210.1M	51.0%	
<b>Total</b>	<b>\$412.23M</b>		

The groups are striving for:

- Transparency of system-wide IT procurement and contracting activities;
- Reduced duplication of effort and improved focus of each group;
- Clear prioritization of efforts;

The challenges of distributed decision-making in a complex environment with many constituents are many, and include:

- Taking into account the total cost of ownership beyond the purchase price including distribution, management, renewal process, end-user experience;
- Risk mitigation in the rapidly changing IT landscape;
- Defining the technologies that will satisfy users needs;
- Developing communication channels to reach all users;
- Identifying common software across the system;
- Evaluating similar products;
- Identifying existing processes that work and can be scaled up to serve larger user base;
- Intra-system model adoption anxiety;
- Leveraging activities at each campus;
- Vendor relationship management, and in particular, working with unmotivated vendors;
- Finding the greatest opportunities to maximize the benefits;

The reorganization process seems to identify the major issues that need to be addressed for a well functioning, system-wide IT strategic sourcing operation. At the time of this writing PLC and ITLC working groups continued the development of prioritization process. A detailed draft of data collection and a model for making recommendations have been created. The full prioritization process is expected to begin in the fall of 2015.

It will be important to make sure that the process that is being created has built in appropriate feedback mechanisms to allow for improvements over time.

## **RECOMMENDATIONS**

- Invite presentations at future CUCSA quarterly meetings from system-wide procurement and IT leadership to discuss progress on the IT strategic sourcing organization and strategy. The licensing process is quite complex so it would be beneficial for CUCSA to receive an expert overview. Depending on the reported progress and its direction, CUCSA delegates and leadership might again establish a working group to analyze the process and make direct recommendations to improve it.
- Establish a single point of contact at CUCSA to ensure ongoing awareness of the IT strategic sourcing efforts and engagement in the issues. This is critical to keep CUCSA engaged in the process. It will also establish a working relationship with the UC IT sourcing leadership to provide staff perspective. The current changes are primarily driven by the spend reports and may not always consider the value associated with the end and intermediate user, e.g. simple license management by the user or the group.
- Suggest creation of a small task group that will engage with the IT SSCOE and may make recommendations for improvements as appropriate. This could include testing a variety of approaches to cross campus communications leading to earlier identification of new trends, better understanding of user needs, prompt feedback from users, and more direct knowledge of benefits and drawbacks of various campus' processes. The group could start by creating a rapid response team to help to direct user questions relating to cross-campus and system-wide IT-sourcing.

- Include front line IT staff including those supporting academic departments in the feedback/communication loop.

## **APPENDIX**

### Glossary:

CIO	Chief Information Officer
CPO	Chief Procurement Officer
COE	Center of Excellence
CSWG	Cloud Services Working Group
IT	Information Technology
ITLC	Information Technology Leadership Council
OGC	Office of General Counsel
PLC	Procurement Leadership Council
SS	Strategic Sourcing
SSCOE	Strategic Sourcing Center of Excellence
TAS	Technology Acquisition Support Group

### Resources:

- UC Technology Acquisition Support Group (TAS):  
<http://uctas.ucop.edu>