M E M O R A N D U M

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FROM: Arthur G. Ramicone

DATE: January 3, 2001

SUBJECT: E-Business Working Group Report; Procedure and Resource Group

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As most of you know, this summer I tasked a working group [listed on attached Report] to review business issues associated with the proliferation of e-commerce proposals and various web-enabled services and experiments being advanced at the University. In addition, I asked them to recommend a strategy for ensuring that: [a] such ventures will enhance the University's strategic goals; [b] resources will be optimally utilized; [c] appropriate legal issues will be addressed; and [d] we share and learn from each others' experiences and knowledge.

The E-Business Working Group has fulfilled its charge by developing a strategy consistent with the stated goals and providing useful findings, guidelines and other recommendations. I have attached a copy of the Group's report for your information. Let me use this opportunity to thank the Group publicly for its fine work and dedication to fulfilling the stated goals.

Of particular import to each of you, the Working Group has recommended the creation of an E-Business Resource Group to provide a streamlined and expeditious business review that will help all units within the University achieve the announced strategy and respond quickly and efficiently to proposals. **In turn, I am asking that each of you direct appropriate personnel in your areas to channel any proposals within the "E-Business" Definition to the E-Business Resource Group for review.** The Group members and contact information are listed on an attachment to this memo.

Please do not hesitate to contact the Resource Group members with any questions you may have.

Attachments

cc: Mark A. Nordenberg   Robert F. Pack
       James V. Maher   Jeffrey L. Masnick
       Jerome Cochran   Jane W. Thompson

University of Pittsburgh

E-Business & Technology Strategy Working Group
Findings and Recommendations
December 1, 2000

E-Business & Technology Strategy
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Summary of Recommended Overall Strategy

Pursuant to our Charge [Exhibit A] and based on the Findings outlined below and explained in further detail within this document, the Working Group recommends the following overall strategy:

- Experimentation and innovation should be encouraged at the University, so that we develop our knowledge base, explore better ways of conducting our mission and business through the use of the web and technology, and remain at the forefront in our industry.
- Major goals/concerns and guidelines, suggested below, should be issued to the University community to assist our faculty and staff in their experimentation and innovation with e-business proposals.
- A central group should review e-business proposals in order to:
  - provide efficiencies
  - apply existing resources expeditiously
  - build a knowledge base, and
  - communicate relevant findings and useful information to the University community.
- This strategy, as well as the recommended guidelines and review processes, should be revisited and critiqued periodically and regularly to ensure that they are optimal and efficient.

Findings

Based upon our research, interviews and discussions, the Working Group has made the following findings:

- The world of e-business is evolving quickly due to the many uses of, and rapid changes in, information technology. Our strategy should meet the challenges associated with rapid change and a largely unpredictable evolution.
- The University should enable experimentation and exploration, and encourage the use of innovation and discovery in this area.
- E-Business activities, like all University ventures, should support the mission, vision and goals of the University as well as protect or enhance its image and reputation.
- It would be beneficial to share information and experience from such experimentation and exploration throughout the University.
- There are certain risks and liabilities that should be considered on an ongoing basis, and others that are difficult to foresee because of rapid changes and evolving law in this area.
- The University should seek to capitalize on economies of scale, its bargaining power, and central resources.
- Because of the need for flexibility in this area, policies and procedures do not seem to be as desirable as guidelines and efficient, enabling review processes.
- Central review and support processes will likely facilitate our ability to prevent liabilities, promote efficiencies, share knowledge, remain competitive, and determine best practices.
- Review and support processes should meet the need for an efficient turnaround time.
- The recommended processes and this strategy should be reviewed on a regular basis to evaluate effectiveness, lessons learned, and opportunities for improvement.

Findings and Observations on Matters Outside the Scope of Charge:

- Purchases and uses of software and hardware that are not integral to E-Business activities are outside the scope of this Group's charge, and there are a number of policies and procedures that address these matters. However, in the course of review, the Group recognized that there are numerous challenges to promoting efficiencies and managing resources and activities in that area. We would urge the University to review this area and determine what additional measures and communications might be merited given the rapid pace of change and the increased use of technology in our community.
- The desirability of venturing into distance education is clearly the province of the Provost and the academic community. Nonetheless, it is hoped that the proposed review processes can be used to assist the academic community in exploring this area.
- Student portals and student information systems are the focus of other working groups [primarily the CERMIS group] and have not been reviewed by this Group. However, it is the Group's understanding that there will be a coordination of these initiatives and the review of E-Business activities. This is highly desirable.

E-Business Definition

For these purposes, "E-Business" is defined as any activity with all of the following characteristics:
   a. involves a web site or web presence, that
   b. is created on behalf of or representing the University, OR using University resources or trademarks, AND
   c. provides for the sale or purchase of goods or services, or the receipt of revenues, including but not limited to external sponsorship.

Examples of E-Business proposals would include:

- A department of the University is considering conducting water quality tests for other organizations or individuals for a fee. The department would like to establish a web site to collect requests for testing services and to record payment information.

- A University department is considering conducting a professional development seminar. It proposes establishing a web site to advertise the seminar, enroll attendees, and collect fees via credit card.

- A University department creates a web site designed to post information relative to its primary field of study with the intent to share information and resources and is now considering external sponsorship for the site.

Recommendations

Major Goals/Concerns and Guidelines

We recommend that major goals/concerns and general guidelines be issued to the University community, in formats and with instructions that will vary by constituency and reporting channels [e.g. the style and source of communication to academic units should be determined by the Provost's Office] so that all impacted units:

- Have some general framework for discussing E-Business proposals with vendors at the preliminary stages;
- Are aware of the review processes;
- Understand some of the issues that should be considered in the review process;
- Understand the benefits of the review process; and
- Recognize the benefits of involving the review group early.

Suggested "Major Goals and Concerns"

- Be innovative and experiment—have an on-line presence; explore technology offers
- Satisfy customers
- Enhance communication
- Support the University's vision, mission, goals and objectives
- Protect or enhance the University's image and reputation
- Invest and expend resources optimally
- Ensure that all activities are legal
- Consider related risks, including risks of engaging in/not engaging in e-business activities
- Protect ownership of intellectual property

Suggested "Guidelines"

- Be cautious about long-term commitments: technology is changing so quickly that services/products promised may become obsolete & pricing is likely to go down in a short amount of time.
- Beware of deals that might give away faculty, staff, or student intellectual property, data or demographics without proper compensation and protection.
- Be aware that "marketplace" features may cause conflicts of interest or breaches of existing contracts. For example, the University has certain sole source/disadvantaged business enterprise agreements.
- Be cautious about "chat rooms." Typically, the content cannot be controlled and offensive or inappropriate exchanges may take place, leading to negative publicity and even possible liability.
- Advise vendors that you will require a contract, but do not sign one without appropriate reviews (e.g., academic, financial, legal).
- Advise vendors that the University does not want to subject students to commercial advertising. The University needs to remain objective and to maintain congruency with its primary missions.

4

- Understand that certain activities may create Unrelated Business Income Tax and other potential tax liability.
- Be certain that all appropriate security and privacy requirements will be met.
- Consider that the proposed technology should be compatible with the University's information technology strategic plan and integrate with existing technology.
- Advise vendors that the University has an existing agreement for merchant bank services.
- Investigate multiple vendors in order to obtain the most advantageous contract terms.
- Remember that there are numerous laws, regulations, and policies that must be complied with and that may affect your deal.
- Consider that the look and feel of any website should be consistent with the activities of the Provost's Committee on the University of Pittsburgh's Presentation on the Web.
- Consider all initial and recurring costs and related funding sources.
- Use the appropriate University review process to optimize opportunities, obtain efficiencies of scale, protect resources, prevent liability, and contribute to our central "knowledge bank" in this emerging area. For example, many vendors approach several responsibility centers and sell their package multiple times. Through our central review processes, we can negotiate savings, evaluate services and share accumulated knowledge.

Review Processes

Based upon our evaluation of current E-Business activities and proposals, we recommend instituting review processes that will vary somewhat according to type and source, but still channel activities through a central review group that will, in turn, provide efficiencies and shared knowledge. The envisioned processes and implementation suggestions include:

- Academic-related proposals will be processed in accordance with the current procedure for academic proposals, but channeled for an E-Business review by the E-Business Resource Group* when appropriate. This process will include the following steps:
    - Proposal is reviewed/approved at Department/School level by Dean
    - Proposal is sent to Provost's Office
    - Provost's Office reviews and determines whether there is a need for budget/business input; if so, it is sent to V.C., Budget and Controller's Office
    - If the proposal is sent to V.C., Budget and Controller's Office and has an E-Business aspect, V.C. will send to E-Business Resource Group; Provost's Office will be advised of recommendations and concerns
    - Provost's Office will refer for legal review as appropriate
    - Provost's Office will refer for technology review as appropriate
  (see related recommendation and description below)

- Non-Academic proposals from academic areas should be submitted directly to the E-Business Resource Group, and the Resource Group will keep the Provost's Office appropriately advised. It is suggested that this process be implemented as follows:
    - Deans will be advised of major goals/concerns and guidelines in format determined by the Provost
    - Deans will be asked to submit non-academic proposals to E-Business Resource Group for review/coordination

- E-Business Resource Group will conduct business review in accordance with these recommendations, advise the Responsibility Center Head of findings, and keep the Provost's Office advised

- Proposals within the Financial Organization (including enterprise-wide systems) will be submitted to the E-Business Resource Group and reviewed in accordance with these recommendations.

- Proposals from administrative areas other than the Financial Organization will be submitted to the E-Business Resource Group. [These include Athletics, Facilities Management, Human Resources, Institutional Advancement, Student Affairs, Auxiliaries, and any other non-academic areas.] It is suggested that this process be implemented as follows:

  - Responsibility Center (RC) heads in these areas will be asked to
    - issue the "Major Goals/Concerns and Guidelines" to staff and
    - direct that all E-Business proposals be submitted to the E-Business Resource Group for review
  - E-Business Resource Group will conduct review in accordance with these recommendations
  - E-Business Resource Group will advise RC heads and others, as appropriate, of findings

E-Business Resource Group

- As noted above, it is recommended that the defined proposals be submitted to the E-Business Resource Group to provide consistent reviews, seek efficiencies, build a knowledge base, relieve bureaucracy by coordinating referrals, and communicate findings to the University community.
- It is also recommended that the initial makeup of the group include Planning & Analysis (P&A) and a representative from Financial Information Services (FIS) for the following reasons:

  - A central knowledge base will benefit the entire University community through efficiencies, and accumulated and shared knowledge
  - P&A has significant business and financial acumen and can develop specific expertise in emerging E-Business areas over time
  - P&A is well-positioned to ensure that other areas [e.g. Finance, Legal] are appropriately involved
  - It is anticipated that most proposals will include a technical component appropriate for review by FIS or referred to Computing Services and Systems Development

- The E-Business Resource Group will:
  - Receive the proposal and obtain supporting information from the unit. The supporting information should include the following:
    - Description of the activity, including details of "what" and "how"
    - Financial evaluation, including detailed costing data and funding options (e.g. sponsors or advertisers)
    - Explanation of how the unit intends to advertise or communicate new service

6

- Contract with vendor (if applicable)
- Description and specifications for technology
- Look and feel of tool on web (what page will look like, etc.)
- Benefits of proposed activity (financial and operational)
- Explanation of how activity supports
    - institutional goals
    - unit goals
- Listing of any other options/vendors considered for activity
- Explanation of the customer base and a description of the distribution channels to be used

NOTE: The Provost's Office will determine what additional or differing supporting information is required for academic proposals.

- Determine what additional information and what additional reviews (e.g., technology, legal, tax) may be required based on the type of activity proposed and how the unit intends to implement.

- Coordinate or recommend other reviews, both within the Financial Organization and in other areas.

    Potential Additional Reviews

Type	Area
Legal	General Counsel
Technology	CSSD/FIS
Tax/UBIT	Tax Office
Contract Services	Purchasing
Research Regulatory Compliance	P&A/RCA
Image/Reputation	Public Relations
Technology Transfer*	Tech Transfer

    * Primarily to keep Technology Transfer advised of potential technologies that may later become marketable and to open communication channels between areas.

- Perform financial/accounting, business planning and strategic analysis.

- Make recommendations and suggestions to the appropriate Responsibility Center heads and others.

- Add relevant data/experiences to the central knowledge base and communicate to others as appropriate.

Issues to be Considered in the Review Process

To illustrate the many issues that should be considered in evaluating an E-Business proposal, and the desirability of having a central review resource that can coordinate the process, we offer the

following lists. These lists might be useful in convincing others of the validity of the foregoing recommendations.

Financial/Accounting Issues
- What types of e-commerce transactions are being proposed?
- Has the back-end accounting been considered?
- Does the venture look sound from a financial perspective?
- What are the proposed funding sources?
- Are there any hidden costs?
- Is a merchant bank agreement required?
- What are the terms of the proposed contract?
- Would this violate any existing sole source/DBE agreements?
- Will the activities be subject to UBIT?
- Why was this option better than other competing options?

Business Planning Issues
- Has the unit considered all relevant aspects of a business plan?
- Has all financial information been appropriately included?
- Have plans for ongoing maintenance/management of the site been addressed?
- Is there a defined market?
- Is there proven demand for this type of activity?
- Is this the best vehicle for access to the market?
- How does the unit plan to communicate/advertise?

Strategic Issues
- What objectives in the University's and unit's strategies does this initiative support? How?
- Have all appropriate priorities been considered?
- What are the risks of engaging in e-business activities and the risks of not engaging in e-business activities?

Legal Issues [General Counsel's Office]
- Risk Assessment
- UBIT
- Licensing of Pitt Products
- Privacy
- Copyright Law
- Adherence to University Policies
- Intellectual Property

Technology Issues [CSSD &/or FIS]
- Does proposed technology fit with University's infrastructure?
- Does proposed technology already exist at the University?
- Has security been appropriately addressed?
- Have CSSD guidelines [see attached] been considered and appropriately addressed?

Research Regulatory Compliance Issues
- Are federal funds being used to fund the web site?
- Do pricing structures comply with federal regulations?
- Do any other A-21 or A-110 regulations apply?

Image/Reputation Issues
➢ Will the web site indicate it is a University site?
➢ Are the graphics, text, and navigation consistent with the objectives of the institution's home page initiative?
➢ Is the site's message consistent with the University's desired image and reputation?

Ongoing Review and Communication

In consideration of the rapidly evolving nature of E-Business and technology, the need to adjust our strategy and processes as we learn, and the importance of communicating our discoveries along the way, it is recommended that the following actions also be undertaken:

- **Strategy and Process Evaluation:** The findings, strategy, and review processes outlined above will be evaluated periodically by the E-Business Resource Group in a report to the V.C., Budget & Controller, and the Provost. It is recommended that an initial review be conducted after the first six months and thereafter as is deemed to be good business practice in light of developments in this field.

- **Updates:** As experience and experimentation yield significant findings and information, the E-Business Resource Group will, on an ongoing basis, consider whether amendments to the Guidelines and/or other communications to the University community are desirable.