

Enterprise Systems Acquisition Using Venture Capital Concepts

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Problem



- **Long-standing, well-publicized federal acquisition challenges**
 - **Takes too long and costs too much... often to buy the wrong thing.**
- **Acquisition of information systems poses additional challenges**
 - **Rapidly evolving expectations and emerging technologies.**
- **Need for more flexible, tailored IT acquisition approach to address uncertainties.**

Background: How Venture Capital Manages Uncertainty

Venture Capital Practices

*External
Uncertainties
(in the Market)*

+

*Internal
Uncertainties
(in the
Portfolio Firm)*

Selection

- *Market focus*
- *Syndication*
- *Due diligence*

Diversification

- *Portfolio of “many small bets vs. few large ones”*
- *Rapid start and stop*

Agility

- *Funding tied to achieving “inchstones”*
- *Flexible, opportunistic financing*
- *Speed to market with feedback*

Active involvement

- *Strategic advice*
- *Teambuilding/recruiting*
- *Leveraging contacts...*

Objective



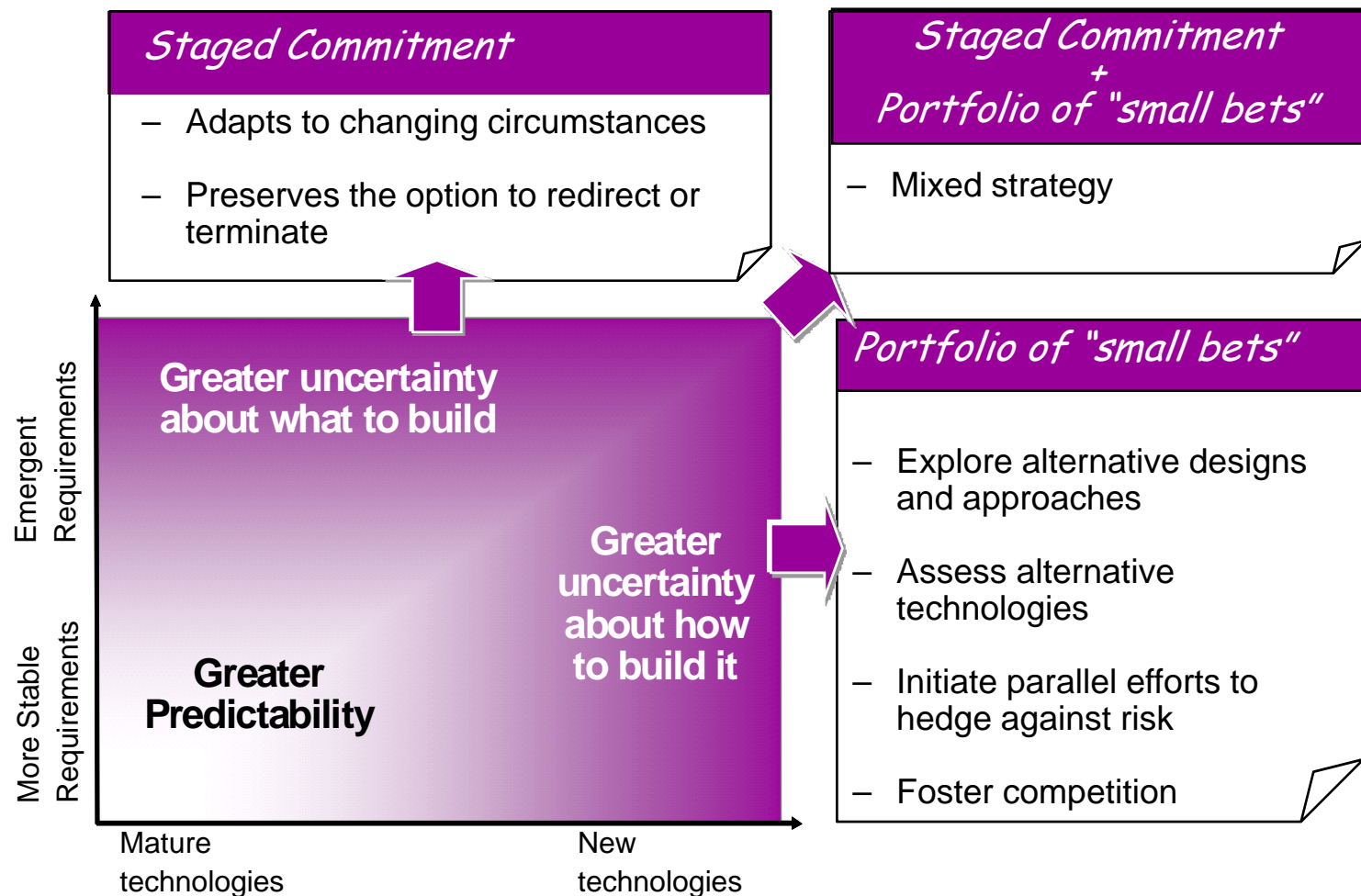
- **Explore the hypothesis that venture capital methods work in managing uncertainty in the commercial sector and offer opportunities to address federal IT acquisition challenges.**
- **Conduct field research to determine:**
 - **How VC practices can be adapted to federal IT acquisition**
 - **Under what circumstances might they work and make a difference**
 - **What needs to change to make it happen.**
- **FY 09 Objective**
 - **Refine acquisition strategies and supporting practices to garner flexibility in the face of uncertainty**
 - **Conduct pilot to gain feedback**
 - **Synthesize and document.**

Activities



- **Characterize and compare the VC and federal acquisition environments.**
- **Establish a framework to explore the applicability of VC practices to federal IT acquisition.**
- **Develop a VC-based approach to IT acquisition**
 - **Diagnosis (when to consider)**
 - **Strategy patterns and practices (how to execute)**
 - **Governance model (how to manage).**
- **Conduct mini-case studies .**
- **Pilot with selected acquisition projects.**
- **Develop model of the motivators, enablers and barriers to implementing alternative IT acquisition practices.**
- **Capture findings in interactive tool and *How To Guide*.**

Highlight: VC-Based Acquisition Strategies



Demonstration

Diagnosis

Identify Project Uncertainties

- External
- Internal

Acquisition Strategy

Develop Acquisition Strategy

- One step
- Staged Commitment
- Small Bets
- Hybrid

Align Strategy Components

- Program structure
- Acquisition Plan
- RFP/ Contracts
- Incentives
- PMO

Adaptive Execution

Monitor Situation

- External
- Internal

Exercise Options

- Continue
- Adjust
- Terminate

Should you consider innovation acquisition strategies? If so, for what part(s) of the program?

What should you do to build in the necessary acquisition flexibility?

What factors should you consider in deciding whether and when to exercise flexibility options?



Interactive Tool

Impacts

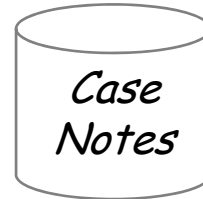


- **Develop within MITRE a rich understanding of IT systems acquisition as a complement to the evolving enterprise systems engineering discipline.**
- **Develop a set of acquisition patterns tailored to the particular circumstances of the acquisition.**
- **Contribute to the realization of disciplined, flexible acquisition practices for IT.**
- **Foster a rich dialogue across the federal acquisition community including policy makers, practitioners, and academics.**

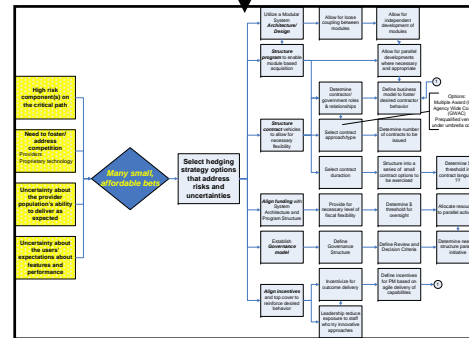
Future Plans

VC Practices

Selection	<ul style="list-style-type: none"> Market focus Syndication Due diligence
Diversification	<ul style="list-style-type: none"> Portfolio of "many small bets vs. few large ones" Rapid start and stop
Agility	<ul style="list-style-type: none"> Funding tied to achieving "inchstones" Flexible, opportunistic financing Speed to market with feedback
Active involvement	<ul style="list-style-type: none"> Strategic advice Teambuilding/recruiting Leveraging contacts...



- Which programs use similar patterns?
- Did they work? If so, why or why not?



VC-Based Strategy Patterns and Enabling Practices

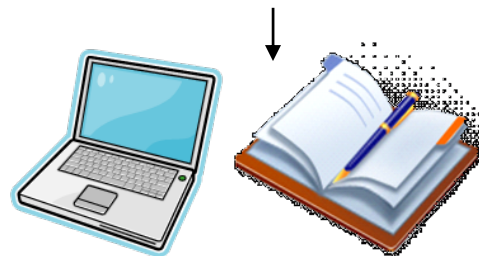
Pilots



Gov PM



MITRE PL



Interactive "How To Tool Guide"

Present, publish, engage

