

# Adapting Venture Capital Concepts to Enterprise System Acquisitions

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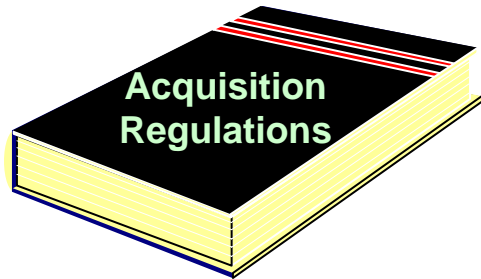
# Problem

- **Long-standing, well-publicized federal acquisition challenges**
  - **Takes too long and costs too much... often to buy the wrong thing**
- **Acquisition of information systems in an enterprise environment poses additional challenges**
  - **Rapidly changing missions and new operational challenges → uncertainty in requirements**
  - **Need for more agile acquisition**

# Background



*VCs manage uncertainties and nurture success*



*Federal acquisition regulations encourage flexibility and tailoring*



red planet capital



*Government-funded VC firms*

*“Buying a network “is not like buying a tank,” [LTG] Yakovac said. “How do we **evolve those processes to a whole new era?**”*

*Emerging recognition that a new acquisition process is needed for IT*

**MITRE**

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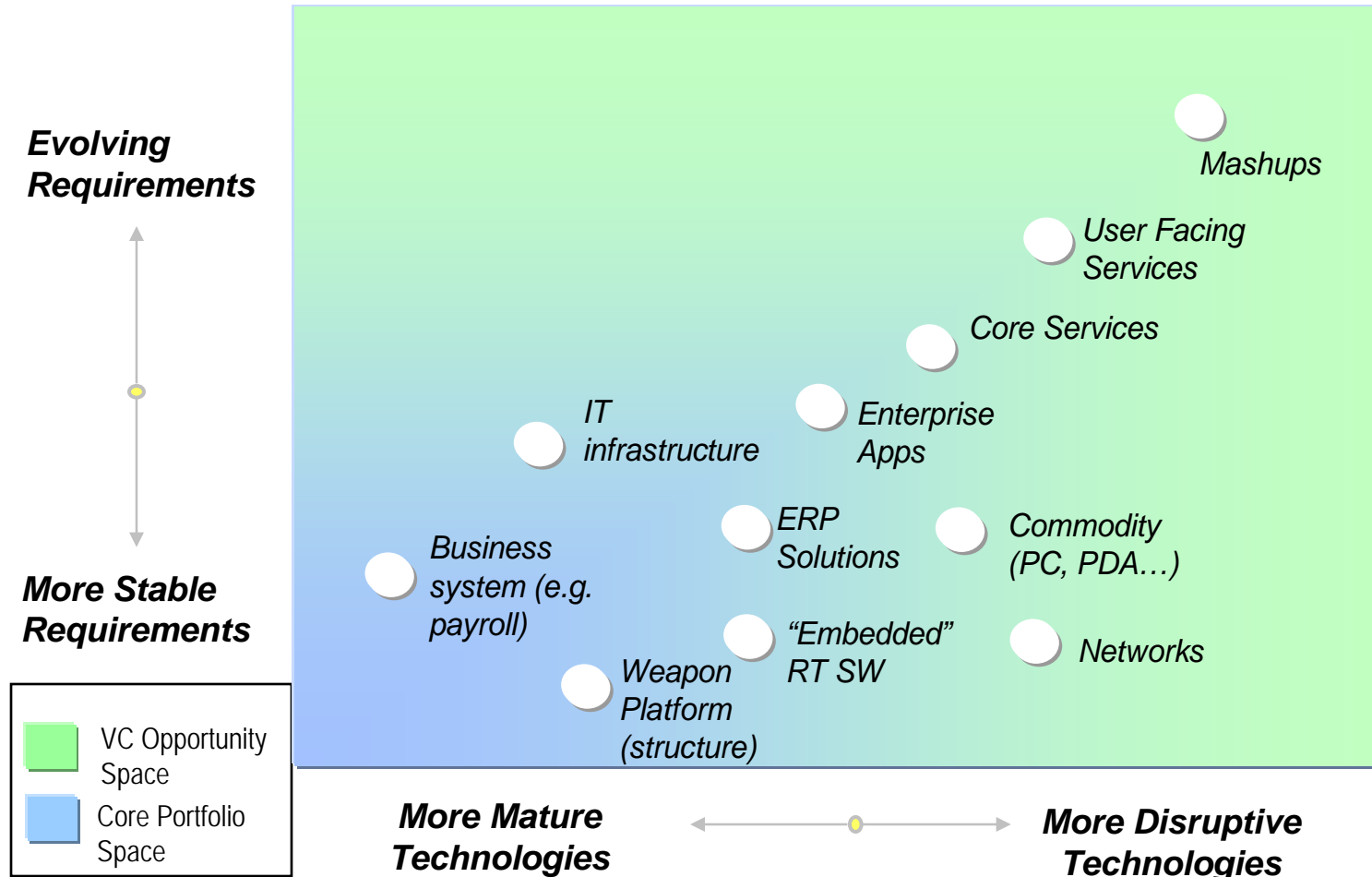
# Objective

- 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 they might work and make a difference
  - What needs to change to make it happen

# Activities

- **Characterize and compare the VC and federal acquisition environments**
- **Establish a framework to explore applicability of VC practices to federal IT acquisition**
- **Conduct mini-case studies of VC-like acquisition practices**
- **Design a pilot program to test a VC-based enterprise systems acquisition approach**

# Highlight: Emerging Framework



# Highlight: VC Strategies

## VC Strategies to Manage Uncertainty



## Emerging Acquisition Strategy Patterns

### Selection

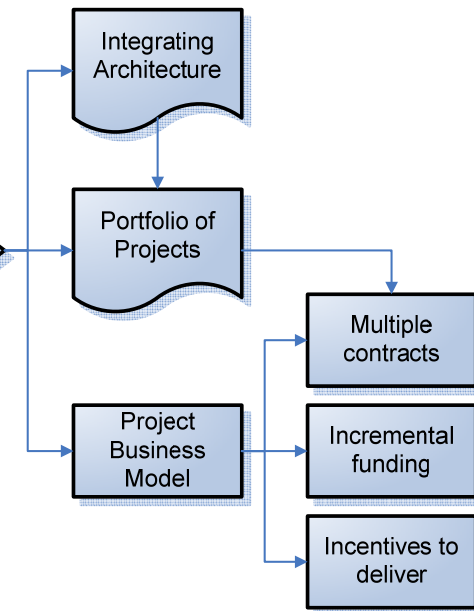
- *Market focus*
- *Syndication*
- *Due diligence*

### Diversification

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

### Agility

- *Speed to market with feedback*
- *Flexible, opportunistic financing*
- *Funding tied to achieving milestones*



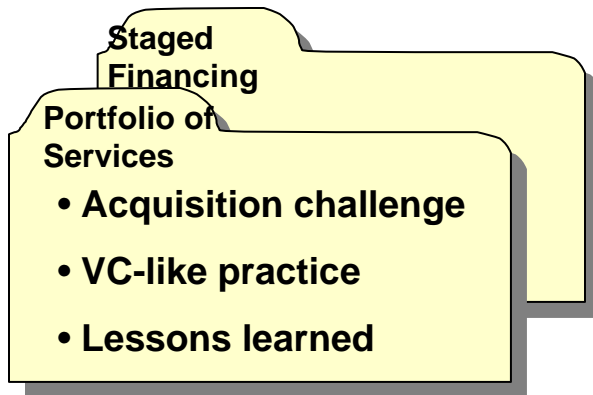
**Diversification Example**

# Impacts

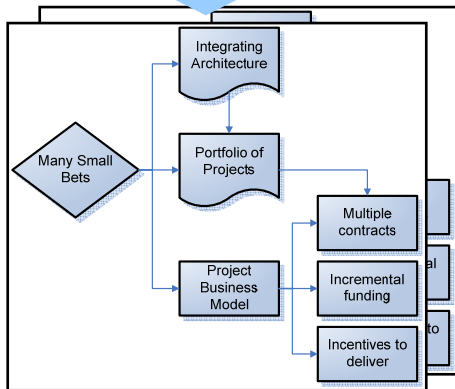
- **Develop within MITRE a rich understanding of enterprise systems acquisition as a complement to the evolving enterprise systems engineering discipline**
- **Develop a set of acquisition patterns tailored to the particular circumstances of the acquisition**
- **Contribute to the realization of effective agile acquisition practices**



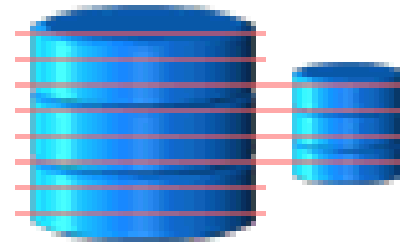
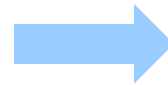
# Future Plans



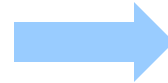
*Mini-case studies*



*Acquisition Strategy Patterns*



*VC-like practices database*



**Preliminary Validation/  
Early Pilots**