

Assessing National Security Venture Capitalist Initiatives

25 March 2004

Background

- Over the last several years, several organizations in the Intelligence Community (IC) and the Department of Defense (DoD) have pursued initiatives to leverage Venture Capitalists (VCs) in order to enhance the injection of commercial technology into national security systems
- Representative examples include
 - IC: In-Q-Tel/QIC (CIA), Rosettex (NGA)
 - DoD: Defense Venture Catalyst Initiative (DeVenCI) (OSD), OnPoint (Army), Commercial Technology Transition Office (CTTO) (Navy)
- In addition, a number of organizations are interested in pursuing comparable initiatives; e.g.,
 - IC: NSA
 - DoD: SOCOM (Arrowhead), JFCOM

Goals of the Study

- Assess the ability of alternative VC initiatives to provide commercial information technology (IT) to support national security needs
- Recommend steps that can be taken to enhance the effectiveness and efficiency of a selected set of these initiatives

Study Approach

- √ Identify a set of VC initiatives that have been launched by the national security community
- √ Characterize these VC initiatives (see the next slide for the factors that are being addressed)
 - o Compare and contrast the VC initiatives (with respect to these factors)
 - o Identify key issues that are confronting these VC initiatives
 - Identify best practices that are representative of effective, efficient VC-based activities
 - Formulate a set of recommendations to enhance the effectiveness and efficiency of a selected set of these initiatives

- √ Completed
- o In Progress
- To Be Addressed

Characterizing VC Initiatives

- Goals, Scope
- Origins
- Current Organization
- Business Model
- Governance
- Resources
- Measures of Merit (MoMs)
- Lessons Learned
- Plans

Preliminary Comparison of VC Initiatives (1 of 3)

- Goals -- Broadly consistent across all initiatives (i.e., niche acquisition of commercial technology for national security applications)
- Scope
 - Timeframe: 6 - 24 months (generally)
 - Technology:
 - Most focus on subsets of commercial IT
 - Selected initiatives deal with other commercial technologies (e.g., batteries)

Preliminary Comparison of VC Initiatives (2 of 3)

- Organization -- Variable
 - Several employ 501(c)(3) organizations
 - Mix of government, private elements
 - Scale ranges from few to 50 staff
- Governance
 - Generally strong Boards of Directors
 - Creating organizations to provide VC advice
 - Sensitive to ethical issues
- Resources: Range from \$1M to \$35M/year

Preliminary Comparison of VC Initiatives (3 of 3)

- Measures of Merit -- attempting to characterize
 - Measures of Impact (largely anecdotal)
 - Measures of Product Quality and Suitability
 - Measures of Process Performance
- Lessons Learned
 - Challenges in dealing with government acquisition rules, regulations
 - Issues in dealing with security dimension
- Plans -- Generally interested in expanding efforts (e.g., technologies of interest; process scale)

Selected Issues

- Culture, incentives
- Federal Acquisition Regulations
- Outreach activities (e.g., family of compatible web portals)
- Legal, contractual issues
- Relationships among VC initiatives

Summary

- The VC initiative study is still in its initial stages
- At this point, we have begun to clarify VC initiative
 - Similarities
 - Differences
 - Issues
- The next stage of the analysis will focus on identifying recommendations to enhance the efficiency and effectiveness of these initiatives