

Executive Panel Session Format

- ◆ Format for Executive Panel Session
 - Breakout Sessions (track A,B,C)
 - ◆ Discussion/Insight/Recommendations
 - Program Manager's Perspective (track D)
 - ◆ Discussion/Insight/ Recommendations
 - Business to Business Marketplace
 - ◆ Discussion/Insight/Action
 - Industry CTO Perspective
 - Panel Sessions
 - ◆ Insight/Recommendations
 - ◆ Lessons from Industry

Executive Panel Session

⌘ Conference Theme:

- What is the process by which the NAVY and Industry would jointly develop new technologies - the Navy benefiting from the commercial investment, industry benefiting from NAVY cost sharing and risk reduction.
- What are the barriers to implementing the process?
- What can be done about these barriers?

⑩ Conference Tempo

- ⑩ A bias for action.

⑩ Conference Product:

- Insights and actionable recommendations, delivered in Internet time.

Executive Panel Session

Breakout Sessions

- ◆ Working out the Interoperability between the Two (Government/Industry) Business Models
 - Creating Incentives/Bulldozing Disincentives
- ◆ Becoming Intimate with what (Technology) is Available
 - Attracting Commercial Partners
- ◆ Methods of Ingestion
 - Enhancing the Technology Insertions Process

Executive Panel Session

Breakout Sessions

- ◆ Working out the Interoperability between the Two (Government/Industry) Business Models
 - Value Driven Procurement
 - Intellectual Property Rights
 - Export Controls
 - Globalization and National Security
 - Technology Transfer in the Computer Software Sector
 - E-business/Information Exchange
 - Incentivizing the Government
 - Incentivizing Industry
 - Partnering – Military and Civilian Sector
 - Connecting the supply chain (technology developers) to the SYSCOMS supply chain

Executive Panel Session

Value Driven Procurement

- ◆ Discussion
 - ASNRD&A (ABM) has initiated a process to look at the use of value driven procurement.
- ◆ Insight
 - Opportunity exists to use this ASNRD&A (ABM) initiative to work the identified barriers in the context of a specific procurement.
- ◆ Recommendations
 - Proceed with the plan to work identified barriers during the upcoming (Nov 00) value driven procurement session.

High Tech Business Models

- ◆ Government Contractor
- ◆ Large Commercial Firm
- ◆ Small Commercial Firm

- ◆ Each has different IP needs/requirements.

- ◆ DoD needs to study these business models to understand the incentives and motivations for commercial firms.

- ◆ DoD needs to understand its own business model to construct a logical strategy for use and protection of (commercially valuable) intellectual property.

Government Business Model...???

- ◆ Government Requirements that are inconsistent with fundamental business principles:
- ◆ Inflexible IP Position
- ◆ Audit Requirements
- ◆ Export Limitations
- ◆ Emphasis on Cost, not Price
- ◆ “Social Engineering”

Observations

- ◆ Government Contractors object to GPR
- ◆ Commercial Firms object to:
 - Public dissemination
 - Conceding commercial IP rights
 - GPR (less important)
 - Export restrictions
 - Profit limitations
- ◆ Small businesses use the CRADA vehicle

Message

- ◆ Need to find a vehicle that meets the needs of Commercial and Government Contractor Partners as well as the Government.
- ◆ Do we need new legislation or do we already have the authority?

Flexibility

- ◆ Negotiate GPR
 - e.g., time limit
- ◆ Negotiate commercial IP rights
 - remove constraints of boilerplate rights clauses
 - allow stakeholders to negotiate for the rights they need
- ◆ Consider other provisions as well
 - profit limits, export restrictions, accounting standards

Other Transactions

- ◆ Navy needs clear guidance on use
- ◆ Avoid “boilerplate” guidance
 - eliminates the value of the “blank page”
 - boilerplate suggests inflexibility
- ◆ Stakeholders must be involved in the negotiation
- ◆ Use existing vehicles (e.g., CRADA) instead of OT, if they satisfy both parties' needs

Concerns

- ◆ Third Party protests
- ◆ Identification of appropriate negotiator with a “big picture” perspective
- ◆ Price-based, not cost-based, procurement...will the Government ultimately pay more?
- ◆ Use of commercial GAAP
- ◆ OT's don't address the cycle time problem!

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Export Controls

◆ Discussion

- Export controls continue to be a major disincentive to industry to provide DON with cutting edge technology.
- The Export Controls Breakout session developed four specific recommendations to improve the process.
- The recommendations require increased Navy and Industry involvement in the process.

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Globalization and National Security

- ◆ Discussion
 - Technology has no boundaries-boundaries are imposed.
 - R&D Conference was through “US Eyes Only”
 - America Cannot Afford the total price tag of the World’s most advanced Navy
 - Global Partners are Ready for joint development.
- ◆ Insight
 - ‘Preparing for war by preparing for peace’ has to be done by global cooperation in a global economy
 - International Co-operation is the most cost effective pathway to interoperability.
- ◆ Recommendations
 - Make the acquisition process more global friendly. Start by developing the framework for what a coalition development program would look like in today’s environment.

Technology Transfer in the Computer Software Sector

- ◆ Avoid product mandates [OASN (RDA)]
- ◆ Institutionalize an 80% solution approach [DAU]
- ◆ Allow for flexible acquisition models (fixed price, per seat, per use...) [SYSCOMS]
- ◆ Improve the communication channels that will enable small businesses to be aware of the technology needs of Navy and primes [SYSCOMS]
- ◆ Establish a process beyond SBIR for small business software technology firms to bring their products to the Navy's system acquisition realm. [CHENG]

Technology Transfer in the Computer Software Sector

- ◆ Incentivize the small business
 - Long term relationships with short term projects
 - More use of “other transactions”
 - Pride in supporting the military
 - Defense \$ can help them get established
- ◆ Provide tailorable criteria for judging software products by the class of problems the SW addresses (apps vs mission-critical, etc) [CHENG]
- ◆ Push software acquisition decision-making down to the proper level of commercial and technical competency

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E-Business/Information Exchange

◆ Discussion

- Discussion centered on the benefits to R&D partnerships by becoming e-enabled.
- In addition, the NSF Digital Government Initiative was briefed. (Both major presidential candidates support a major initiative in 'the Digital Government.')

◆ Insight

- Biggest Payback is in Design Collaboration
- NSF Partnership allows the opportunity for Navy to be a lead in implementation of the Digital government Initiative.

◆ Recommendations

- Create a transitional funding line for e-enabled programs.
- Partner with NSF in their Digital Government Initiative

Executive Panel Session

Incentivizing Industry

B-2-6 Incentivizing Industry

What would motivate the defense industry to deliver superior capability at better value through broad industry-sourced technology?

Disincentive	Industry Insight	Recommendation
Financial	"Cost-plus" Mindset Profit is capped* No benefit to best technology	Increase cost share % to more than offset lost fee Comm'l comparable profit w/target costing & multi-year commitment Include technical merit award fee
IP	Protect competitive position Labs in competition with industry	X year exclusivity, Royalty from other companies No Lab IP on any contract R&D
Culture	DoD penalizes failure, is risk averse Labs in competition w/ industry, non-level playing field	Need new behavioral model, rewards for considered risk taking (GE model) Complementary vs. competitive tech dev't. Separate honest broker function in labs
Time	Tech development/procurement too long Perception labs delay prod avail by up to 2-3 years	Change process to be consistent with comparable comm'l technology Shorten any req'd test/eval by 3X to get value from technology

**"We earn more on our pension fund than on our gov't business!"*

Executive Panel Session

Partnering

- ◆ Discussion
 - Need mechanisms for high performance government and industry partnership for R&D
- ◆ Insight
 - Mutual benefits partnerships work best
 - Flexible business practices vital
- ◆ Recommendations
 - Identify actions necessary to optimize interoperability between government and industry
 - Develop taxonomy of partnership models to optimize technology flow
 - Incentivize and train for culture of entrepreneurship

Executive Panel Session

Breakout Sessions

- ◆ **Becoming Intimate with what is Available (Attracting Commercial Partners)**
 - Articulating Defense Needs/Understanding Industry Capability
 - Connecting with Regional/State Programs
 - Venture Strategy – How Technologies Become Companies.
 - Advancing the Pool of Available Technologies

Executive Panel Session

Articulating Defense Needs/Understanding Industry Capability

- ◆ Discussion
 - Topic at the heart of Conference objective to leverage commercial R&D Investments
 - Workshops held to review communication from Government, defense and commercial industry perspectives
- ◆ Insight
 - Major cultural differences
 - System is complex, need to simplify it.
- ◆ Recommendations
 - Capture work of the session, identify and work the major issues.
 - PEO TSC has taken action.

Executive Panel Session

Connecting with Regional/State Programs

◆ Discussion

- Meetings held with the Department of Commerce. 225 Economic Development Corporations are in place across the US developing regional/state economies.
- Several State Organizations attended and enthusiastically supported their members' attendance

◆ Insight

- Leverage existing DOC and State Infrastructure to connect small/medium size businesses to ONR/SYSCOMS

◆ Recommendations

- Develop a better understanding of Ben Franklin partnership framework. (Recognized best practice leader)
 - ◆ Ben Franklin VC Technical Partnership volunteered to host DON focused follow on third week of September 2000.
- Partner with the DOC and State:
 - ◆ Develop a pilot program with DOC and State Organizations to identify Companies that possess Navy technology needs

Executive Panel Session

Venture Strategy – How a technology becomes a business.

- ◆ Discussion
 - VC methodologies to evaluate potential viability of technologies and nurture business growth
- ◆ Insight
 - Efficient ways to assess business potential
 - Provides network to innovation community
- ◆ Recommendation:
 - Develop a better understanding of VC methodology as it affects technology insertion
 - ◆ Benchmark Army (Sept)
 - ◆ Benchmark CIA (Oct)
 - ◆ Develop DoN Framework (constrained to current rules) (Nov)
 - NY VC community volunteered to host session.

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Advancing the Pool of Available Technologies

- ◆ Discussion
 - Invited technology assessment/matching and knowledge management firms to present company vision, capabilities, and services
- ◆ Insight
 - Cultural Barriers
 - Startups with VC funds need high returns
 - Lack of awareness by both government and industry
- ◆ Recommendation
 - Travel \$\$ to visit commercial companies and trade shows
 - Develop knowledge portal linked to technology matching companies and knowledge management search engines
 - Develop and implement a process to leverage the capabilities of technology assessment/matching and knowledge management firms

Executive Panel Session

Breakout Sessions

- ◆ **Methods of Ingestion – (Enhancing the Technology Insertion Process)**
 - Lean Sustainment
 - DoD 5000 Implementation in the DoN
 - New Strategies for Technology Insertion
 - New Methods/Practices/Tools for the Management of Technology
 - Disruptive Technologies

Executive Panel Session

Lean Sustainment

- ◆ Discussion
 - Given current priorities, technology refresh during sustainment offers a viable way to improve the warfighters capability.
 - COSSI program zero funded in FY-02
- ◆ Insight
 - Promise is high, energy level is low.
- ◆ Recommendations
 - Provide necessary resources to the initiative.
 - Partner with Air Force Lean Sustainment Initiative for NAVY ops and support cost reductions.

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DoD 5000 Implementation in the Navy

- ◆ Discussion
 - DoD product development framework is being changed to facilitate technology insertion during the development and sustainment cycle.
- ◆ Insight
 - Workforce needs something beyond the rewritten instructions to meet the spirit of the rewrite
- ◆ Recommendations
 - Review Air Force Spiral Development and Evolutionary Acquisition Documents for promulgation to DON ASNRD&A workforce.

Executive Panel Session

New Strategies for Technology Insertion

- ◆ Discussion
 - Two sessions-well attended, mix of commercial/primes/PEO/PM/Labs/Academia
 - Technology Insertion broken and Time to Technology Insertion is too slow
- ◆ Insight
 - See Enhancing the Technology Insertion Process
- ◆ Recommendations
 - SYSCOMS – Establish Naval Integration Lab
 - Expand CTO matchmaking/facilitation function to include
 - ◆ Access to state/regional centers of excellence
 - ◆ Trusted Agent Function
 - ◆ Translate Problems to Performance Needs

Executive Panel Session

Disruptive Technologies

◆ Insight

- “Half the knowledge about something is knowing what to call it”

◆ Recommendations

- Expand Naval Warfare Concept Generation Process to include Defense, Non-Traditional and University Partners
- Create Virtual SSG links to commercial sector
- Create DT “Watch List” on internal DoN web portal
- Convert “every” SSG report into a game linked to virtual prototyping/ skunk works in industry
- Extend Jane’s Fleet Command to “Navy After Next”
 - ◆ Physics- Based entities

Executive Panel Session

Track D- Meet the NAVAIR & JSF Program Managers

◆ POC's:

- R&D Alliances: Bill Mounts, 703-614-3882
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- Materials: Dale Moore, 301-342-8000
 - ◆ MooreDL@navair.navy.mil
- Corrosion/Aging Aircraft: Bob Ernst, 301-342-2203,
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- Advanced Technology Review Board, Dave Bailey,
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 - ◆ BaileyDB@navair.navy.mil

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Track D **NAVAL SEA SYSTEMS COMMAND'S** **Meet the Program Executive Offices**

- Participating PEOs
 - PEO Theater Surface Combatants
 - PEO Aircraft Carriers
 - PEO Surface Strike
 - PEO Submarines
- Approximately 45 Industry Representatives Visited the PEOs
- Opportunities for Small Companies to Have One-on-One with Navy Program Managers were accepted.
- Additional Discussions to Follow at a Later Date

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B to B Marketplace

- ◆ Discussion
 - Initiative to improve the business to business connections at the R&D Partnership Conference
 - Idea is to match prime contractors with small/medium suppliers.
 - This component of the conference was in addition to the Navy's Program Manager and Prime Suppliers
- ◆ Insight
 - # of sign ups – interest is there
 - Connections made
 - Perhaps best handled by industry associations
- ◆ Action
 - Interested companies will be connected via e-mail

Executive Panel Session

Chief Technology Officer's Perspective

- ◆ 72% of high tech jobs are in not-small firms (those with >500 employees)
- ◆ 88.3% of the commercial research in the US is conducted by the 300 firms that invested the most in R&D. They generally have many separate business entities and laboratories
- ◆ Many of the top 300 will not accept DoD contracts. This is where most of the "unavailable to DoD" technology is located
- ◆ Most Defense Applications Don't Fit the Business Model
- ◆ Primary reason why technology rich businesses do not do business with DoD relates to IP rights and government unique contract requirements
- ◆ Motivation to deal with government more related to access to gov't technology to improve commercial position than for cash potential on contracts