Executive Views on Interoperability

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Discussion Outline

- Building the future.

- What can we learn from the private sector?

- How does this apply to the DoD?

Building the Future

- Where are we?

- The topics of discussion at this conference have been:

  - ➤ Battle Force Command & Control

  - ➤ Power To The Edge

  - ➤ Joint Force Integration

  - ➤ Global Information Grid

  - ➤ Family of Pictures

  - ➤ Precision Engagement

  - ➤ Interoperability and Systems Engineering

  - ➤ Weapons Systems Integration and Interoperability

- We are planning the building of future infrastructure and systems

The Private Sector Experience

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- ## Major IT Investment

  - ➢ The late 80's and early 90's were a time of major investment in IT infrastructure and systems with the promise of significant ROI's

- ## BPR

  - ➢ Looking for dramatic cost savings in order to harvest ROI from significant IT investment.

- ## Outsourcing

  - ➢ Still looking dramatic for cost savings in order to harvest ROI from significant IT investment.

- ## Systems Integration

  - ➢ Focused on speed and cost savings.

- ## Business Process Outsourcing
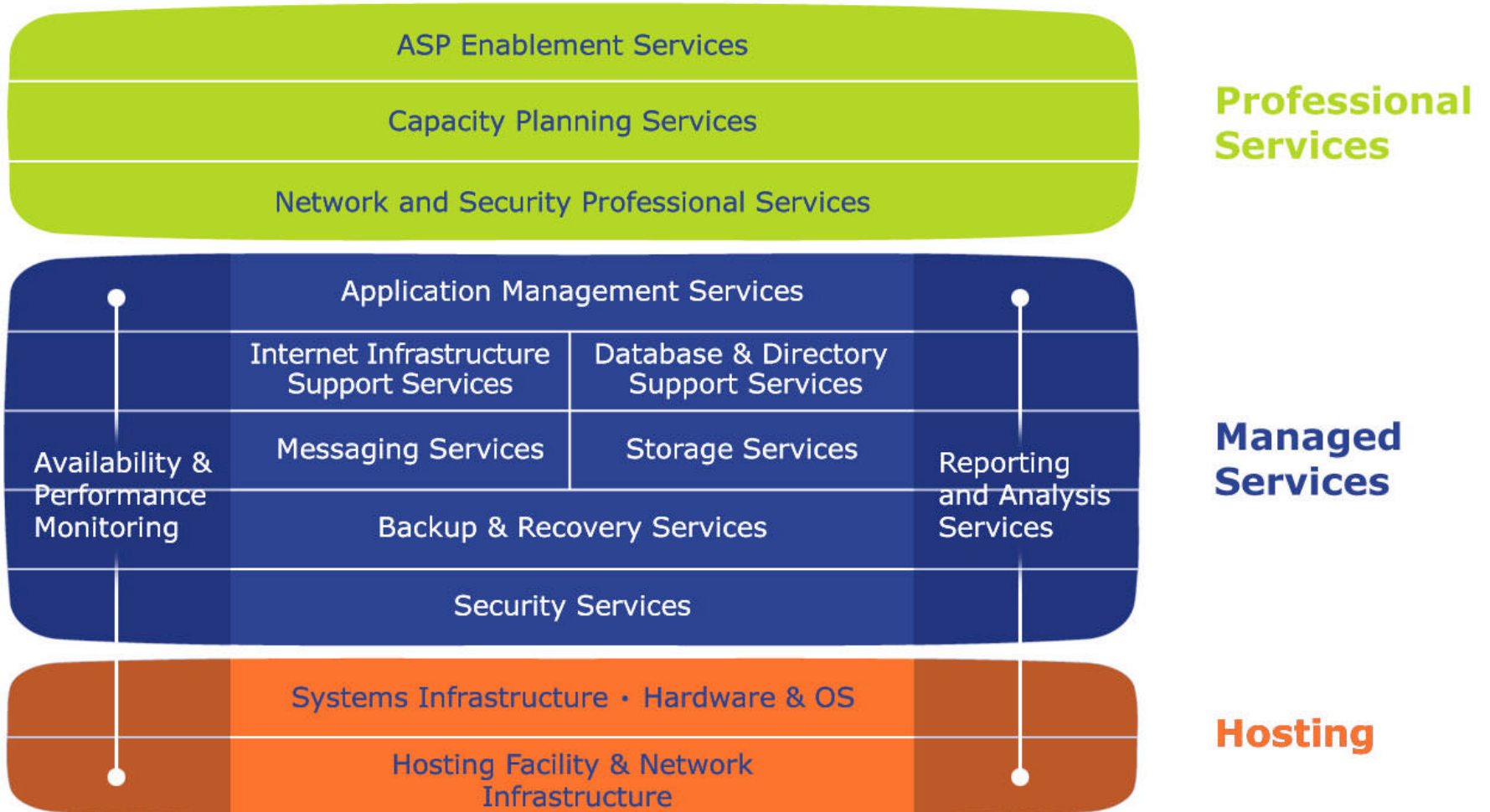
The Private Sector Experience GEMS

- What was the Driver of these major productivity gains?

  - ➢ During the late 1990's, companies who used IT to enable Business Process Innovations and who new how the technology investment was going to help them manage the business differently realized 100% plus increases in productivity. Those who did not consider both of these factors realized 5-10%. *HBR March 2002 McKinsey Global Institute*

The Private Sector Experience GEMS
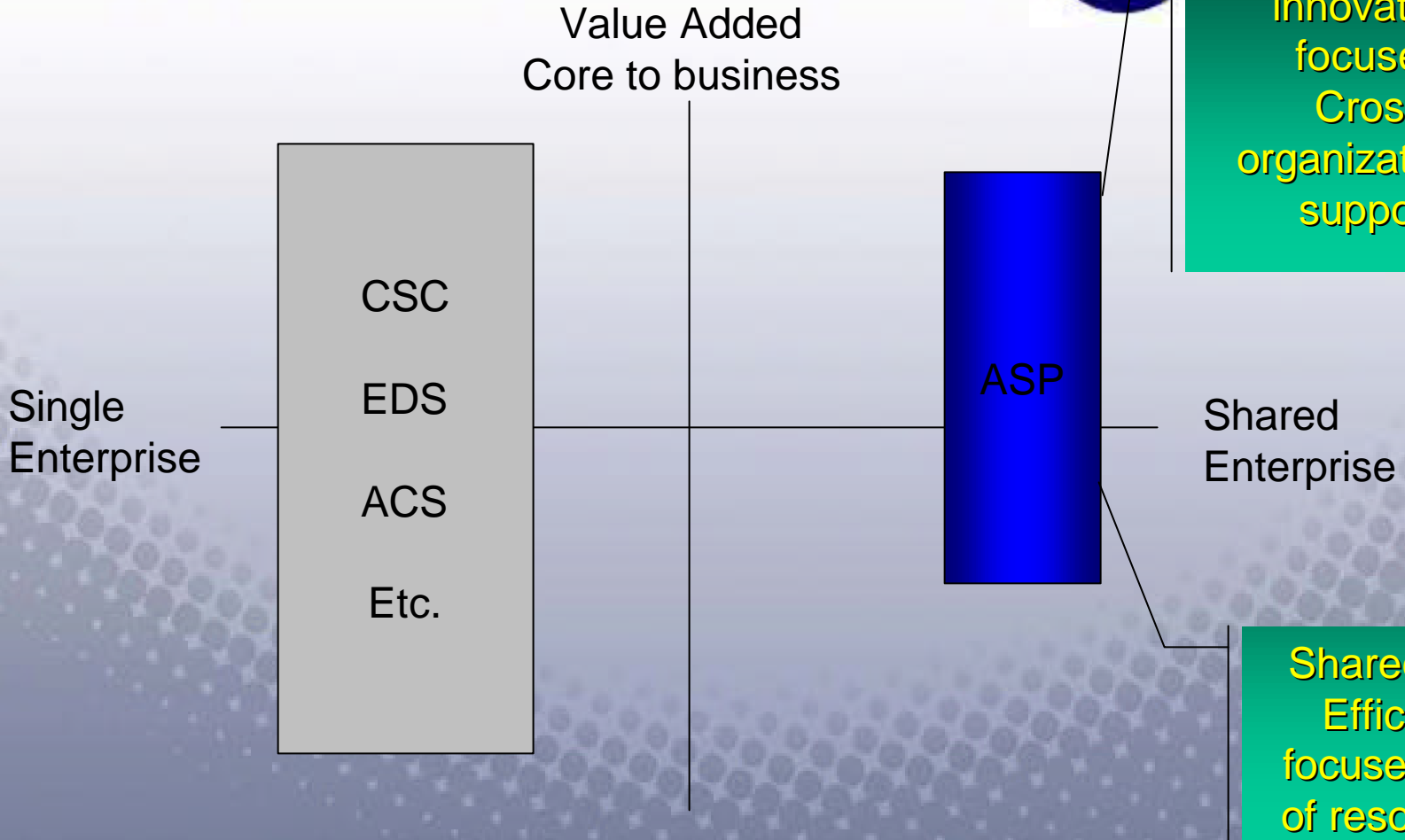
- ## Private sector experience specific to IT systems.

    - ➢ ASP Delivered Application Services Implementations
        - Average 5 year ROI of 404%
        - Average Payback period of 1.33 years
            - – Source - February 2002 IDC Industry Sponsored Study

Corporate Enterprise Management Example

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Professional Services
- ASP Enablement Services
- Capacity Planning Services
- Network and Security Professional Services

Managed Services
- Application Management Services
- Internet Infrastructure Support Services
- Database & Directory Support Services
- Availability & Performance Monitoring
- Messaging Services
- Storage Services
- Reporting and Analysis Services
- Backup & Recovery Services
- Security Services

Hosting
- Systems Infrastructure · Hardware & OS
- Hosting Facility & Network Infrastructure

Where are we

Value Added
Core to business

Shared Process
innovation
focused
Cross
organizational
support

CSC

EDS

ASP

Single
Enterprise

Shared
Enterprise

ACS

Etc.

Shared and
Efficient
focused use
of resources

Increased Efficiency
Context to Business

The Private Sector Experience GEMS

- What can be learned form this private sector experience?

  ➢ Significant opportunity exists for dramatic productivity improvements in addition to the technical outcomes, if properly planned in conjunction with innovative business process change.

  ➢ BPO in the form of ASP's has been proven to be a viable model.

Application to DoD

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- **A little due diligence.**

  - Military support work force

    - Rumsfeld's stated desire to move support functions of hundreds of thousands of jobs to contractors

  - Aging work force

    - Aging IT work force

      - 70% of Federal IT workers over age 40

      - 29% of Federal IT workforce over age 50

        » *Source: National Academy of Public Administration*

    - Large % of IT workforce eligible to retire by 2006

      - Computer specialists – 30%

      - Telecommunications Specialists – 38%

      - Program managers – 53%

        » *Source: GAO*

Application to DoD

GEMS

- A little due diligence.

  - ➤ Mark Forman, Associate Director for IT and E-Government at White House OMB, estimates" that the US Federal Government is wasting $12 Billion per year on unnecessary redundant systems and services".
    - Source – *February 18, 2003 – Infonationweek.com*
  - ➤ Many, if not most, C2 systems exist today in stovepipe platforms
    - Potentially inefficient use of capacity
    - Potentially inefficient use of personnel
    - Multiplies the number of integration points
  - ➤ IT spending is almost evenly split between IT Services and IT Equipment
    - Not seen in the private sector

Application to DoD

- Everything that works in the private sector not necessarily be directly applicable to the DoD

- It is an indication of potential

  ➢ The diligence would indicate that

    - DoD will be facing a changing work force environment.

    - There appears to be opportunity for significant savings through productivity gains

  ➢ The private sector has been through this cycle and has shown us a tested road map of what did and did not work in harvesting the benefit from the investment.

  ➢ Much of these benefits and savings could be available now

Speaker's Comments Consistent with the Executive View GEMS

- Top down as well as bottom up,

- No focus on how, and

- Interoperability is the price of admission

  ➤ These comments speak to - Understand how IT will enable the new process to drive the productivity improvements

- Focus is now on solutions

- Future value must be in the solution and not in the IP

  ➤ These comments speak to - The solution will be a combination of innovative business process change and IT