CALCULATING RETURN ON INVESTMENT IN A DEPARTMENT OF DEFENSE CONTEXT

Pilot Study

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Research Questions

- How does the DOD currently approach the acquisition process?

- How does the private sector approach acquisitions? How is this different from how they sell to the DOD?

- Which established and emerging data analysis methods are showing the most significant efficacy within the private industry that may be applied to the DOD contract procurement process?

Methodology

- Focus on cybersecurity acquisition as a case study.

- Review of industry research & best practices for defining and implementing ROI models.
  - Which industries?

- Interviews with industry professionals and defense representatives.
  - 7 interviews, 10 representatives: DOD, GSA, Independent Agency
  - 13 interviews, 7 representatives: Private Industry (Cybersecurity, SaaS, and IT Managed Services corporate focus)
    - Large enterprise and small businesses represented.

- Interview Data Categorization & Coding

Key Findings

Interview Theme 1: Barriers to Applying ROI Models in DOD Acquisitions

- Issues with comparing industry ROI best practices & DOD ROI best practices.
  - The definition of ROI in a DOD context
- Communication gap between budget makers and end users/departments.
- The technology acquisition process is lengthy & cumbersome.
- Existing acquisition process in the cyber & software sector leaves value on the table.

Interview Theme 2: Data Application in the Acquisition Process Creates Barriers to Effective ROI Calculation

- Data lakes & data silos.
- Identifying the **right** data to make the **right** decisions.
- The role of forecasting gaps and infrastructure modernization.
- Gauging incumbent costs versus innovation – finding the win/win.

Is an ROI model application possible in a DOD context?

YES!

Proposed Phase II: ROI & Application with Single Source of Truth Initiatives

- Greater similarities with private industry – a tangible place to start.

- The data is already collected, it can be applied to an ROI model.

- More realistic budget forecasting.

- Clear identification for modernization clauses in contracts.

- Identify and communicate need, gaps, and opportunities more effectively across DOD, funding regulators, and private industry.

- Reduce time/effort to establish proof in a contested contract.

Proposed Research Approach – Phase II

- Gather ROI best practices from industry and other success metrics from the DOD and apply them to a current infrastructure or acquisition use case identified by the sponsor.

- Utilize techniques developed by Co-Primary Investigator and others from the literature to assign dollar value to some of the "returns."

- We also anticipate using ranked values for non-financial returns (i.e. new missions not currently in the realm of immediate possibility).

Thank you.