

Defense Firms Seek To Engage Tech Hubs

By Andrew Clevenger 2:17 p.m. EDT July 11, 2015



(Photo: Thales)

WASHINGTON — Last week, Thales unveiled xPlor, its technology incubator in Cambridge, Mass., where it is associated with MIT's Media Lab.

Housed in the Cambridge Innovation Center, xPlor, as described by its managing director Pete Roney, is part venture capital firm, part M&A shop, part management consultant and part startup factory.

"Our mission is first to identify potentially disruptive technologies and companies coming in or out of academia or the startup community, and then to partner with those businesses in a way that complements our own capabilities to create new products or business models that serve our market in novel ways," Roney said.

To ensure that xPlor's projects have practical applications that customers will find useful, Thales' strategy is to bring end-users into the process early.

"That's part of our philosophy: to prototype as early as possible, and as quickly as possible, with end-users in the loop," Roney said.

The ultimate goal is to quickly translate innovation into a product, and produce an alternative to the traditional defense acquisition process, which can take years if not decades.

Take DragonFly, a head-worn augmented reality display for surgeons, which xPlor developed with input from doctors with the NeuroTexas Institute in Austin, Texas. Using augmented reality technology developed by Visionix (which was acquired by Thales in 2013) for its Scorpion helmet for helicopter pilots, xPlor used feedback from neurosurgeons to create a stripped down headpiece that allows surgeons to keep critical information in view without taking their eyes off the patient.

"We took that from a concept to a product in about five months. In aerospace defense terms, that doesn't happen," Roney said.

The need to reduce the barriers between technological innovation in the commercial sphere and the Department of Defense has been recognized by top defense and industry officials. In April, Defense Secretary Ash Carter gave a much-remarked-upon speech at Stanford University in which he stressed the importance of DoD actively engaging with Silicon Valley.

Airbus Group recently launched a \$150 million venture fund in Silicon Valley with the goal of developing disruptive and innovative technologies.

Byron Callan, an analyst with Capital Alpha, praised these developments, adding that the Pentagon and heritage defense companies should expand their outreach efforts to other tech hubs in other parts of the country.

Austin boasts expertise in microelectronics, while Columbia, Md., has developed into a hotbed of cybersecurity, he said.

"If there's a defense innovation unit that's being set up in Mountain View this year, there ought to be six others set up around the country to tap into sources of innovative technology and attract other companies to this sector," Callan said during a forum on acquisition reform hosted by the Lexington Institute on June 24.

Steven Grundman, a former Pentagon industrial policy chief and now the principal of Grundman Advisors, said the defense community should embrace a more collaborative approach to innovation "as opposed to just taking money and inventing things."

In the commercial sector, innovation often comes in the form of a new business model, and how you create value by marrying it with developing technology, he said.

Commercial companies looking to develop innovative technology also give themselves the freedom to fail, and to fail quickly, so that if an idea doesn't work, it doesn't end up costing millions of dollars. The defense community would do well to embrace failure in the same way, he said.

"You don't need to have a hearing every time something fails," he said.

Ben FitzGerald, director of the Technology and National Security Program at the Center for a New American Security, called Carter's Stanford speech "pitch perfect," but the Pentagon must take action beyond senior leaders giving speeches.

"Implicitly, he's talking about reaching outside the traditional defense suppliers," FitzGerald said. "I think that Silicon Valley is absolutely the right place to start, because of its visibility and its reputation for innovation."

Like Callan and Grundman, FitzGerald pointed to additional possible tech hubs — Denver for space, Pittsburgh for robotics and autonomy, Boston for robotics, UAVs and biotechnology — that offer potentially productive collaborations with the defense community.

"There are definitely places that DoD must go. Part of what the secretary must do is make the case for going anywhere else" besides Silicon Valley, he said. "What we haven't quite come up with yet is a model whereby we can easily integrate that particularly entrepreneurial spirit into the defense acquisition system."

Part of the problem stems from a false dichotomy that innovation must come from either Silicon Valley or defense contractors, and that any technological advances from Silicon Valley come at the expense of heritage defense contractors.

A better approach, he said, is figuring out how to come up with "an effective model that allows collaboration among all of those players."

In the meantime, Thales hopes that xPlor will build better brand awareness for its parent company by continuing to quickly develop concepts and products that will find commercial and military applications by creating impromptu partnerships with other innovators. Many may well be neighbors at the Cambridge Innovation Center, said Alan Pellegrini, president and CEO of Thales USA.

"The whole spirit of it is to be entrepreneurial in one way or another," Pellegrini said. "You don't start with the business plan. You start with the notion that you have something of value and work with the end user to hone that."

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