



UNITED STATES DEPARTMENT OF COMMERCE
National Technical Information Service
5301 Shawnee Road
Alexandria, VA 22312

MEMORANDUM FOR: Bruce Borzino
Director, NTIS

FROM: Dr. John Regazzi *JJR*
Chairman, NTIS Advisory Board

SUBJECT: Annual Report for FY 2011

Date: November 3, 2011

On behalf of the members of the National Technical Information Service Advisory Board, all concurring, I am pleased to submit this annual report and recommendations for your consideration and for such further action as may be appropriate. The Board wishes me to convey its appreciation for the courtesies and assistance extended to it by you and your staff.

During Fiscal Year 2011, the Board conducted two meetings, concentrating first on the Service's programs and tactical plans and more recently on strategic initiatives. The Board is generally pleased that NTIS has adapted reasonably well to the changing conditions that have buffeted the information industry as a whole and that it continues to evolve. In particular, the Board is pleased that NTIS appears to be successfully developing a "service side" to complement the "product" side that has been its longstanding focus.

The Board understands and appreciates that the advent of the Internet has dramatically changed the way NTIS's traditional customers for technical reports acquire and use information, how much they are willing to pay, and the ease with which other sources can be located. Federal agencies that once had no choice but to provide material to NTIS if they wanted to assure permanent preservation and availability, can easily reach their own constituents. The Board also notes that the underlying economy has changed from a manufacturing base to a service and information base and that this too may be affecting the demand for federal R&D, which is generally performed first and foremost to meet Federal agency program needs.

In assessing the way NTIS has reacted to changes of this nature, the Board is not unmindful of certain examples from the corporate sector that may provide some object lessons for NTIS. Companies such as AOL and Borders are well known examples of businesses that waited too long to embrace new lines of business and new technologies. Netflix, on the other hand, is a superb example of a company that was so anxious to embrace a new line of business (streaming video) that it led its traditional customers for mail-order DVD's to feel abandoned. Thus, there are dangers in moving too slowly as well as too quickly.

Under these circumstances, the development of a healthy service component is endorsed by the Board, which finds it to be consistent with the NTIS mission. A review of the service lines of business suggests that NTIS is adept at developing revenue-producing services. However, the Board is concerned that while the various lines of business which NTIS conducts may make sense when considered individually, NTIS needs to develop a clear statement of how they fit together to form a unified plan. The Board is concerned that in the absence of a unified mission statement that ties products and services together, it could appear that NTIS developed product lines of business to support the statutory Clearinghouse and Repository mission and developed the Federal services lines to support that mission's long-term sustainability.

Similarly, and with particular reference to the Netflix example, the Board urges NTIS to take special care in making decisions with respect to particular lines of business or products within a line of business. The Board is concerned that the too-long continuation of unprofitable activities could drive up prices, which was the reason an earlier Administration proposed to close NTIS.

But we do not wish to be understood as proposing a wholesale or hasty paring of NTIS' offerings. We have two concerns. First, we suggest that NTIS take care not to phase out products that customers have come to rely on where the risk is low and demand continues. This is relevant not just from a dollars-and-cents perspective, but a good customer relations perspective as a number of NTIS' university customers are facing severe budget pressures.

Second, the Board recognizes that decisions with respect to particular lines of business are not always easy and that eliminating a particular line does not necessarily result in the elimination of costs. NTIS, like all federal agencies, cannot easily eliminate labor costs other than through the disruptive and expensive process of a formal reduction-in-force. Thus, the Board appreciates that the elimination of certain products may simply shift costs to other products, services and overhead.

Finally, and before turning to recommendations, the Board wishes to note that while NTIS has shown considerable skill at developing new business lines, there are still some substantial threats to its long-term health. These include the continuing need for new investment capital, an aging workforce, costs associated with maintaining a collection for research purposes but with limited sales potential, shrinking customer awareness of NTIS for scientific and technical information, reduced importance of Federal R&D to the corporate and private sectors, and free availability of this material from other sources.

Based on the foregoing, the Board makes the following recommendations:

A. Strategic Recommendations:

1. NTIS needs to establish a clear mission statement and market focus that reflects a unified vision encompassing all of its products and services
2. NTIS should continue to focus on revenue generation rather than cutting costs as a way to enhance long-term sustainability, although the elimination of unnecessary costs should always be an objective.

3. At the same time, NTIS should establish a comprehensive risk management register focus on the key strategic, operating, and financial risks that NTIS now faces.

B. Tactical Recommendations:

1. NTIS should identify the one or two things it does really well from the categories of (1) information management and dissemination and (2) services, and focus on making these initiatives highly successful.
2. NTIS should establish clear metrics for all of its products and services which inform management around when to invest in or exit from a line of business, product or service.
3. As NTIS plans to develop new lines of business as well as re-engineer its existing lines, it needs also to consider alternative and new business models reflecting the changing value propositions and demands of customers.

The Board looks forward to hearing how NTIS is responding to these recommendations, particularly the ones labeled strategic, at the next meeting, which is scheduled for February 10, 2012.

The following members have approved this report:

John Regazzi, Chairman
Robert Friedenberg
Jose-Marie Griffiths
Judith Russell
Mackenzie Smith