

# **ROI And HPC Research Update:** ***Creating Economic Models*** ***For Financial ROI And Innovation*** ***From HPC Investments***

---

Pilot Study Results, 2013

Earl Joseph, [ejoseph@idc.com](mailto:ejoseph@idc.com)

Steve Conway, [sconway@idc.com](mailto:sconway@idc.com)

Chirag Dekate, [cdekate@idc.com](mailto:cdekate@idc.com)

## **A study that describes how increases in HPC investments can improve economic success and increase scientific innovation**

### **The study includes creating two unique models:**

1. A macroeconomic model which depicts the way HPC investments result in economic advancements in the form of ROI, growth and jobs
2. An "Innovation Index" that provides a means of measuring and comparing innovation levels, based on the level of applying HPC computing resources towards scientific and technical advancement

# Project Overview: Why It Is Key To DOE

- World scientific leadership and innovation leadership are becoming more dependent on the use of HPC/supercomputers every year
- Economic leadership increasingly directly results from a nation's or an industry's or an enterprise's application of supercomputers in innovative and productive ways
- Many countries are putting into place plans to gain leadership in innovation and economic progress by more broadly applying HPC/supercomputing across many different industries and segments (like China, Russia, Europe, Japan and other Asian countries)

# The Financial ROI Models That Were Developed

## The Financial ROI models include:

- 1. ROI based on revenues/GDP generated divided by HPC investment**
- 2. ROI based on profits generated divided by HPC investment**
- 3. ROI based on jobs created (and the HPC investment required per job created)**

The ROI models were tested for variances by:

- Industry sector
- Country
- Organization size

# The Innovation Models That Were Developed

**The Innovation models are of two main types:**

- 1. Basic Research / Major Innovations**
- 2. Applied Research / Incremental Innovations**

These are compared by:

- Innovations in government & academia
- Innovations in industry

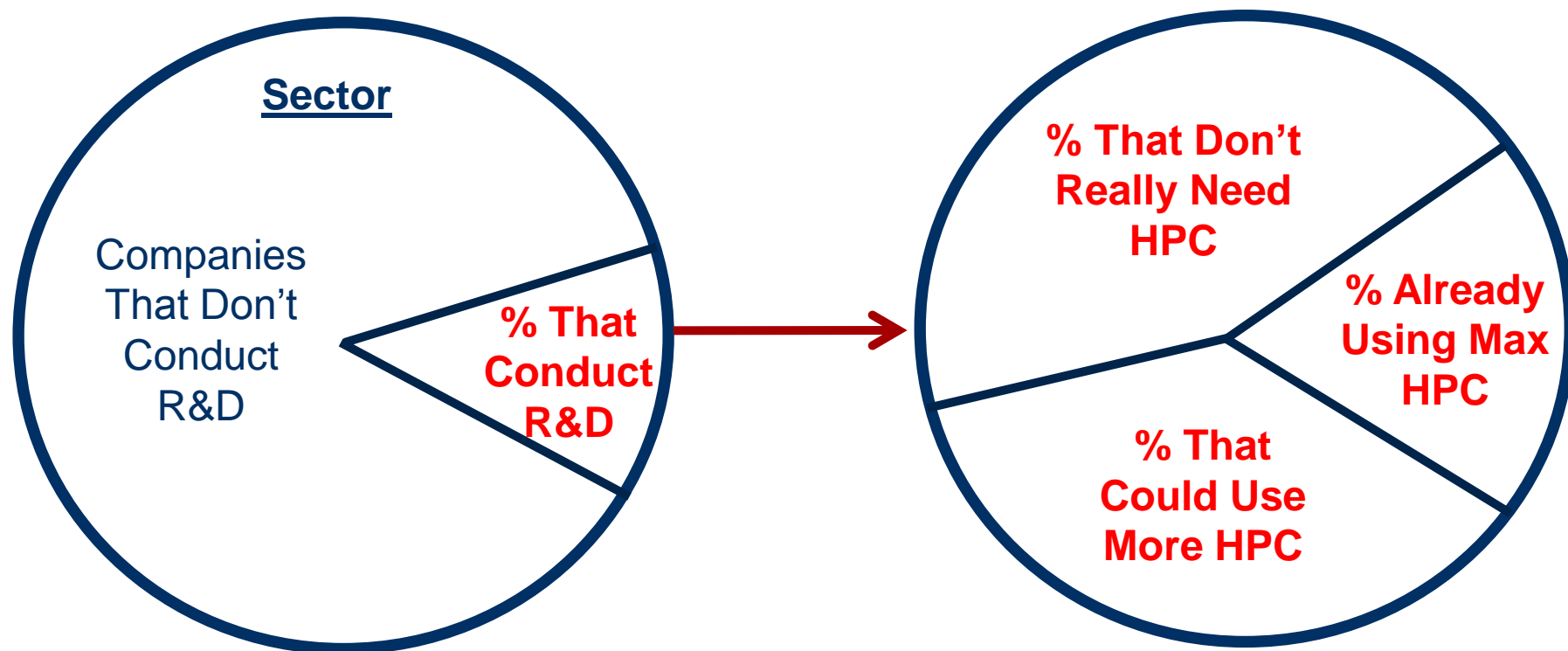
The Innovation models can be sorted for variances by:

- Industry sector
- Country
- Organization size
- Government, Industry and Academia

- 10 = One of the top 2 to 3 innovations in the last decade**
- 9 = One of the top 5 innovations in the last decade**
- 8 = One of the top 10 innovations in the last decade**
- 7 = One of the top 25 innovations in the last decade**
- 6 = One of the top 50 innovations in the last decade**
- 5 = It had a major impact and is useful to many organizations**
- 4 = A minor innovation that is useful to many organizations**
- 3 = A minor innovation or only useful to 2 -3 organizations**
- 2 = A minor innovation or only useful to 1 organization**
- 1 = An innovation that is recognized ONLY by experts in the field**

# Research Overview – Parameters Being Collected to Tie to Broader Economic Reports

For each sector we need 4 basic ratios



Note: IDC has conducted over 30,000 light phone calls for this data, it will likely require 5x to 10x more surveys



# Pilot Study Results



# Research Schedule: 9/1/12 to August 2013

- ✓ 1. **October 2012 – finalize the plan, surveys and overall research approach**
- ✓ 2. **November 2012 – conduct a limited number of surveys to both see what can be collected and start testing the two models**
- ✓ 3. **December 2012 – refine the survey guide and models as needed**
  - Refine as needed
- ✓ 4. **January – March 2013 – start the broad data collection/surveys – and review the initial results**
  - We noticed that we need a larger data set
- ✓ 5. **April/May 2013 – populate the two models with more data**
  - Refine as needed
- ✓ 6. **July 2013 – collect a few more data points, and start disseminating the results**
- ✓ 7. **August 2013 – finalize the report and continue disseminating the results**

## Sample demographics:

- **A total of 208 case study examples of ROI and innovations were collected as part of the study:**
  - 67 financial ROI examples
  - 141 innovation examples
- In addition, a large number of micro-surveys were conducted to learn key ratios in order to eventually apply the results to large economic data sets.
  - Over 30,000 scientists and engineers were attempted to be surveyed, with over 1,500 completing the micro-survey.

# **Pilot Study Results: Financial ROI**

# Key Findings: Primary Financial ROI Results

1. **IDC is able to collect the required data across a broad set of organizations with enough detail to create the two economic models and the innovation index**
2. **Early results indicate very substantial returns for investments in HPC:**
  - **\$356 dollars on average in revenue** per dollar of HPC invested.
  - **\$38 dollars on average of profits** (or cost savings) per dollar of HPC invested.

# Key Findings: The Financial ROI Model – By Sector

3	Organization Size: People	(All)	▼				
4	Organization Size in \$M	(All)	▼				
5	Organization Size (S,M,L)	(All)	▼				
6	Industry	(All)	▼				
7	Innovation Level	(All)	▼				
8	Country	(All)	▼				
9	Years Before 1st Return	(All)	▼				
10	Applied	(All)	▼				
11	Basic	(All)	▼				
12	Accomplishment Type	Financial R	▼				
13	Total R&D	(All)	▼				
14	Employee Growth	(All)	▼				
15	Organization Type	(All)	▼				
16	Total HPC Investment	(All)	▼				
17							
				Sum of	Years	Average of	Average of
				Employee	Before 1st	Revenue \$	Profit \$ per
19	Sector	▼	Count	Growth	Return	per HPC \$	HPC \$
20	Academic		12	2	1.8	37.4	70.8
21	Government		4	10	1.4	9.2	3.9
22	Industry		51	1,157	1.9	462.4	36.4
23	Grand Total		67	1,169	1.9	356.5	38.7

# Key Findings: The Financial ROI Model – By Country

3	Organization Size: People	(All)	▼				
4	Organization Size in \$M	(All)	▼				
5	Organization Size (S,M,L)	(All)	▼				
6	Industry	(All)	▼				
7	Innovation Level	(All)	▼				
8	Years Before 1st Return	(All)	▼				
9	Applied	(All)	▼				
10	Basic	(All)	▼				
11	Sector	(All)	▼				
12	Accomplishment Type	Financial	▼	ROI			
13	Total R&D	(All)	▼				
14	Employee Growth	(All)	▼				
15	Organization Type	(All)	▼				
16	Total HPC Investment	(All)	▼				
17							
18							
19	Country	▼	Count	Sum of Employee Growth	Average Years Before 1st Return	Average of Revenue \$ per HPC \$	Average of Profit \$ per HPC \$
20	China		3	30	1.3	8.7	5.4
21	France		4		5.1	621.7	125.0
22	UK		31	896	1.6	366.5	26.7
23	US		27	243	1.8	373.3	49.8
24	Italy		2		1.0	10.0	7.5
25	Grand Total		67	1,169	1.9	356.5	38.7

# Key Findings: Additional Financial ROI Results

- 3. The average number of years before returns started was 1.9 years.**
  
- 4. The overall average HPC investment cost for jobs created was \$93,000.**
  - 42 sites reported job creation. On average 29.8 jobs were created from HPC investments at these sites.
  - A total of 1,251 jobs were created from the 42 financial ROI examples



# Pilot Study Results: Innovation

# Key Findings: The Innovation Areas For The 141 Innovation Data Examples

Industry	(All) ▼		
Years Before 1st Return	(All) ▼		
Applied	(All) ▼		
Basic	(All) ▼		
Accomplishment Type	Innovation ▼		
Country	(All) ▼		
Total R&D	(All) ▼		
Organization Type	(All) ▼		

Primary Innovation / ROI Area ▼	Count	Sum of Total HPC Investment	Average Years Before 1st Return	Average of HPC \$M per Innovation
Better Products	54	\$114 M	1.9	\$4.2 M
Created New Approach	40	\$15 M	1.2	\$0.4 M
Discovered Something New	20	\$46 M	1.8	\$2.7 M
Helped Society	11	\$66 M	1.0	\$6.0 M
Cost Saving	6	\$180 M	1.3	\$2.1 M
Major Breakthrough	5	\$3 M	3.2	\$1.1 M
Helped Research Program	5	\$71 M	1.5	\$14.3 M
<b>Grand Total</b>	<b>141</b>	<b>\$497 M</b>	<b>1.6</b>	<b>\$3.1 M</b>

## 5. The average HPC investment per innovation was **\$3.1 million.**

- Overall \$497 million in HPC investments were made to generate the 141 innovations in the pilot study.
- With many at under \$1 million per innovation.

# Key Findings: The New Innovation Index Scores

## **The average innovation rating = 5.0**

- 4.4 for the 67 basic research/major innovations
- 5.5 for the 74 applied research/incremental innovations

**10 = One of the top 2 to 3 innovations in the last decade**

**9 = One of the top 5 innovations in the last decade**

**8 = One of the top 10 innovations in the last decade**

**7 = One of the top 25 innovations in the last decade**

**6 = One of the top 50 innovations in the last decade**

**5 = It had a major impact and is useful to many organizations**

**4 = A minor innovation that is useful to many organizations**

**3 = A minor innovation or only useful to 2 -3 organizations**

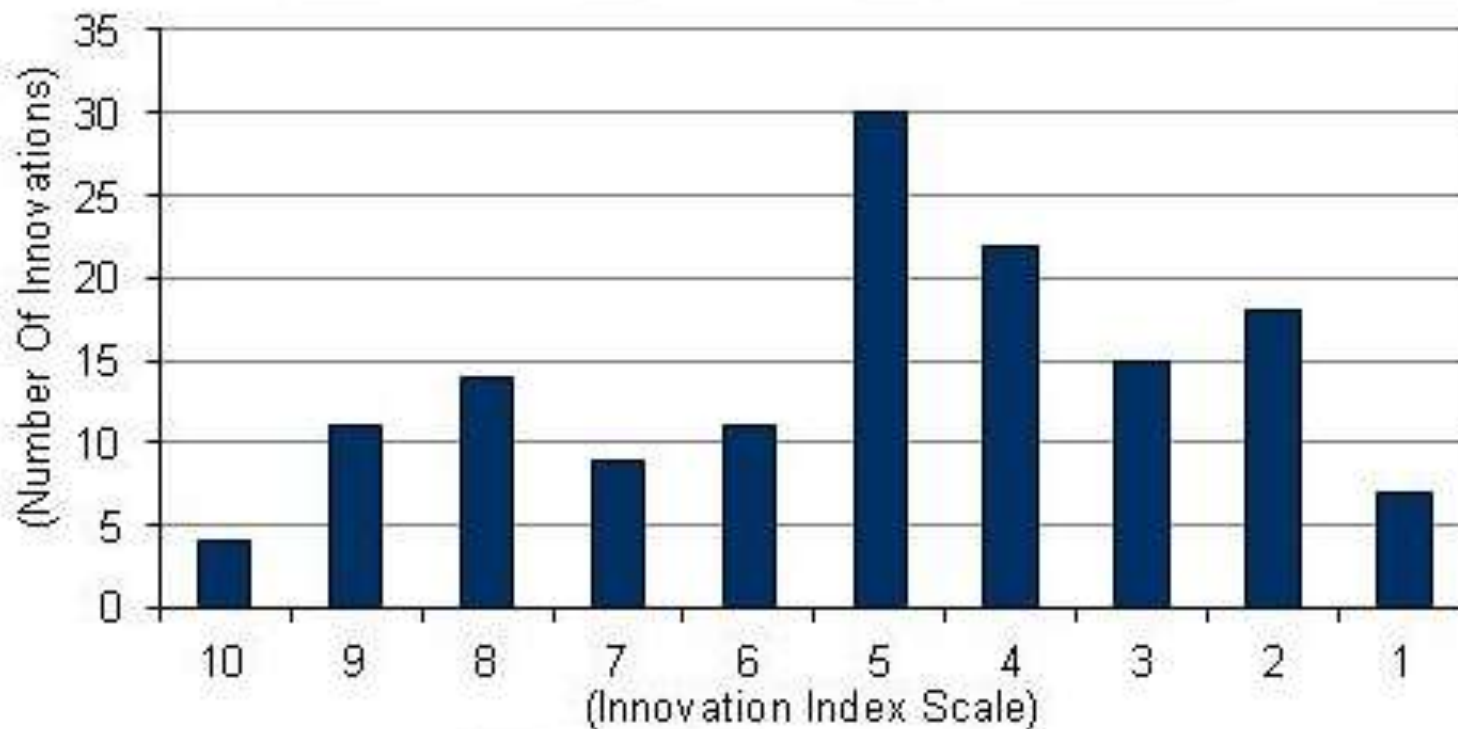
**2 = A minor innovation or only useful to 1 organization**

**1 = An innovation that is recognized ONLY by experts in the field**

# Key Findings: The New Innovation Index Scores – For All 141 Innovations

**FIGURE 12**

HPC Innovation Index Scale Results: All Respondents



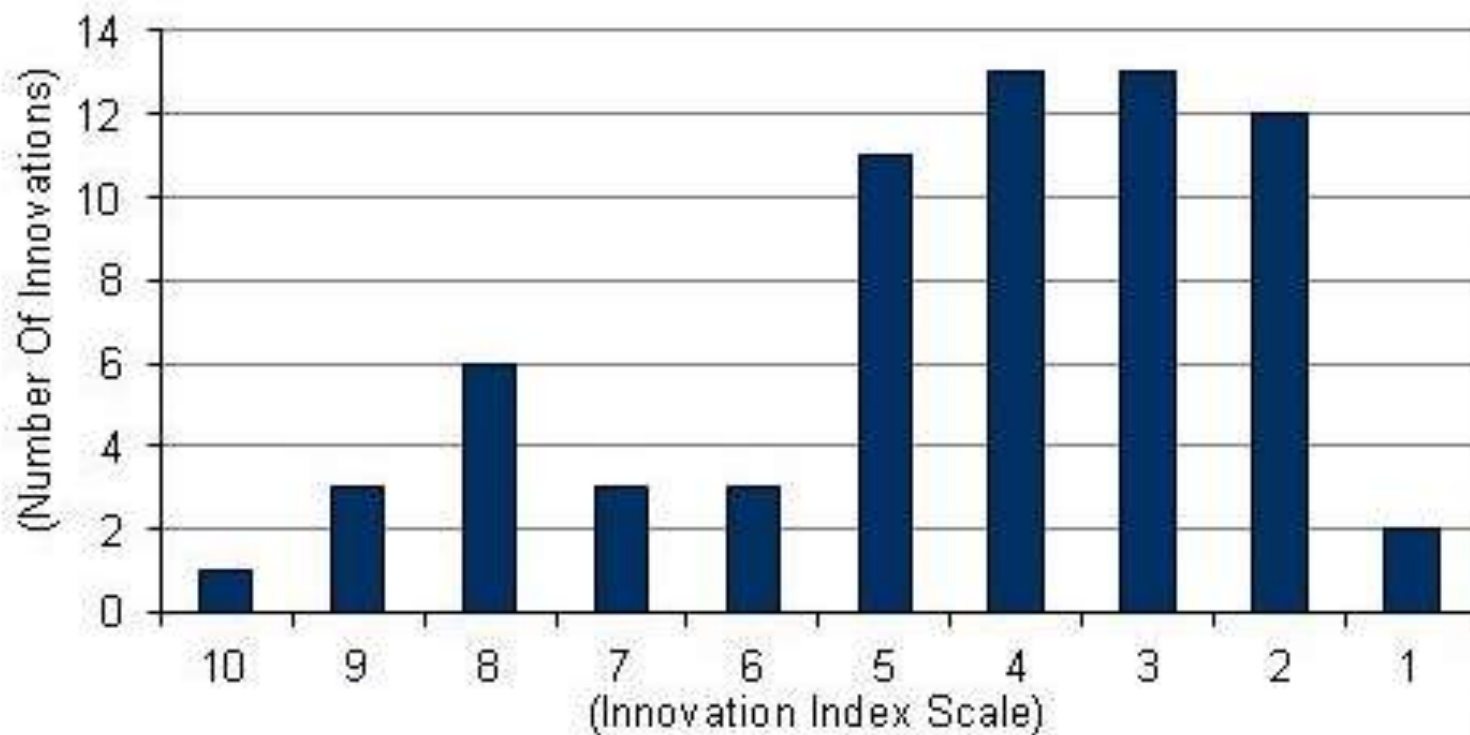
N = 141

Source: IDC 2013

# Key Findings: The New Innovation Index Scores – The 67 Basic Research Innovations

**FIGURE 13**

## HPC Innovation Index Scale Results: Basic Innovations



N = 67

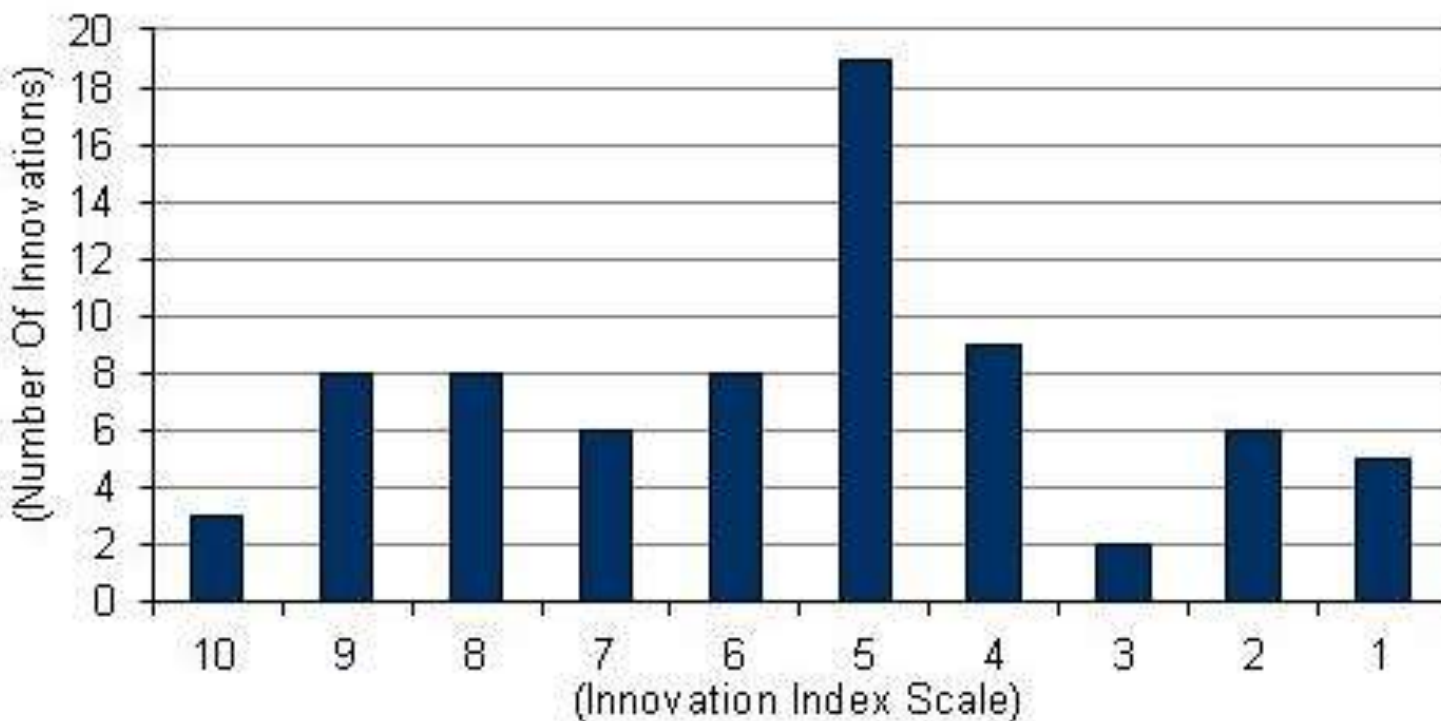
Source: IDC 2013



# Key Findings: The New Innovation Index Scores – The 74 Applied Research Innovations

**FIGURE 14**

HPC Innovation Index Scale Results: Applied Innovations



N = 74

Source: IDC 2013



## **6. Academic and industrial sites represented the bulk of the innovations in the sample.**

- Most of the basic research innovations were in academia, while most of the applied research innovations were in industry.

## **7. Government innovations were higher on the innovation index scale (averaging 7.0).**

- While innovations in industry ranked lower at 5.7.
- Academic innovations averaged 3.9.



## 8. The total amount of HPC investments made in the sample was \$496.7 million.

- Government sites tend to invest more per innovation – at \$4.4 million in HPC on average.
- Academic sites invested less – averaging \$2.5 million in HPC per innovation.
- Industrial sites invested on average \$3.8 million in HPC per innovation.

**Note that an additional outcome of this research is an expansive list of HPC success stories.**

- These can be used to help explain the importance of HPC to funding bodies, key decision makers and the broader public.

**Note: there were two sites with considerably higher returns that were removed from the dataset as outliers:**

**1. \$10,057 revenue dollars per dollar of HPC invested at a finance company**

- If included, this raises the overall revenue ROI from \$365.5 to \$536.2

**2. \$1,350 in profit dollars per HPC dollar invested at an oil & gas company**

- If included, this raises the overall profit ROI from \$38.7 to \$65.5

# Future ROI Research Plans (Proposed)

**Phase I (Year 1)** – The goal is to create the actual ROI models with a full data set at least 2x in Phase I, growing to at least 8x in size by Phase III. This is needed to create predictive models a fuller understanding of the relationships, to provide enough data/analysis to start making predictive results, and to refine the models as needed.

- The goal is to have enough data to start making statistically sound correlations between industries, between countries and between different sizes of organizations.

**Phase II (Year 2)** – Expand the data set by at least 2x more, and including more countries and industries. Motivate a larger set of nations to contribute deeper data samples.

- The goal is to have enough data to make strong statistically sound correlations between industries, between countries and between different sizes of organizations – and cross-correlations like industries by country, and organization size by country.

**Phase III (Year 3)** – Expand the data set again by at least 2x more, and focus on hardening the predictive nature of the models by conducting additional research to "test" correlations. At this phase it the tie to large general economic data sets should be robust enough to be able to hand-off to other government organizations.

- The goal is to conduct enough research to show both strong statistical correlation – and causation between investments in HPC and the resulting ROI and innovation.
- In this phase the scenario testing should improve to be very robust and directly useful for making national policy decisions.

# Questions?

Please email:  
[hpc@idc.com](mailto:hpc@idc.com)

Or check out:  
[www.hpcuserforum.com](http://www.hpcuserforum.com)







- Next Meeting:
- Register
- Information
- Download Presentations
- About The Forum
- Prior Meetings
- IDC Research
- Contact us
- SC12 Conference
- International Supercomputing Conference



## HPC@IDC

With sadness and fond memories, we note the passing of our friend and fellow HPC User Forum Steering Committee member **Allan Snavely**. Allan was one of the leading lights of the worldwide HPC community and a person who contributed substantially to advancement of HPC technology and practices during his all-too-brief career. We will miss him.

### FUTURE MEETINGS

- 2012 US Meetings:**
- September 17-19, 2012 Dearborn, Michigan Dearborn Inn
- 2012 International Meetings**
- July 5-6, 2012 London, England Imperial College
  - July 9-10, 2012 Stuttgart, Germany HLRS, University of Stuttgart

2012 HPC INTERNATIONAL MEETINGS	2012 HPC US MEETINGS
<p>July 5-6, 2012 London, England Imperial College</p> <p>July 9-10, 2012 Stuttgart, Germany HLRS, University of Stuttgart</p>	<p>Sept 17-19, 2012 Dearborn, Michigan Dearborn Inn</p> <p><a href="#">REGISTER NOW</a></p> <p><a href="#">REGISTRATION INFORMATION</a></p> <p><a href="#">AGENDA</a></p>

### STEERING COMMITTEE

**Steve Finn**  
Cherokee Information Services  
Chairman

**Rupak Biswas**  
NASA Ames  
Vice Chairman

**Earl Joseph**  
IDC, Executive Director

**Vijay Agarwala**  
Penn State University

**Alex Akkerman**  
Ford Motor Company

**Doug Ball**  
The Boeing

**Merle Giles**  
NCSA/University of Illinois

**Chris Catherasoo**  
California Institute of Technology

**James Kasdorf**  
Pittsburgh Supercomputing Center

**Doug Kothe**  
Oak Ridge National Laboratory

**Paul Muzio**  
City University of New York

**Michael Resch**  
HLRS, University of Stuttgart

### New Research Studies

#### **Special Study: Power & Cooling Practices and Planning at HPC Data Centers**

IDC and DICE, the HPC Research Division of Avetec release a groundbreaking study on HPC data center power and cooling challenges, practices, trends and technology.

Special Study:  
Power & Cooling Practices  
and Planning at HPC  
Data Centers



To access the study, click on image to reach DICE website and select Reports & Publications.

#### **HPC Buyer Case Study: TACC**

Council on Competitiveness, IDC Release Study on HPC and Innovation

