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DEFENSE BUSINESS BOARD

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Feb 17, 2022

Department of Defense
OFFICE OF PREPUBLICATION AND SECURITY REVIEW



Defense Business Board Meeting

22 February 2022

Meeting Agenda

PUBLIC MEETING

- 11:00 – 11:05 AM Opening Remarks – Ms. Jennifer Hill, Executive Director and Designated Federal Officer (DFO)
- 11:05 – 11:10 AM Chair’s Welcome - HON Deborah James
- 11:10 – 12:00 PM (U) DBB Assessment of DoD Mentor Protégé Program (MPP) - Mr. Joe Anderson, Ms. Sally Donnelly, and Ms. Erin Hill
- 12:00 – 12:30 PM (U) Full Board Discussion, Deliberation, and Vote on MPP Study
- 12:30 – 12:45 PM (U) Public Comments (if time permits)
- 12:45 – 12:50 PM Chair’s Closing Remarks - HON Deborah James
- 12:50 – 1:00 PM Closing Remarks / Adjourn Meeting – Ms. Jennifer Hill



DEFENSE BUSINESS BOARD



Opening Remarks

Ms. Jennifer Hill

Designated Federal Officer

DEFENSE BUSINESS BOARD



Chair's Welcome

Hon. Deborah James
Chair, Defense Business Board

DEFENSE BUSINESS BOARD



Assessment of the Department of Defense Mentor Protégé Program

February 22, 2022

Task

- ★ December 20, 2019 - FY2020 NDAA required the SecDef to direct the DBB to submit a report evaluating the effectiveness of the Department of Defense (DoD) Mentor-Protégé Program (MPP) (“The MPP”) to the Congressional Defense Committees, no later than Mar 31, 2022
- ★ November 5, 2021 - Deputy Secretary of Defense (DepSecDef) directed the newly approved and reconstituted DBB Business Operations Advisory Subcommittee to submit that independent report evaluating the effectiveness of the DoD MPP, not later than Feb 28, 2022
- ★ This report shall include:
 1. Recommendations for improving the program in terms of performance metrics, forms of assistance, and overall program effectiveness
 2. Any other related matters the DBB determines relevant to this task



Subcommittee

DBB Members

Joseph B. Anderson, Jr. (Study Chair)

Sally Donnelly

Erin Hill

DBB Staff

CAPT Jeff Plaisance, US Navy

Melodie Ha



Process and Methodology

- 12 weeks of study and analysis:
 - **Interviews:** Conducted interviews with 27 DoD and other federal agency small business leaders, private industry principals, mentor and protégé company leaders and Congressional staffers
 - **Questionnaires:** Prepared and analyzed responses to questionnaires sent to eight DoD Components with an MPP
 - **Surveys:** Surveyed 24 mentors and 59 protégés and reviewed responses from 22 mentors and 35 protégés
 - **Prior Studies:** Reviewed 28 past MPP-related studies and reports



Strategic Imperative

- Small businesses* are integral to the US economy
 - Creating two-thirds of new jobs, delivering approximately 44% of the US GDP, and producing 16 times more new patents per employee than large firms
- Unfortunately, the number of small business suppliers to the DoD has declined by over 40% in the past 10 years
- COVID-19 pandemic has had a disproportionately negative impact on small businesses
- In an increasingly competitive world, DoD should maintain its focus on programs that empower small businesses to serve as key contributors to the diversity and vitality of the U.S. Defense Industrial Base (DIB) and its supply chains

*Small businesses, as defined by the Small Business Administration, are defined by size standards. Size standards define the largest size a business can be to participate in government contracting programs and compete for contracts reserved or set aside for small businesses. Size standards vary by industry and are generally based on the number of employees or the amount of annual receipts the business has.

“Small businesses are the engines of our economic progress; they’re the glue and the heart and soul of our communities. But they’re getting crushed. Since the beginning of this pandemic, 400,000 small businesses have closed — 400,000 — and millions more are hanging by a thread.”

~ President Joseph R. Biden

REMARKS ON HELPING SMALL BUSINESSES

FEBRUARY 22, 2021

“I realize that doing business with the DoD is not always easy. Because of our unique security requirements and procurement practices, we can be a challenging customer, but we are committed to examining the administrative barriers that small businesses face in working with us. And we will take meaningful action to remove barriers where we can.”

~ Deputy Secretary of Defense Kathleen Hicks

SPEECH AT THE 30TH ANNUAL PENNSYLVANIA SHOWCASE ON COMMERCE

SEPTEMBER 1, 2021



Mentor-Protégé Programs

- MPPs are government programs that seek to pair small businesses with more experienced businesses in mutually beneficial relationships
 - Their ultimate goal is to increase the number of small businesses contracting with and supplying governmental agencies
 - Protégés may receive financial, technical, or management assistance from mentors in obtaining and performing federal contracts or subcontracts, or serving as suppliers under such
 - Mentors may receive reimbursement of certain expenses, credit toward subcontracting goals or other incentives
- Seven federal agencies currently have MPPs:
 - Departments of Energy, Homeland Security, and Transportation; National Aeronautics and Space Administration; and the Small Business Administration (SBA) (*MPPs approved by the SBA*)
 - DoD and the Federal Aviation Administration (*MPPs that do not require SBA's approval, because they are not covered by Small Business Act*)



DoD's MPP

- DoD's MPP is agency-specific and its primary focus is on small businesses performing subcontracts or other services for the DoD
 - DoD's MPP began on October 1, 1991 as the first federal MPP
 - Originally scheduled to expire in 1994, repeatedly **extended as a pilot**
 - DoD MPP is managed by the Office of Small Business Programs (OSBP), *but other DoD small business programs are managed outside OSBP*
 - DoD MPP is the only MPP with appropriated funding to reimburse mentors (\$30M in FY2022; Increasing to \$45M in FY2026)
 - Current Component MPPs: Air Force, Army, Navy, MDA, DCMA, NGA, and DTRA, *but 40 other DoD Components do not participate at this time*
 - Over 1,200 protégés have participated in the MPP since inception; Over 50% of protégés continue to contract with DoD



Key Conclusions

- **Positive Impact:** Over three decades, the MPP has made a **positive impact** on the small businesses that participated as protégés
- **Challenges:** While MPP has been positive, challenges have constrained it from achieving its maximum potential impact
- **Recommendations:** We recommend that DoD and Congress consider the recommendations in the report that would enable MPP to achieve its maximum potential



Positive Impact of MPP

- Over three decades, the MPP has made a **positive impact** on the small businesses that participated as protégés in the program based on the following measures of success:
 - **Employment:** Increases in employment at the protégé
 - **Revenue:** Increases in revenue at the protégé
 - **Certifications:** Increases in certification and qualifications by the protégé
 - **Contract Awards:** Increase in contracts awarded to protégés
 - **Number of Protégés:** Increases in the number of protégés within the DIB
 - **Innovation:** Innovative technologies added by protégés
- Stakeholders interviewed, including 35 protégés and 22 mentors, and other feedback obtained through surveys and questionnaires, provided **consistently positive** feedback



Positive Impact of MPP: Employment & Revenue Growth at Protégé

Fiscal Year	Total Firms	Active Number of Firms Gaining Employees	Employee Gains	Number of Firms Losing Employees	Employee Losses	Number of Firms, No Change	Net Employee Gains	Average Net Employee Gains
2012	62	19	1075	43	415	0	660	10.6
2013	65	40	1141	21	398	4	743	11.4
2014	60	35	1046	18	238	7	808	13.5
2015	71	46	1390	20	460	5	930	13.1
2016	59	38	1637	19	302	2	1335	22.6
2017	73	43	1113	31	373	3	740	10.1
2018	59	37	1636	22	563	0	1073	18.2
2019	62	50	1667	10	355	2	1300	21.0
2020	61	47	1696	9	175	5	1521	24.9
2021	47	38	1114	8	24	1	1090	23.2

Protégé surveys for FY2012-2021 reflect **net gains in employment** of between 660 to 1521 employees

Fiscal Year	Total Firms	Number of Firms Gaining	Annual Revenue Gains	Number of Firms Losing	Annual Revenue Losses	Number of Firms, No Change	Annual Net Revenue Gains	Average Net Revenue Gains
2012	62	47	\$728,180,552	14	\$28,547,409	1	\$699,653,143	\$11,284,728
2013	65	45	\$293,786,861	20	\$55,661,663	0	\$238,125,178	\$3,663,464
2014	60	42	\$421,410,749	15	\$25,540,394	3	\$395,970,355	\$6,599,506
2015	71	46	\$578,302,570	20	\$36,679,682	5	\$541,622,888	\$7,628,491
2016	59	38	\$527,455,030	19	\$27,887,214	2	\$499,567,816	\$8,467,251
2017	73	48	\$309,227,043	25	\$96,096,909	0	\$213,130,134	\$2,919,591
2018	59	43	\$224,673,760	15	\$66,632,457	1	\$158,041,303	\$2,678,666
2019	62	52	\$381,291,022	8	\$28,479,874	2	\$352,781,148	\$5,690,019
2020	61	50	\$554,905,316	11	\$18,563,338	0	\$536,341,978	\$8,792,491
2021	47	41	\$473,045,593	6	\$13,936,035	0	\$459,109,558	\$9,768,288

Protégé surveys for FY2012-2021 reflect **net increases in revenue** of between \$158M to \$699M



Positive Impact of MPP: Certifications & Contract Award to Protégé

- **Certifications:** 75% of the 31 protégés surveyed confirmed that the MPP enabled them to obtain multiple, critical certifications
 - Common certifications that directly improved protégés’ business infrastructure were: International Organization for Standardization (ISO), National Institute of Standards and Technology (NIST), Aerospace Standard (AS), Project Management Professional (PMP), Cyber certifications, and approved accounting systems
- **Contract Awards:** Protégé surveys for FY2012-2021 reflect total contract award dollars of between \$521M to \$1.3B

Fiscal Year	Number of Protégé Firms	Prime Contract Award Dollars	Subcontract Award Dollars by Mentor	Other Subcontract Award Dollars	Total Contract Dollars	Average Contract Dollars
2012	62	\$843,312,517	\$191,893,904	\$235,328,569	\$1,270,534,990	\$20,492,500
2013	65	\$531,068,704	\$93,539,160	\$231,225,333	\$855,833,197	\$13,166,665
2014	60	\$584,392,820	\$120,274,776	\$300,564,500	\$1,005,232,096	\$16,753,868
2015	71	\$467,856,839	\$144,555,553	\$221,452,406	\$833,864,798	\$11,744,575
2016	59	\$427,724,118	\$55,894,671	\$190,799,430	\$674,418,219	\$11,430,817
2017	77	\$238,464,870	\$120,138,524	\$162,475,605	\$521,078,998	\$6,767,260
2018	59	\$325,330,310	\$401,016,172	\$263,826,101	\$990,172,583	\$16,782,586
2019	62	\$264,551,009	\$286,292,592	\$220,986,532	\$771,830,133	\$12,448,873
2020	61	\$436,045,804	\$259,203,929	\$212,129,056	\$907,378,789	\$14,875,062
2021	47	\$394,540,719	\$85,318,052	\$157,937,604	\$637,796,375	\$13,570,136



Positive Impact of MPP: Number of Protégés & Innovation

- **Number of Protégés:** Approximately 1,200 protégés have participated in the MPP since inception
- **Continued Contracts with DoD:** Over 50% of current and former protégés still contract with DoD
- **Contract Values:** Current and Former Protégés: **\$4.16 billion** in FY2021 (~5% of DoD's small business contracts)

Innovation:

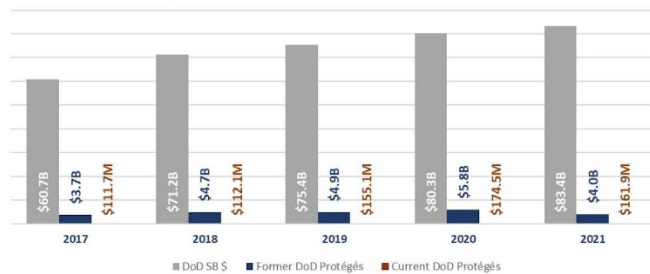
- MPP made significant contributions to defense programs and grew the small business DIB
- Protégé firms have contributed to major DoD Programs of Record (see below)



Mentor Protégé Program



MPP Contribution to DOD



DoD and MPP Contribution	2017	2018	2019	2020	2021
Total DoD \$	\$264.1B	\$298.4B	\$312.2B	\$328.0B	\$332.0B
DoD SB \$	\$60.7B	\$71.2B	\$75.4B	\$80.3B	\$83.4B
Former DoD Protégés	\$3.7B	\$4.7B	\$4.9B	\$5.8B	\$4.0B
Current DoD Protégés	\$111.7M	\$112.1M	\$155.1M	\$174.5M	\$161.9M

MPP Protégé Impact on Major Defense Programs (Technology Transfer)

- Standard Missile 3 (SM-3)
- F-35 Lighting II
- KC-130J Hercules
- AN/FPS-132 Upgraded Early Warning Radar (UEWR)
- P-8A Poseidon

Data Source: FY2017 – FY2020 Total / SB based on official small business reports, FY2021, Former and Current Protégés based on SAM.gov as of 1/7/2022 using unique DUNS number

MPP Challenges and Recommendations

The MPP's stability, growth, and maturity have been inhibited by a number of factors. The challenges are summarized below, along with recommendations to address such challenges.

Challenges	Recommendations
1. Limited number of suppliers serving as mentors	1. Increase the participation of mentors and protégés through incentives
2. Absence of clearly defined success metrics and inadequate data capture and analysis tool	2. Enhance MPP metrics and data capture tools
3. Fragmented DoD small business leadership	3. Consolidate oversight of the MPP within the DoD
4. Short duration of an MPA limits ability of protégé to graduate successfully	4. Extend duration of a qualified MPA
5. Lack of MPP marketing and communications strategy	5. Implement a robust MPP marketing and communications strategy
6. Lack of permanency of the MPP	6. Remove pilot status of the MPP



Challenge/Recommendation #1:

MPP Participation

- **Challenge: Decline in Small Business Suppliers: The decline in the number of small businesses serving the DoD requires action**
 - Small business protégés benefit from the experience and guidance of mentors
 - Not enough mentors participate in the MPP (only 0.2% of the 15,000 suppliers serve as Mentors in the MPP)
 - Lack of participation suggests that the reimbursement of direct costs does not provide sufficient incentive for MPP participation
- **Recommendation: Consider Incentive Structures to Augment Current Forms of Assistance**
 - Joint Ventures as in the SBA MPP
 - Request for Proposal (RFP) Award Points
 - Diversity of Small Businesses
 - Incremental RFP award points and/or incremental MPP funding for suppliers who choose to mentor diverse small businesses
 - Preferential Contracting Status for Graduated Protégés



Challenge/Recommendation #2:

Enhanced Metrics and Data Capture Tools

- **Challenge:** Difficult to assess the maximum potential of the MPP due to the immaturity of the systems in place to capture and assess MPP performance and potential
 - MPP is largely administered through paper-based forms and emails. Dashboards and trending to identify areas of opportunity and concern are not available

- **Recommendation:**
 - **Data Capture Tools:** Recommend DoD assess its current system capabilities and implement the best tool to meet the needs of the MPP as quickly as possible
 - **Metrics/Dashboards:** DoD should consider collecting additional data elements to better measure the effectiveness of the program
 - Suggest the following: Demand Measurement, MPA Performance, Sector Tracking, Protégé Resources, Success of Protégés, MPP Public Awareness, Small Business Program Alignment



Challenge/Recommendation #3:

Oversight of Small Businesses

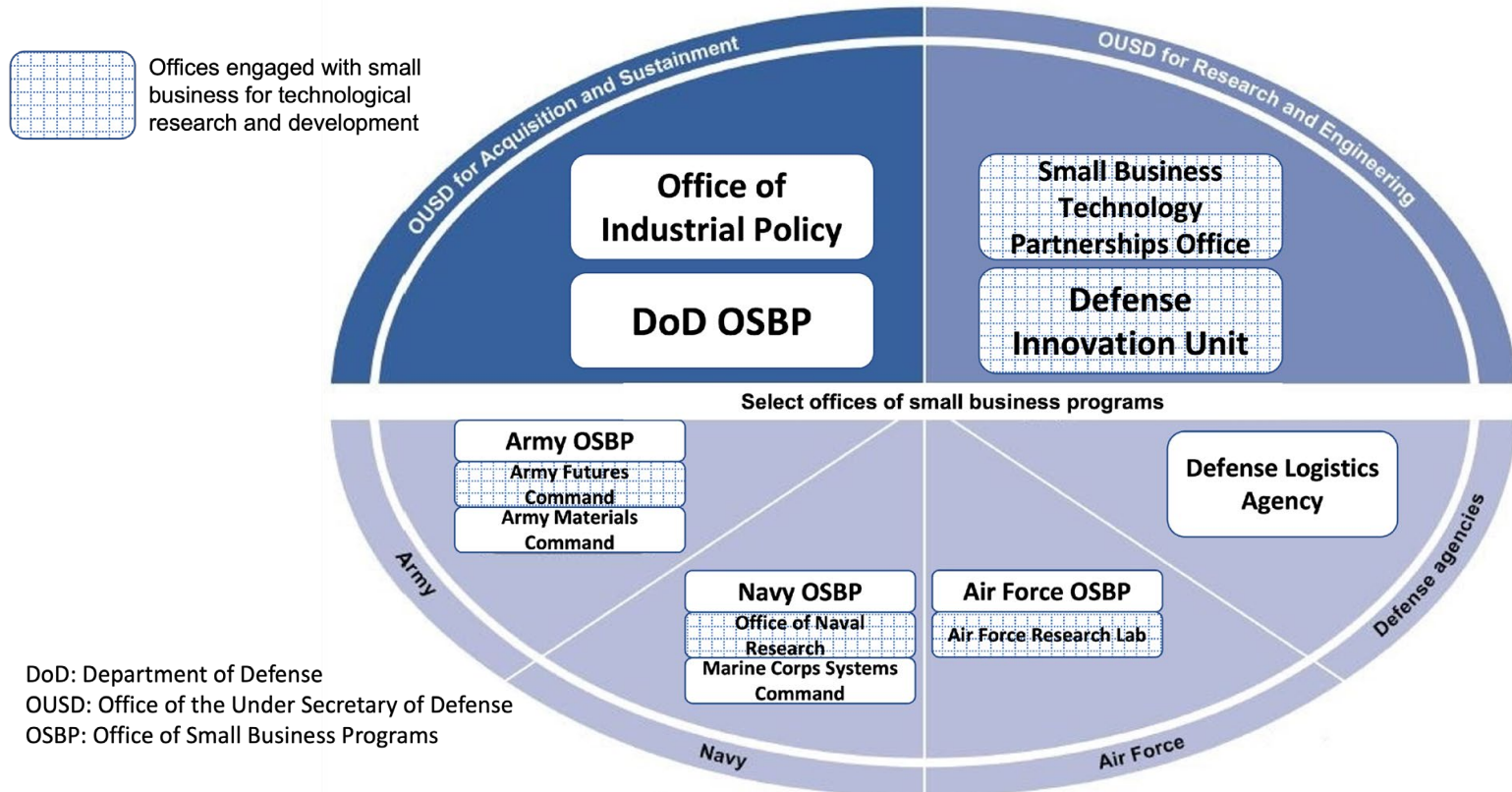
- **Challenge:** No single person or Department within DoD is charged with addressing the decrease in the number of small businesses suppliers
 - DoD small business programs are disparate and spread throughout the department. DoD's Small Business Strategy (Oct 2019) stresses the importance of a *unified management structure*
 - Funding and Resourcing of the MPP has been inconsistent leading to a lack of continuity, leadership and strategic direction
- **Recommendation:** Consider designating a specific office, with sufficient resourcing and appropriate leadership, to oversee all DoD small business programs
 - Simplifies access point for all small businesses and improves accountability
 - Increases collaboration, awareness of small businesses in each respective program, shared knowledge, and alignment of specific small businesses with the appropriate program
 - Enables implementation of remaining GAO Report Recommendations
 - Facilitates strategic investment in appropriate tools to measure small business program (including MPP) effectiveness



Challenge/Recommendation #3:

Visual Supporting Fragmented Small Business Leadership

- **Challenge:** Fragmented DoD Small Business Leadership
 - Visual Representation of the disparate Small Business Program Leadership throughout DoD
 - No single point of contact for all small business programs within DoD. In fact, DoD small business programs are disparate and spread throughout the department as a result of USD(AT&L) division



Challenge/Recommendation #3:

Data Supporting MPP Resourcing/Funding Issues

- **Challenge: Reductions in Staffing and Funding**
 - OSBP staffing levels have reduced by ~75% since FY2014
 - OSBP has experienced leadership gaps and reductions in funding
 - MPP’s programmatic funding has experienced significant instability
 - Per DCMA, MPP funding was not reauthorized in FY2019, preventing the awarding of any new MPP agreements in that fiscal year
 - DOD announced in its FY2021 congressional budget justification document that it intended to zero out the MPP as a result of the Defense-Wide Review
 - P.L. 116-260, Consolidated Appropriations Act, 2021 prevented DoD from zeroing out the MPP funding
 - FY2021 MPP funding was reflected in the President's Budget Request

OSBP Staff	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Appointed SES Director	1	0	0	0	0	0	1	1
Career SES Deputy Director	2	2	2	2	0	0	0	0
Government Staff	13	10	6	7	4	3	3	5
Contractor Staff	66	52	56	54	38	21	26	10
Total	82	64	64	63	42	24	30	16
OSBP Budget								
Mission Budget	\$8.9M	\$6.2M	\$5.9M	\$4.2M	\$4M	\$5.3M	\$3.8M	\$2.1M

Challenge/Recommendation #4:

Mentor Protégé Agreement Duration

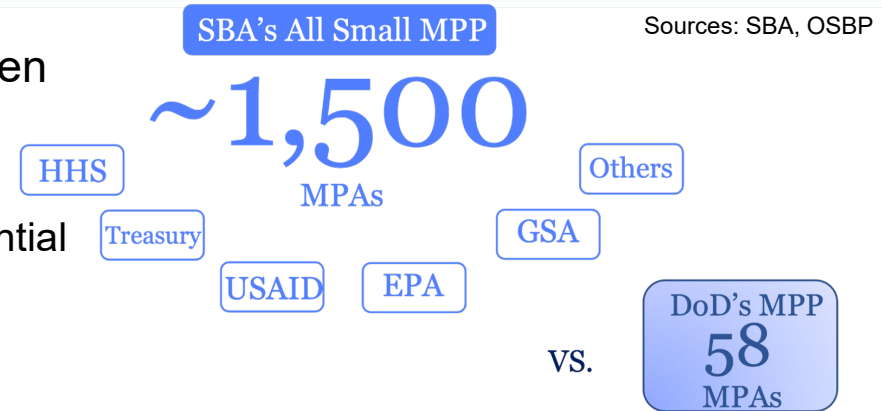
- **Challenge:** The Standard MPA is currently two years
 - Small businesses fail at a disproportionately high rate, with nearly a third failing within the first two years of operation and over 50% failing within the first five years*
 - The standard DoD sales cycle is approximately two years, and can be even longer in certain cases
 - Two year MPA duration is insufficient to enable most protégés to develop the skills necessary to independently become a direct supplier to DoD
- **Recommendation:** Consider extending the standard MPA agreement duration to a three-year period, with further extension options if appropriate
 - Nearly all stakeholders interviewed agreed the standard MPA is too short
 - Longer duration will provide the greatest opportunity for the protégé to benefit from its work with the mentor and position itself for longer term success as a DoD supplier

* Source: Office of Advocacy, Small Business Administration



Challenge/Recommendation #5: MPP Communications & Marketing

- **Challenge:** Unlike the All Small MPP overseen by the SBA, DoD's MPP is not a well-known program to the small business community
 - Lack of awareness constrains the pool of potential protégés and therefore limits the population of small business suppliers to the DoD



- **Recommendation:** Develop a comprehensive MPP Communications and Marketing Strategy which could include:
 - **Restart Annual MPP conferences:** While the Annual MPP Conference has been cancelled in recent years due to COVID, the participants interviewed by the Subcommittee reinforced the value of these meetings and need to restart
 - **Engage with Established Small Business Organizations:** Consider partnering with Department of Commerce's Minority Business Development Agency (MBDA), SBA, Billion Dollar Roundtable (BDR) and National Minority Supplier Development Council (NMSDC)
 - **Resource Support:** Increase the marketing and communication of invaluable protégé resources like HBCUs
 - **Briefings:** Conduct mandatory, annual briefings to key stakeholders such as the Congressional Defense and Small Business Committees as well as SecDef/DepSecDef



Challenge/Recommendation #6:

Permanency of MPP

- **Challenge:** MPP is still a “pilot” notwithstanding its 30-year history
 - Creates concern and confusion about the U.S. Government’s commitment
 - Mentors and protégés make a significant commitment of time and effort when agreeing to an MPA. Prospective mentors and protégés may choose not to pursue an MPA due to uncertainty of the program
- **Recommendation:**
 - Consider codifying the MPP program in a specific Title 10 Section to eliminate confusion and instill confidence
 - Propose that permanent funding be in the form of a specific, designated line item in all future funding bills
 - Instability in the MPP over the years can be partly attributed to shifting executive branch priorities and the reallocation of MPP funding. Therefore, the Subcommittee recommends the MPP funding be specifically appropriated for use only by the DoD



Summary

- **Important Program:** MPP is an important program that enables the DoD to leverage agile and innovative small businesses to serve the needs of the warfighter
- **Positive Impact:** MPP had a positive impact on the majority of its protégés, enabling the protégés to compete for both public and private sector opportunities
- **Challenges Exist:** While MPP has been positive, challenges have constrained its impact
- **Recommendations:** DoD, the Administration, and Congress could significantly enhance the MPP by considering each of the above recommendations as part of an integrated, comprehensive plan as explained more completely in the full report

“DoD Components shall give increased focus to reducing barriers to entry for new entrants to help expand our industrial base, cultivate new and vital capabilities, and increase outreach to underserved communities... Together, we can build back better and grow a dynamic, innovative, and resilient small business industrial base.”

~ Secretary of Defense Lloyd J. Austin

STATEMENT ON DOD SMALL BUSINESS CONTRACTING, OCTOBER 27, 2021



DEFENSE BUSINESS BOARD



**Full Board Discussion,
Deliberation, and
Vote on MPP Study**

DEFENSE BUSINESS BOARD



Public Comments (if time permits)

DEFENSE BUSINESS BOARD



Chair's Closing Remarks

Hon. Deborah James
Chair, Defense Business Board

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DFO Closing Remarks / Adjourn Meeting

Ms. Jennifer Hill
Designated Federal Officer

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