Small Business At MDA:
A Contracting Perspective (U)

Barney Klehman
Director of Contracting

Missile Defense Agency
NDIA Small Business IT Conference

01 September 2009
• Defining a Small Business
• Political Issues
• Business Issues
• Potential Frameworks for the Future
• A Few Final Thoughts
What Is A Small Business? (U)

• A Business Entity – But “Small” is Relative
  – Relatively Smaller than Other Competitors in the Same Field (American Motors vs Ford, GM)
  – May Fit “Traditional” Paradigm of a Small Company with Limited Resources; Or
  – May Actually be a Large Company with Substantial Resources – Just Smaller than Others in Field
  – It Can All Depend on the NAICS Code
  – Question: Are You Really “Small” When Your Company has Hundreds of Employees?

• A Political Entity
  – Substantial Socioeconomic Support from Congress and the “Public”
Defining A Small Business (U)

• **The Key Issue: Selection of a NAICS Code**
  – This is Done Very Carefully; We Realize the Impact
  – Reflects the “Real” Type of Work Anticipated
  – No “Games” are Played to Ensure that Specific Contractors or Vendors are Included
  – If Two or More NAICS Codes Overlap, MDA will Choose the Code Which Enables the Widest Amount of Competition to Meet the Reqt
  – Size Status is Based on **Current** Staffing or Earnings, Not Determinations Made Years Ago
  – May be Limited by NAICS Code Definitions Even Though They Appear to be Unrealistic
    • The Code Descriptions and $/Size Stds Need Change

• **MDA Goal: Fair Competition for Everyone!!**
• **How Much of the Pie should go to Small Business?**
  – Congressional Oversight/Expectations - % Goals
  – OSD Oversight/Expectations - % Goals
  – Internal Agency Oversight/Expectations - % Goals
    • Senior Leadership
    • Small Business Office
  – Program Manager Expectations/Concerns – Different?

• **Key Question: How Good is “Good Enough?”**
  – Must Match Mission Complexity vs Resources Required
  – Mission Accomplishment = All Four Prog Mgmt Criteria
  – Is/Should The Standard be Different for Small Business?

• **How Can The Equation be Changed?**
  – Externally – Small Business Demonstrates Its Value
  – Internally – Willingness to “Take a Chance”

• **What is Really Reasonable? Achievable?**
Business Issues (U)

• There are *Three* Types of Competition
  – Small Business vs Large Business
  – Small Business vs Small Business
  – Challenger vs Incumbent (“Why Change?”)
    • This is Often the Most Important!
    • Critical Choice During Acquisition Strategy

• What Is Small Business’s Advantage?
  – Initiative?
  – Better Technical Capability?
  – Resourcefulness?
  – Cheaper Overhead/Cost of Doing Business?
  – There must be Good, Definable Advantages
Business Issues (U)

• Four Blocks of Program Management
  – Technical Performance
  – Cost
  – Schedule
  – Risk

• Past Performance is the Most Important
  – Provides Confidence Level for Program Mgr
  – Demonstrated Performance vs Promises
  – Includes Past Subcontract Performance
    • Transition to Prime Status Considered Less Risky
    • Even Better if Past Perf is on “MDA” Prime Contracts

• Small Business Set-asides
  – Two or More SB’s that have the Likelihood of Meeting the Four Criteria of Program Mgmt Above
Business Issues (U)

• Risk
  – The Salient Factor in Acquisition Strategy
  – Most Program Managers are Risk Averse
    • Especially if Incumbent has Performed Well
    • Especially if PM Fears SB Challenger will have Limited Resources, Expertise, Experience
  – Is Failure Affordable? The SB must Overcome Fear of the Unknown – the Key Barrier

• Incumbent’s Perspective
  – Good Performance Shouldn’t Equal a Loss of Business to Satisfy a Political Agenda

• Small Business Perspective
  – Above may be True, Unless the Small Business can Offer Better Performance!
What Does The Future Hold? (U)

• More Emphasis on Small Business Strategy
  – Particularly in the Services and IT Areas
    • Seta Support (Can Be IT – E.G. MIDAESS Acquisition)
    • Infrastructure Support (Key IT Opportunities)
  – More Emphasis in Individual Elements
    • But Only as Part of Integrated BMDS
  – Global BMDS Support Contracts?
    • By Location
    • Across Locations
    • May be Mixture of LB and SB

• Much More Emphasis on SB Subcontracting
  – Less Emphasis on “Corporate” Plans
  – More Incentives in Contracts – With Teeth!!
  – Some RFPs may have SB Subcontracting Reqt
  – Idea is to Emphasize Total Overall $ To SB
A Few Final Thoughts (U)

• The Barriers are **NOT** Impenetrable, But:
  – No “Entitlement” for Small Business
  – Emphasis is on Performance Versus Promises
  – If You have Facts and a Good Argument, Your Chances Increase Dramatically
  – Increasing SB Share = Overcoming Inertia
  – Increasing SB Share = Overcoming Fear

• For Program Managers, Mission is Priority
  – Internal Agency Acquisition Planning Process Ensures that Small Business Gets a Fair Hearing

• There is Only So Much “Pie” Available to be Eaten; So Pick The Right Slice!