National Defense Industrial Association Executive Seminar

SMALL BUSINESS INNOVATIONS AND CONTRIBUTIONS

The Honorable Malcolm Ross O’Neill
Assistant Secretary of the Army (Acquisition, Logistics and Technology) and Army Acquisition Executive
May 25, 2010
7th Annual National Small Business Conference

WHO: Hon Malcolm Ross O’Neill, Assistant Secretary of the Army (Acquisition, Logistics and Technology) and Army Acquisition Executive

WHAT: 7th Annual National Small Business Conference

WHEN: Tuesday, May 25, 2010 – 0830-0915

WHERE: Von Braun Center – Huntsville, AL

PURPOSE: Small Business Innovations and Contributions

SYMPOSIUM THEME: Small Businesses in Economic Recovery

OTHER SPEAKERS INCLUDE:

– Mr. James Chilton, Vice President, Huntsville Space Exploration, The Boeing Company
– Mr. Pete Steffes, Vice President, Legislative Affairs, NDIA
– Mr. James Wright, Army Program Manager for Strategic Sourcing, US Army Contracting Command
– Mr. Joseph Jordan, Associate Administrator for Government Contracting and Business Development, US Small Business Administration

AUDIENCE/ATTENDEES: Small Business attendees interested in strengthening their existing business operations with DoD.
1. This Current Multi-Billion Dollar Company Started Off As A Small Business Financed By The Sale Of A VW Bus And An HP Scientific Calculator.

a) Apple
Did You Know?

2. How much did Army Contracting spend last night in Procurement dollars?

a) $397M

Also - on 30 Sept 2009 - last day of fiscal year – Army spent $5.3B in contracts in one day!
Did You Know?

3a. How much did we spend on the Logistics Civil Augmentation Program (LOGCAP) last year?
   a) Nearly $8 Billion

3b. Since inception?
   a) $35.7 Billion LOGCAP III (as of March 31, 2010)
   $2.4 Billion LOGCAP IV (as of March 31, 2010)
Did You Know?

4. How much did we spend in Contracted $’s for Fiscal Years 2008, 2009 and 2010?

   a) $360 Billion
Did You Know?

5. What proportion of Federal contracting is executed by the Army?

a) FY08 = 31.5%
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a) FY08 = 31.5%

U.S. ARMY PROVIDES INDUSTRY (BOTH SMALL AND LARGE) WITH OPPORTUNITIES FOR BUSINESS GROWTH
Vision

ASA(ALT) Is Committed To Maximizing Small Business Opportunities In Support Of The Warfighter.

Topics:
• Understanding how Army Supports Small Business Programs
• Appreciate the Value of Small Business Partner Contributions
• Build on Success – Expand Relationships with Small Businesses
Areas of Army Interest

- Advise the Secretary of the Army and Army Leadership on Small Business related matters.
- Spearhead Innovative initiatives that contribute to expanding the Small Business Industrial Base relevant to the Army mission and priorities.
- Leverage Small Business Outreach programs in support of science and technology programs.
Key Customers and Stakeholders

- Soldiers
- American Citizens
- Industry and Academia
- Peers, Superiors and Subordinates

Acquisition is a Team Sport.
Acquisition Challenges

• Support Ongoing Operations in Iraq and Afghanistan and Downsize Responsibly

• Develop Materiel for Future Army and Maintain Decisive Edge

• Identify and Address Inefficiencies

• Make Acquisition Process Amenable to Technological Evolution

• Rebuild and Rebalance the Capabilities of the Acquisition Workforce

• Align Program Management with Emerging Army Portfolios

We Never Want a Fair Fight.
A “Transforming” Challenge to Industry
What is Considered “Small Business”?

**General Construction**
- $17M Annually

**Specialty Construction**
- $7M Annually

**Architect-Engineering**
- $2.5M Annually

**Computers**
- $18M Annually

**Manufacturing**
- 500-1500 Employees

**Research and Development**
- $2.5M Annually

**Services**
- $3.5-20M Annually
Small Business Is ...

Big Business!
• 23 Million American small businesses
• Create more than 50% of industrial innovations/inventions
• Employ more than half of all non-farm private sector employees
• Generate more than 50% of U.S. gross domestic product
• Principal source for new jobs in the U.S. economy (60-80% during 1990s)

Smart Business!
• Innovative methods to achieve cost, schedule & performance
• 13 to 14 times more patents per employee than large firms and these patents are twice as likely to be among the 1% most cited
• Invented by small business:
  ✓ Airplane
  ✓ Phraselator
  ✓ Air Conditioning
  ✓ FM Radio
  ✓ Helicopter
  ✓ Phraselator
  ✓ FM Radio
Mutually Beneficial Relationship

Government Benefits

- Leaders in Innovation
- Flexibility
- Responsiveness to Change
- Lower Overhead Rates
- Lower Prices
- Direct Access to Decision Makers

Small Business Benefits

- Establish Past Performance Record
- Strengthen Financial Status
- Expand Expertise and Plant Facilities
- Gain Experience in Contract Management
<table>
<thead>
<tr>
<th>Category</th>
<th>FY 09 ($M)</th>
<th>National Goal</th>
<th>% Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Business</td>
<td>$104,379</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Business</td>
<td>$29,590</td>
<td>23.0 %</td>
<td>28.34%</td>
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<tr>
<td>Small Disadvantaged</td>
<td>$11,310</td>
<td>5.0%</td>
<td>10.84%</td>
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<tr>
<td>Women-owned</td>
<td>$4,458</td>
<td>5.0%</td>
<td>4.27%</td>
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<tr>
<td>HUBZone</td>
<td>$5,322</td>
<td>3.0%</td>
<td>5.09%</td>
</tr>
<tr>
<td>Veteran-Owned</td>
<td>$4,416</td>
<td></td>
<td>4.23%</td>
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<tr>
<td>Service-Disabled Veteran-Owned</td>
<td>$2,561</td>
<td>3.0%</td>
<td>2.45%</td>
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<tr>
<td>HBCU/MI **</td>
<td>$61</td>
<td>5.0%</td>
<td>11.60%</td>
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</tbody>
</table>

** Contract dollars to educational institutions

FPDS-NG Data as of 5/14/10
FY09 DoD Spending by Agency

Total Spending

- AIR FORCE: $61,264,512,071.00 (20%)
- NAVY: $89,244,531,806.00 (30%)
- ARMY: $104,379,668,776.00 (35%)
- ODA*: $43,848,079,776.00 (15%)

Total: $298,736,792,429

Small Business Spending

- AIR FORCE: $9,247,557,912.51 (15%)
- NAVY: $13,929,416,021.58 (22%)
- ARMY: $29,462,005,257.91 (46%)
- ODA*: $10,653,603,905.94 (17%)

Total: $63,292,583,098

* ODA = Other Defense Agency

FPDS-NG Data as of 4/29/10
Seeking Innovation – An Example
Success Stories

Hontek Corporation:
Erosion Protection Technologies

Ultracell:
25W Reformed Methanol Fuel Cell for Soldier Power
Success Stories

First RF Corporation: Dual Band Antenna

SAVIT Corporation: Wide Angle Robotic Vehicular Vision System (WARVVS)
ASA(ALT) Focus

• Leverage Improvement Opportunities to Conserve Scarce Resources

• Participation by Army Small Business Office in Major Systems Reviews

• Promote Greater Involvement of Small Businesses in Army Contracts for Services

• Emphasize Service-Disabled Veteran-Owned Small Business Program
Improvement Opportunities

PROGRAM RISK:
• Unrealistic Requirements
• Trade Space Inefficiencies
• Immature Technology
• Lack of M&S utilization
• Technology Producibility

LIFECYCLE COST:
• Excessive O&M Cost Growth
• Better is Enemy of Good-enough
• Incentivizing O&S cost reduction

CYCLE TIME:
• Product Obsolescence of Equipment Due to Acq. Cycle
• Technology Evolution Faster Than Traditional Acq. Process
• T&E efficiency
• Requirements Creep

MANAGEMENT OF RESOURCES:
• Under-strength Workforce
• Under-resourced Training
• Weak Enterprise Resource Plan/Business Mgt
• Lack of Transparency
• Wartime v. Baseline Budget (False Sense of Security)

BUSINESS DEALS:
• Unclear Contract Requirements
• Poor Program Performance
• Bloated Contractor Overheads (G&A$)
Standards

• Honor
• Integrity
• Moral Courage

“No” is a Perfectly Acceptable Answer.
Goals

✓ Meet Challenges
✓ Be Good Stewards
✓ Satisfy Key Customers
✓ Maintain Standards

We MUST Focus on Outputs....
... the vast majority of innovative and revolutionary components, systems, and approaches that enable and sustain our technological advantage reside in the commercial marketplace, in small defense companies, or in America's universities. Therefore, the Department will work to establish requirements and pursue specific programs that take full advantage of the entire spectrum of the industrial base at our disposal: defense firms, purely commercial firms, and the increasingly important sector of those innovative and technologically advanced firms and institutions that fall somewhere in between.
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