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SENATE ARMED SERVICES COMMITTEE

STATEMENT OF

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ON DEPARTMENT OF DEFENSE SMALL BUSINESS TOOLS FOR  
ENHANCING THE INDUSTRIAL BASE

BEFORE THE U.S. SENATE ARMED SERVICES COMMITTEE ON  
READINESS AND MANAGEMENT SUPPORT

MARCH 22, 2023

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## INTRODUCTION

Chairman Hirono, Ranking Member Sullivan, Members of the Subcommittee, it is an honor to appear before you alongside the Office of the Secretary of Defense (OSD) and our sister Services Small Business Directors, Mr. Farooq Mitha (OSD), Ms. Kimberly Buehler (Army), and Mr. Scott Kiser (Air Force), to discuss the Department of the Navy's (DON) small business tools for enhancing the industrial base. A healthy small business industrial base will continue to be vital to the long-term success and affordability of the DON as well as to our national security. Thank you for your continued support to our Sailors, Marines, civilian workforce, and industry partners, in particular, the small business community. On behalf of the Secretary of the Navy and the DON Leadership, thank you for the opportunity to appear before you today.

## SMALL BUSINESS PARTICIPATION

Increasing opportunities for small businesses is a high priority and a focus area for the DON. The DON senior leaders must ensure that Navy and Marine Corps acquisition activities are aligned with the Secretary of Defense's three (3) small business priorities: "the President's focus on increasing the share of dollars going to small disadvantaged businesses, lowering barriers to entry, and increasing competition opportunities for small businesses and traditionally underserved entrepreneurs." In particular, all DON personnel and organizations must leverage the expertise of DON Office of Small Business Programs (OSBP) and the Small Business Professional workforce to ensure small businesses are provided maximum practicable opportunities to participate in Navy and Marine Corps acquisitions.

In Fiscal Year (FY) 2022 we awarded over ninety-four billion dollars (\$94.26B) in prime awards of which almost twenty percent (19.58%) went to prime Small Businesses. This eighteen plus billion dollars (\$18.4B) in small business awards was an increase of over six percent (6.87%) over the prior all-

time high of seventeen billion dollars (\$17.3B) DON awarded in prime small business awards in FY21. Small business performance also saw a significant increase from FY21 (18.1%) to FY22 (19.58%). DON also exceeded its Women-Owned Small Business, Service-Disabled Veteran-Owned (SDVO) and Historically Underutilized Business Zone (HUBZone). The DON increased the Small Disadvantaged Business target significantly in response to Executive Order 13985 in anticipation of future increases in Small Disadvantaged Business targets. Our proactive posturing resulted in the DON's four-year run of exceeding its goals in all four socio-economic targets being broken as our aggressive targeting resulted in a less than 1% shortfall of our Small Disadvantaged Business target

One of our top Small Disadvantaged Business successes for FY22 was the eighty-six million dollar (\$86M) prime award to the PacWest-Korte Joint Venture for the renovation of Bachelor Enlisted Quarters Building 2701 at Naval Air Station in Whidbey Island, Washington. This award entailed PacWest-Korte JV providing repairs and new construction of parking lots at the facility. This award was competitively procured and awarded as a Full and Open contract to PacWest-Korte JV, just one example of the DON's dedication to small business and Small Disadvantaged Business.

The DON OSBP, partnered with the U.S. Department of Transportation, Office of Small and Disadvantaged Business Utilization provided an in-person event focused on woman-owned small businesses and their ability to compete for federal procurement opportunities. Topics covered included an introduction to small business programs, policies regarding woman-owned small business, how to market to the federal government, how to work with large primes, and increasing diversity, equity, and inclusion through finance. In addition and in conjunction with the HUBZone Contractors National Council, the DON OSBP Director was a featured speaker at their 2022 National HUBZone Conference series on "How are Agencies Implementing Executive Order 13985 and how will it support the HUBZone Community." Further, DON OSBP, in conjunction with the Department of Commerce, Small Business Administration (SBA), Office of Management and Budget (OMB) and the Census Bureau,

provided a webinar targeting all socioeconomic businesses with attendance estimated at well over 800. Lastly, five of the DON's buying activities held targeted events for Women-Owned Small Business and HUBZone small businesses.

The DON continues to blaze new trails as the Secretary of the Navy (SECNAV) continues to lead from the front. In addition to his regular meetings with industry partners in the 50-mile area surrounding each of his command visits, Roundtables with small business owners, he established and held two SECNAV Small Business Executive Offsites that required attendance and briefings by each 3-star level Commanders and Program Executive Officers to discuss their performance against their FY22 small business goals and then to discuss their FY23 small business execution plans. Furthermore, SECNAV challenged these senior leaders to disaggregate previously held large and omnibus contracts to afford small businesses the maximum opportunity to compete for prime contract opportunities. Supporting this stance, the SECNAV has DON OSBP creating a policy, leveraging the OMB's Memorandum (M-22-03 of December 21, 2021) entitled "Advancing Equity in Small Business" to strengthen accountability of the DON senior leaders in meeting the goals established in each socioeconomic category, thus strengthening the small business industrial capacity.

This direct communication with the DON senior leaders and the accountability measures effected through their performance plans has yielded an unparalleled increase in outreach efforts throughout the DON. The DON OSBP attributes much of the increase in its small business performance to the SECNAV's hands-on approach to ensuring small businesses have ample opportunity to contribute to the Navy and Marine Corps warfighting capability. DON OSBP's team (consisting of seven Government employees and five contract support personnel), established a strategic communication model for use throughout the small business professional community, leveraging Navy Weeks, collaborating with local APEX Accelerators (APEX) (formerly Procurement Technical Assistance Centers (PTAC)) to provide

support and matchmaking services at their events and partnering with SBA to identify avenues to the many small businesses certified within the DON without a contract award.

Through SECNAV's direction to ensure small businesses considerations are included early in the acquisition planning process, DON OSBP hosts monthly meetings with select large prime vendors for a focused discussion on subcontracting performance opportunities, innovations, improving readiness, use of Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) investments, and the small business industrial base. While specific metrics are not available to directly assess the impact of this process, several large businesses have specifically stated that they have increased their outreach to and attendance at small business events in direct response to the DON's directed energies in this space.

I served as the Director of the Federal Office of Small and Disadvantaged Business Utilization Directors Interagency Council and through strong leadership and an effective team of small business professionals supporting me, the attendance at the Council was elevated through proactively identifying speakers to provide presentations on time-sensitive current events and issues. Examples of issues tackled during my leadership of this Council include: Government-Wide Equity Tool for a centralized use of SAM.gov data; marrying small business goals with category management practices; and, interagency collaboration on meeting the requirements of Executive Order 13985.

In an ultimate demonstration of commitment to ensuring small businesses have the best opportunity to achieve contract award, the DON OSBP Director publicly advertised that the DON would target five previously held large business contracts to be disaggregated to allow for small business set-asides. Through this direction, two contracts have been identified and awarded to date.

Lastly, the DON is preparing a proposal that will increase the sole source thresholds across all

socio-economic small business set aside categories when entering into contracts for key technologies identified by Department of Defense (DoD) and its components.

## OUTREACH

The DON OSBP is well-known for its extensive outreach program, in-depth resources created by DON OSBP officials, and extensive digital marketing effort in curating and cross-sharing information across platforms to promote opportunities for small businesses. DON OSBP consistently promotes this information through our social media platforms, including Facebook, Twitter, LinkedIn, and YouTube. While these platforms saw an increase in users in FY20, as a result of the pandemic, DON OSBP continued its strategic outreach campaign by creating various webinar series' and disseminating weekly newsletters to reach not only small businesses, but also non-traditional suppliers. The DON OSBP weekly newsletter is distributed to small, medium, and large businesses, as well as government, industry, and education personnel. It allows for the curation, promotion, and informing of upcoming events, regulatory and policy changes, procurement resources, official memorandums, relevant news stories, and contracting opportunities.

In FY22, the DON's small business enterprise digital analytics revealed a 66% increase in Facebook page visits, a 32% increase in LinkedIn follower growth, and an increase in YouTube followers (48%), video views (28%), and overall watch time (59%). While this growth is not limited to small businesses, the 30% increase in FY22 to more than 3,300 newsletter subscribers is a leading indicator of our success in reaching this critical segment of the DON's industrial base.

The DON OSBP office is working with APEX to teach small businesses how to use publicly available resources to help them respond to government solicitations. In addition, the DON OSBP hosted seven separate PTAC/APEX webinars (a 133% increase over FY21) to introduce industry partners to the available services.

Many one-on-one mentoring sessions were held with small business owners. In fact, more than 722 mentoring sessions (33% more than in FY21) were held in FY22, educating the industry on how to do business with the DON and matching mentees with specific Navy and Marine Corps Small Business Professionals and requirement owners who can help these small businesses secure the opportunity to support the warfighter through the provision of goods and services.

DON OSBP enlisted the help of the Office of Navy Community Outreach (NAVCO), APEX, GSA, and the SBA to host small business workshops during the highly anticipated Navy Week events across the country. These events are held in specific locations with the goal of attracting new industry partners in areas where the Navy and Marine Corps do not have a significant presence. During FY22, the DON OSBP held 12 Navy Weeks, with over 450 companies in attendance.

DON OSBP is producing a "Year in Review" video to attract new business partners, highlighting the contributions of the small business industrial base in meeting the needs of Sailors and Marines and demonstrating the significant contributions that small businesses make through the acquisition of goods and services. The video highlighted small business success stories, good news stories about first-time contract award winners, outreach activities, mentor-protégé success stories, and successful SBIR/STTR contributions.

Yearly, DON OSBP is involved in the planning of two large-scale premier small business symposiums, specifically the DON Sea-Air-Space Small Business Day and the DON Gold Coast Event. Over 9,000 small and medium-sized business representatives attended these events, which provided numerous opportunities for their companies to collaborate with large businesses from every industry. The DON, organized a "shark tank" style event in which small businesses could brief senior leaders on their company's products and services in a 10-minute segment in the hopes of identifying a previously

unknown niche to the Government while receiving immediate feedback on their businesses from those senior leaders within the Government. Officials from the DON OSBP collaborated closely with the National Defense Industrial Association to plan, promote, and execute the successful 3-day DON Gold Coast Event. DON OSBP worked specifically on coordinating speakers, including securing the prominent keynote speaker, The Honorable Isabella Guzman, Administrator of the United States Small Business Administration. The DON OSBP team used a mobile app to create the event's schedule, speakers, and sessions, allowing attendees to capture real-time updates and resources in a streamlined manner. 1,225 DON Gold Coast attendees and participants downloaded a collaborative application created by DON OSBP for use during the event. The event successfully provided networking opportunities, resources, and business growth for government officials and industry with over 1,950 attendees, 250 exhibitors, and 45 speakers and panelists.

DON OSBP headquarters coupled with the efforts of each of the DON's 10 buying commands, conducted well over 870 outreach efforts touching in excess of 12,000 small businesses.

The DON continues to engage with industry at events to raise awareness of cybersecurity threats in the industrial base's manufacturing, research and development, and knowledge-based services sectors, using Project Spectrum, a comprehensive platform that provides the tools and training needed to increase cybersecurity awareness and maintain compliance. Through the DON's partnership with Project Spectrum, we are able to leverage strategic partnerships within and outside of the DoD to accelerate the defense industrial bases (DIBs) overall cybersecurity compliance.

Furthermore, the DON has launched a Blue Cyber initiative for contractors and academic and research institutions to ensure they are aware of the cybersecurity requirements in their contracts as well as the resources available to them.



## ADDRESSING SMALL BUSINESS CHALLENGES

***Small businesses have cited widespread confusion on what the entry points are, how programs and initiatives connect to each other, and how to plan long-term to meet the Government's requirements.***

In response to this, DON has created a single point of entry for all businesses to obtain information on not only “how” to do business with the DON, but to find all the opportunities the DON is and will be soliciting. Our website (<https://www.secnave.navy.mil/smallbusiness/Pages/default.aspx>) houses links to a specifically prepared video on “How to Do Business with the DON”. It also contains a step-by-step guidebook to assist brand new businesses with navigating the complex maze of becoming a government contractor as well as providing mature businesses with alternatives for growth. This resource is supplemented with a Long Range Acquisition Estimate for each of the DON’s 10 buying activities (in a searchable format) to provide early planning and teaming opportunities for small businesses.

***Another challenge of many small business programs is that they either lack long-term authorization or consistent funding.***

American small businesses are critical to a current and future DON. We use the SBIR/STTR programs as critical entry points for our future DIB partners from diverse backgrounds. The success of the Department’s SBIR/STTR programs are measured by commercialization of their Phase I and Phase II awards. In FY22, the Department set a record for commercialization, breaking the \$1B mark in commercialization (known as Phase III). DON SBIR/STTR is only 25% of the DoD SBIR/STTR budget and yet generates 50% of DoD SBIR/STTR Phase III awards so the DON will certainly benefit from the 3-year extension authorized by Congress for the Programs. The SBIR/STTR programs represent the DoD’s largest source of early-stage research and development funding for small businesses. The extension allows breathing space to allow for both research and development and the advancement of small businesses to be able to commercialize innovative technologies developed through the SBIR/STTR programs. The DON leads all DoD organizations in federally funded Phase III

contracts. In FY22, the DON funded 223 unique Phase III contract vehicles, which included 130 small businesses across 33 states totaling \$1.07B. But it is not just making awards that matters to the DON, it is delivering capability to our warfighter and we accomplish that by helping American small businesses become productive, long-term partners. The DON's SBIR/STTR programs have demonstrated enduring support to small business through several programs focused on helping them grow and deliver at scale. One of those programs is the SBIR/STTR Transition Program (STP). 23-years strong, STP is known across the Federal SBIR/STTR Programs as one of the most effective transition assistance program providing exceptional services to assist with transition of technologies through business mentoring, education, and networking.

To ensure small businesses remain apprised opportunities in the SBIR/STTR realm, the DON hosted three Forums for SBIR/STTR Transition (FST)-focused technology events to promote mature SBIR/STTR technologies that are ready for transition. Further, these FST events connect these small businesses with government and industry personnel through Tech Talks, 1-on-1 "Meet the Experts" meetings, and provide an enhanced online presence using the Virtual Transition Marketplace (VTM) enabling small businesses to be in direct communication with the requirements owners.

The DON also leveraged the extension of DoD's Mentor-Protégé Program (DoD MPP) (through FY24) to achieve new highs. In 2022, my office awarded four (4) new Mentor Protégé Agreements (MPA) totaling more than \$6.6M. One of those newly-awarded agreements will have a substantial impact because at the end of the agreement, the prime contractor will turn over various manufacturing items initially planned for obsolescence to its protégé. Through this MPA, parts identified as obsolete will no longer be so and the DON will no longer be required to find a semi-suitable replacement.

***My office has addressed the challenge facing our small businesses in meeting the increasing cybersecurity requirements inhibiting their eligibility for contract award.***

The DON continues to leverage Project Spectrum to engage with industry at both of the DON's premier events, DON Gold Coast Event and Sea-Air-Space. During these events, the Project Spectrum team trained industry on the changes to the contractual requirements for cybersecurity and how to leverage Project Spectrum personnel and their website for effective assistance in how to meet those changing requirements. This partnership has enhanced small businesses awareness of cybersecurity threats within the manufacturing, research and development, as well as the knowledge-based services sectors of the industrial base.

Lastly, the DON has implemented a Blue Cyber initiative for contractors and academic/research institutions to ensure they are aware of the cybersecurity requirements in their contracts and the resources available to them. Through this initiative, in FY22 Blue Cyber provided support to over 11,000 small business in the United States by having:

- Daily Office Hours in-person consultations answering questions, finding resources, and connecting small business with state grant funding (if necessary);
- Weekly public "Ask-Me-Anything" webinars; and,
- Monthly full day "Boot Camp" providing the most up-to-date cyber information.

## CONCLUSION

Small businesses are essential to a healthy DON industrial base if we are going to deliver the innovation and operations capability needed to address key warfighting challenges. The DON recognizes small businesses are an incredible source for innovation, adaptability, agility and resilience. The DON is committed to increasing small business opportunities and educating industry. Thank you again to the leadership and membership of this Committee for your oversight and interest in the DON's small business program. I look forward to your questions.