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How Does the Better Buying Power Initiative Affect Small Business Participation in Department of the Army Acquisition?

Ayo Omololu

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Abstract

On June 28, 2010, Ashton Carter, then the Under Secretary of Defense for Acquisition, Technology, and Logistics, released the Better Buying Power 2.0 guidance (Carter, 2010). One of its focus areas was the promotion of effective competition by increasing small business roles and opportunities. The Small Business Act requires that small business entities have the maximum practicable opportunity to participate in Federal contracts and subcontracts. According to the Small Business Administration (SBA) report of 2013, the Department of the Army, like other Services, has experienced a decline in the contract dollars awarded to small businesses over the years.

One of the reasons why competition is important in defense acquisition is that it provides opportunities for capable small businesses to enter new markets. Because they represent a driving economic force, small businesses are integral to maintaining our industrial base and assisting the Department of the Army in meeting the needs of the warfighter.

This study utilizes a quantitative approach to explain the relationship between small business participation, contracting competition rate, and the contacting rate of entry into a new market. The study investigates industry's perspective on the Better Buying Power initiative by collecting information on how it affects small business participation.

Chapter 1 - Introduction

Cheifetz (2004) noted that Congress, in recognition of the economic and socioeconomic importance of small business participation in Federal procurement, established the Select Committee on Small Business in 1941 with an overarching goal of promoting competition. Cheifetz also observed that over the last two decades, Congress has acted diligently in crafting legislation to streamline the Federal acquisition process. The reforms have streamlined the procurement process with a transition from Government-unique specifications to commercial-based products. Cheifetz (2004) noted further that while the reforms were aimed at streamlining the processes and procedures in Federal contracting, they have also resulted in new-found challenges to small business entities.

Ritschel's (2014) study added to the observation made by Cheifetz (2004) that U.S. acquisition initiatives and reforms have been extensive in the last four decades. While stand-alone implementation is still used, the primary mechanism for Congressional influence may have shifted to the use of the National Defense Authorization Acts (NDAAs).

Background

Public policy implementation, as it relates to procurement policies and acquisition reform initiatives adopted by the U.S. Government and the Department of Defense (DoD), has been widely researched by policy practitioners. Snider and Rendon (2008) characterized public procurement as a tool, mechanism, instrument, or lever for promoting industrial economic development and assistance to historically disadvantaged groups. Public procurement policies can thus be segregated into structural policies that consist of procurement laws, regulations, and decisionmaking authorities. Structural policies provide inputs to allocative policies such as individual defense procurements and programs. Using the systems model framework, such

policies are seen as the desired results that governments strive to achieve through specific procurement policies. Snider and Rendon argued further that outputs of allocative and structural policies vary; outputs of structural policies occur as those policies are applied in allocative policies. An example would be when a policy favoring small businesses is enacted with a contract award to a small business.

The Small Business Act Amendments of 1958 (Public Law 85-536) emphasized that the essence of the American economic system of private enterprise is free competition. The law states further that free markets, free entry into business, and opportunities for the expression and growth of personal initiative and individual judgment can be assured only through full and free competition. Congress, through the enactment of the Small Business Act, asserted that the preservation and expansion of competition is basic to the economic well-being and security of the United States. Congress subsequently declared a policy that the Government should aid, counsel, assist, and protect the interest of small business in order to preserve free competitive enterprise.

The Government Accountability Office (GAO, 2001) also highlighted the intent of Congress to protect small business, noting that the law and regulations that govern Federal procurements are ultimately designed to promote competition during the acquisition process. Another report from GAO (2014a) asserted that competition in contracting is a critical tool for achieving the best return on investment with the purpose of helping the taxpayer save money, improve contractor performance, and promote accountability for results. Additional benefits of competition include improved product or service quality; enhanced solutions or industrial base; fairness and openness; prevention of fraud, waste, and abuse; and increased likelihood of efficiencies and innovation.

The Better Buying Power (BBP) initiative was implemented during fiscal year 2011 to increase small business in the dynamic defense marketplace and to improve small business participation in providing services and products. According to the 2014 guidelines for creating and maintaining a competitive environment for supplies and services in the DoD, competition is the most effective motivator for industry to reduce costs and improve performance, while providing opportunities for capable small businesses to enter new markets (U.S. Department of Defense, Office of the Under Secretary for Acquisition, Technology, and Logistics, 2014).

Also emphasizing the importance of competition as it relates to small business, Kendall (2014), the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]), asserts that small businesses provide an excellent source of competition when market research efforts are implemented to achieve the desired goals and objectives. Kendall argued further that the work allocated to small businesses will be provided through competition, and competition involves firms without the overhead burdens of large prime contractors.

Problem Statement

The encouragement of small businesses is an important goal of many modern governments (Denes, 1997). The Small Business Act of 1953 set aside a certain number of Federal contracts for businesses that are independently owned and operated. Small businesses are also regarded by many as more innovative than large businesses, producing more innovation per unit dollar of research and development.

The BBP initiative was implemented to strengthen the Defense Department's buying power, improve industry productivity, and provide an affordable, value-added military capability to the warfighter. According to Kendall (2014), affordability analysis during the Defense Acquisition Board planning process is focused on promoting small business participation in

defense acquisition. That analysis was analyzed further during the 2012 Naval Postgraduate School Acquisition Research Symposium (Greene, Thompson, Mapp, & Ocampo, 2012), leading to the conclusion that small businesses were not constructively engaged in achieving the required productivity during acquisition efforts at the DoD.

In a similar study on small business involvement, the GAO (2013) reported that the competition rate at the DoD for all contract obligations has been on a decline since 2009. The report stated further that the competition rate was 73% for services and 39% for products; non-research-and-development services (75%) were competed at a higher competition rate than research-and-development services (65%). The agency acknowledged the deficiency by issuing a department-wide memorandum stating that the agency failed to meet its fiscal year 2011 competition goals under the BBP initiative. Chandler (2014) concurred with the observation made in the GAO report by noting that competition is a critical strategy in DoD's BBP 3.0 (also found in previous iterations of the initiative). The DoD sets strategic goals for competition, but consistently fails to achieve them, as competition rates have declined from 63% in 2008, to 57% in 2012. Observation by researchers in the field assert that it is not unusual to see dozens of contractor representatives turn up at an industry day to learn about a new opportunity, but not submit bids after the solicitation is published.

Purpose of This Study

Since the BBP initiative seeks to promote effective competition, its impact on small business participation needs to be studied and analyzed in detail given the importance of small business on the overall economic well-being of the Nation. An apparent question then becomes: how does an increase in contracting competition affect small business participation? Could too much competition result in a high attrition rate among small businesses? Currently, there are no

studies that measure the impact of increased contracting competition on small business participation from the perspectives of such businesses. This study will add to the body of knowledge on acquisition reforms and their impact on small business contracting competition rates.

Significance of This Research

An overarching goal of the research is to determine whether a correlation exists between small business participation, contracting competition rate, and new opportunity rates for small businesses within the Department of the Army. The BBP initiative seeks to increase the small business role in the defense marketplace and to improve small business participation in providing services and products. This study will ultimately explain how the variables identified will interact as a result of the BBP initiative and add to the body of knowledge related to public policy implementation and analysis.

Overview of the Research Methodology

A literature review was conducted to examine research in the area of contracting competition and small business participation affected by the implementation of the BBP initiative. Quantitative data for this research was collected from a random selection of small business entities involved in Department of the Army product and service acquisitions through the Federal Procurement Database System–Next Generation (FPDS-NG). The purpose of the survey is to obtain data on the contracting competition rate (dependent variable) and the rate of entry into a new contracting field/area (dependent variable). The information was collected via an electronic survey consisting of 17 primary questions. The questionnaire focused on obtaining the following information from the survey sample:

1. Demographics

2. Level of familiarity with the BBP initiative on small business participation
3. Perspective on the impacts of increased contracting competition on small business participation
4. Perspective on the impact of the BBP initiative on new contracting opportunities for small businesses

The responses to the survey questionnaire were imported into Microsoft Excel to generate figures for data analysis.

Research Questions

The purpose of the research is to identify, from a small business perspective, how the BBP initiative to increase contracting competition and increase new contracting opportunities will affect small business participation. The critical questions for this research are the following:

- R1: How does the BBP initiative affect small business participation in the Department of the Army acquisition efforts?
- R2: How does the BBP initiative affect the entry rate of small businesses into new acquisition fields at the Department of the Army?

Research Hypothesis

The research hypotheses for the study are based on the tenets of the BBP initiative. The hypotheses for the research are the following:

- H1: An increase in contracting competition in the Department of the Army acquisition effort will result in an increase in small business participation.
- H2: An increase in contracting competition influenced by the BBP initiative will result in an increase in the rate of entry into a new area of contracting by small businesses.

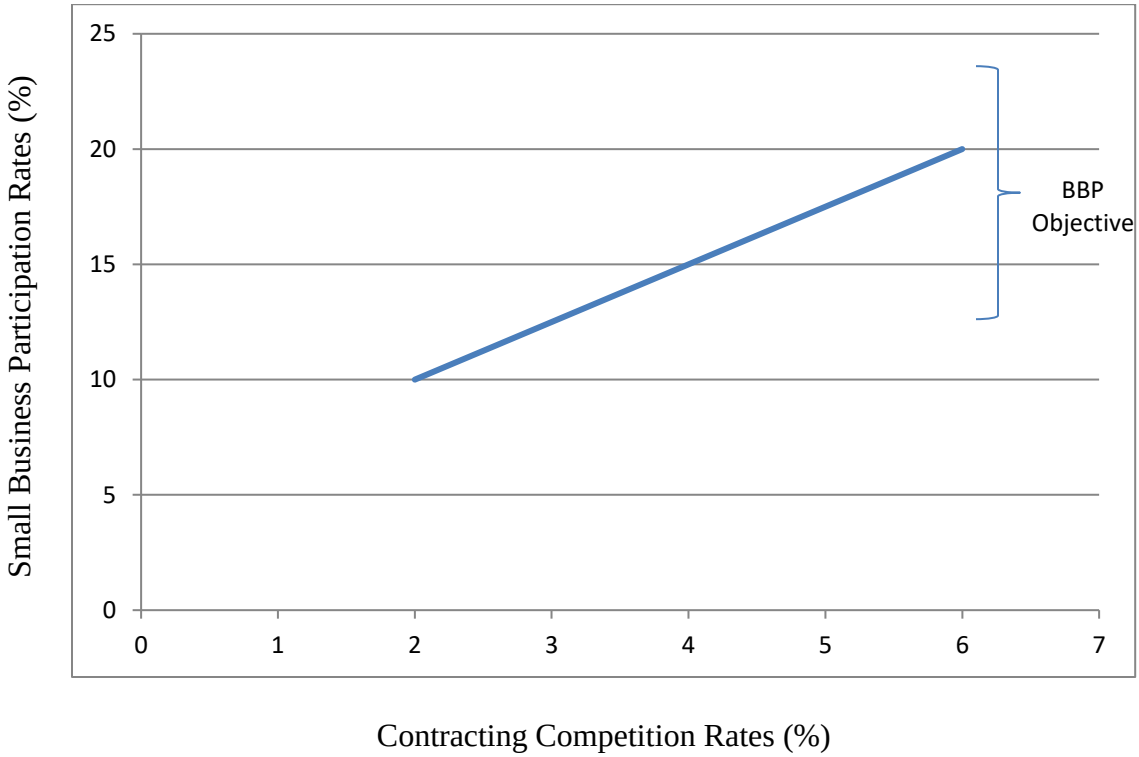

Figure 1 – Small Business Participation Rate as a Function of Contracting Competition Rate

Figure 1 shows the goals and objectives of the BBP initiative with regard to the desired relationship between contracting competition rates and small business participation rates.

Objectives and Outcomes

This study will use a regression analysis to produce a model that explains the perceived correlation of a government initiative (BBP) on a public policy implementation effort (small business mandate). The research is interested in a "what if" analysis, such that as the contracting competition rate increases by X1% and the rate of entry into a new contracting field increases by X2%, the small business participation rate would increase by Y%:

$$\mathbf{Y = X1 + X2}$$

where X1 = contracting competition rate, and X2 = rate of entry into a new contracting field.

Limitations of the Study

There is a possibility that the stratified random sample size of the small businesses surveyed will have a limited knowledge of the overarching objectives of the BBP initiative: increased competition and increased opportunities for small businesses to enter new markets. It is also possible that the small businesses surveyed during the study could be biased towards acquisition reform initiatives in general due to past experiences with other reforms implemented by the Department of the Army and the DoD.

Validity of the Research

An overarching goal of the research is to obtain the small business participation data by measuring the two dependent variables identified as critical to the implementation of the BBP initiative (contracting competition rate and rate of entry into a new market) to explain the independent variable (small business participation). The survey questionnaire was designed to consist of questions that measure the dependent variables of interest to ensure validity.

Reliability of the Responses

The questions on the survey questionnaire were designed to elicit a consistent response for the measures of the dependent variables identified in the study. Reliability of the study is also improved by the stratified random sampling method utilized. The responses of the survey from the small businesses in the sample studied are also expected to be repeatable if applied to other small business entities having business relationships with the U.S. Navy, U.S. Air Force, and other DOD agencies.

Chapter 2 – Literature Review

Conceptual Framework

Using the procurement policy framework proposed by Snider and Rendon (2008), the structural and allocative policies intended for implementation under the BBP initiative will be analyzed to estimate its impact on small business participation. The model (Figure 2) is based on the open systems construct of inputs, conversion, outputs, and feedback. The structural policy type applicable to this research encompasses procurement laws, regulations, and decisionmaking authorities. These serve as part of the external environment providing inputs to allocative policies typically found in defense procurements and programs. Snider and Rendon argued further that outputs of structural policies occur as those policies are applied in allocative policies (acquisition reform initiatives like the BBP initiative are regarded as allocative policies), as when a policy favoring small businesses is enacted with a contract award to a small business. As shown in Figure 2, procurement goals and objectives like the BBP initiatives are defined and policies are formulated for subsequent implementation (outputs).

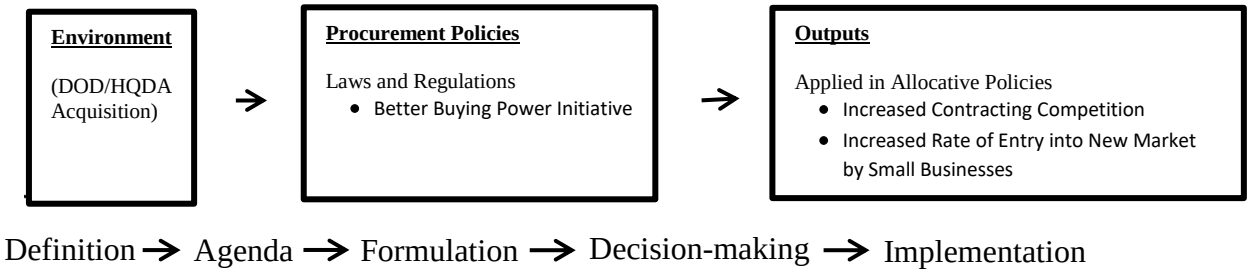

Figure 2 – Conceptual Framework of the BBP on Small Business Participation
(Source: Adapted from Snider & Rendon, 2008)

The DoD and Department of the Army acquisition programs serve as the environment in Figure 2, with procurement policies like the BBP initiative being developed at the level of the Secretary of Defense or USD(AT&L) for implementation DoD-wide.

A detailed review found that the existing research on small business participation in the DoD acquisition process is extensive in the areas of contracting competition rate measurements and performance, introduction and implementation of acquisition reform initiatives, and government mandates on small business participation goals. There is, however, a lack of research on how an acquisition reform implementation will affect small business participation from an industry perspective. How does a change in policy (the BBP initiative) implemented to increase contracting competition and increase opportunities for small businesses to enter new markets achieve the desired effect during Department of the Army acquisition efforts.

In this chapter, the following key areas identified within the literature will be expanded to improve an understanding of the relationship between the BBP initiative, small business participation, contracting competition rates, market research, and small business entry into new markets: (a) Acquisition Reform Initiatives and Small Business, (b) Barriers Impacting Small Business Participation, (c) Competition in Defense Contracting and The BBP Initiative, (d) Small Businesses Entering New Markets, and (e) Open Systems Architecture and Competition. The literature review will focus on the variables listed above to accurately determine ramifications for the research area being investigated.

Acquisition Reform Initiatives and Small Business

Executive Order No. 13,170 (2000)—Increasing Opportunities and Access for Disadvantaged Businesses. According to this policy reform, the goals of the executive branch are to ensure nondiscrimination in Federal procurement opportunities for businesses in the Small

Disadvantaged Business Program (SDBs), businesses in Section 8(a) of the Small Business Development Program, and the Minority Business Enterprises (MBEs). Executive Order 13,170 requires all agencies within the executive branch with procurement authority to take all necessary steps permitted by law to increase contracting between the Federal Government and SDBs, 8(a)s, and MBEs. In summary, it demands that Federal departments and agencies aggressively seek assurance that SDBs, 8(a)s, and MBEs are aware of future prime-contracting opportunities through wide dissemination of contract announcements, including sources likely to reach SDBs, 8(a)s, and MBEs. Another critical requirement found in Executive Order 13,170 is the mandate for a Government-wide participation goal for small business of not less than 23% of Federal prime contracts.

Executive Order No. 13,360 (2004)—Providing Opportunities for Service-Disabled Veteran Businesses to Increase Their Federal Contracting and Subcontracting. This policy contained a specific requirement in Section 5 that the Secretary of Defense direct the Defense Acquisition University to develop training on contracting with Service-disabled veteran businesses and make such training available online through its continuous learning program. Executive Order 13,360 also mandates agencies and departments to establish and reserve a Government-wide Acquisition Contract for participation by Service-disabled veteran businesses and also aid their inclusion in the Federal supply schedules.

DoD Memorandum on Maximizing Small Business Utilization on Multiple Award Contracts (Ginman, 2012). This sought to assist the DoD in meeting its small business goals by requiring contracting activities to use order set-asides unless a determination is made, before placing the order, that there is no reasonable expectation of obtaining offers from two or more responsible small businesses that are competitive in terms of market prices.

DoD Memorandum on Increasing Opportunities for Small Businesses Through Small Business Set-asides Under the Simplified Acquisition Threshold (Ginman & Gudger, 2012). This expressed a concern that, as a department, DoD awarded 71% of contracts with dollar values equal to or less than the Simplified Acquisition Threshold to small businesses from October 1, 2011, through June 21, 2012, accounting for 68% of total dollars eligible for small business. However only 47% of actions and 52% of the dollars awarded to small business resulted from small business set-asides, indicating potentially that the "rule of two" was not used to the maximum extent practicable under the Simplified Acquisition Threshold as required by statute.

DoD Memo on Small Business Subcontracting Plans (Assad, 2007). This emphasized the requirement that all contractors and subcontractors with subcontracting plans must report semi-annually on their small business subcontracting accomplishments, and that small business subcontracting plans must be included in future procurement management reviews.

Barriers Impacting Small Businesses

In 1984, the Small Business Administration (SBA) issued a final ruling regarding the quantitative criteria and size standards for determining a small business entity. The importance of the SBA size standards was that it defined which firms would be eligible for Federal assistance with loans, loan guarantees, management counseling services, procurement programs, and equity financing. A 2008 report by the DoD Office of the Inspector General noted that the laws governing small business participation are evident in Chapter 14a of 15 U.S.C. 631a, which states in part that the policy of the Federal Government is to foster and promote the economic interests of small businesses and to ensure a competitive economic climate conducive to the development, growth, and expansion of small businesses. The Federal Acquisition Regulation

(FAR) Subpart 19.2 states that it is Government policy to provide maximum practicable acquisition opportunities to small business, veteran-owned small business, Service-disabled veteran-owned small business, Habitually Underutilized Business Zone small business, small disadvantaged business, and women-owned small business concerns.

In a related study examining small business participation in DoD acquisition programs, Camm, Blickstein, and Venzor (2004) observed that the most persistent issue identified in the DoD acquisition is the treatment of small and disadvantaged businesses. The study suggested that such businesses have traditionally provided much of the contract service support the department receives. Due, however, to developments in commercial practice, demand for economies of scale, and improvements in contractor alignment and accountability, there has been a shift to the contract-bundling format at DoD. The study does not provide an impact assessment of how contract bundling would limit small business participation.

Still on the issue of contract bundling during DoD acquisition, Camm et al. (2004) noted that it remains to be seen whether Congress and the advocates of small businesses will be satisfied with the contract-bundling trend gaining popularity in DoD acquisition. The Small Business Reauthorization Act of 1997 was designed to limit the Department from arbitrary bundling of contracts by requiring that measurable substantial benefits be demonstrated prior to the action.

Also making a contribution on the barriers affecting small business participation, Moore et al. (2008) conducted a study to analyze the impact of contract bundling in DoD acquisition programs. Their study observed that Federal procurement regulations seek to limit consolidation of contracts into single contracts that are not suitable for award to a small business. The study asserted further that contract bundling has been identified by the President and congressional

leaders as a critical impediment to small business participation in Federal contracting opportunities. Moore et al (2008) also analyzed data on small business size-thresholds and how such sizes affect the ability of the firm to work for the DoD, impacts of contract bundling on small businesses, effectiveness of the Mentor-Protégé Program, and the impediments to the success of businesses that graduate from small business programs or seek to become larger businesses. The study concluded that even if DoD can justify bundling under the terms of the Small Business Reauthorization Act of 1997, it must also specify actions designed to support small business participation as subcontractors.

In their study to help the DoD achieve its small business contract spending goal for fiscal year 2003, Reardon and Moore (2005) compared DoD spending by industry and firm size with the data on industry and firm size in the U.S. economy to establish how prevalent small businesses are in different industries of interest to DoD. The research found that 51% of DoD spending is concentrated in 10 industries; of that 51%, the percentage of DoD spending on small business was only 17% of all spending in engineering services, 14% in facilities support services (industries with the lowest representation), and 1% in aircraft manufacturing. The study also suggested that reaching Congress's small business spending goal may be difficult for DoD to achieve due to the fact that the industries it buys from represent the unique nature of DoD's needs.

With regard to subcontracting opportunities for small businesses, the 2008 report from the DoD Office of the Inspector General reiterated the fact that Federal prime contractors are required by law and regulation to subcontract with small businesses whenever possible. Prime contractors who are awarded contracts over $650,000 are required to submit small business

subcontracting plans or suffer disqualification. Subcontracting plans have been reported as serving as multipliers of opportunities available to small business contractors.

While conducting an assessment of the regulations governing subcontracting requirements, a GAO (2015) report observes that Federal law and regulations require that contractors working with the Federal Government ensure that small businesses will have the maximum practical opportunity to receive subcontracting work. The report sought to assess the feasibility of using data in contract reporting systems to link small business subcontractors to particular prime contracts and to identify actions executive agencies are taking that might help facilitate linking small business subcontractors to prime contracts.

Also making a contributing on the barriers to small business contracting, Cox, Moore, and Grammich (2014) reviewed recent efforts by the Federal Government related to barriers faced by nontraditional defense suppliers (summarized in Table 1). They observed that small businesses had poor access to DoD customers/program offices, that DoD and prime contractors seem to prefer other-than-small contractors, and measures of effectiveness and performance are lacking for acquisition programs regarding their success at leveraging technology developed by small businesses. The study did not specify measures needed to determine the impact of poor access to DoD on contracting competition and small business participation.

Table 1 – Studies Performed on Barriers Impacting Small Business Participation in DoD

Study	Findings
Cox et al. (2014)	The study concludes that barriers to small business participation are largely due to cumbersome, lengthy, costly bidding and selection processes.
Dennis (1983)	Study asserts that barriers to small business participation arise during implementation of Federal procurement policies, regulations, and procedures.
2012 House Armed Services Committee Panel on Business Challenges in the Defense Industry	Small Business Administration's limit of $2 million per contract for surety bonds is often insufficient to be of use to small businesses contracting with the DoD

Perhaps the most critical of the barriers to contracting competition in DoD and other governmental agencies can be found in the comparative analysis made by Krieger (2015). The research compares contracting with the Federal Government and contracting in the commercial sector and notes that the most logical reasons why people or businesses contract with the Federal Government are (1) to leverage Federal Government research and development dollars for infusion into products and services, (2) patriotic inclinations, and (3) the fact that some products and services produced by the commercial sector (aircraft and other weapon systems) are consumed solely by the Federal Government. The study proceeds further by depicting the differences in Federal and commercial contracting requirements (Table 2).

Table 2 – Differences Between Federal and Commercial Contracting Requirements

Federal Government Contracting	Commercial Contracting/Subcontracting
To do business with the Federal Government requires a Tax Identification Number (TIN).	To do business with industry, a TIN is required for tax purposes only.
In addition to the TIN, a Data Universal Numbering System Number (DUNS Number) is required.	
Would-be contractors must go through the onerous and time-consuming process of entering their data into the System for Award Management (SAM)	
SAM data must be updated at least annually.	
Competition: FAR Part 6 implements the Competition in Contracting Act (CICA), which requires full and open competition. In the absence CICA, "The contracting officer must promote competition to the maximum extent practicable…" (FAR 13.104).	Competition: Businesses are not required to participate in a competition to be selected for contracted or subcontracted work.

Source: Adapted from Krieger, 2015

The barriers analyzed above are similar to the analysis made by Chandler (2014), who noted that DoD's acquisition policies often fail to attract bidders. Chandler argued further that DoD lacks sufficient understanding of business operational models and drivers of innovation, while consistently failing to appreciate the connection between policy, DoD buyer behavior, and results. The ultimate outcome is that competition rates continue to fall.

Time and funding availability could also constitute a barrier on efforts to institutionalize contracting competition at the DoD. Arena and Birkler (2009) argued that at almost every phase in the acquisition cycle, adding a second competitor requires current-year investment above what a sole-source would cost. The cost of competition rises to a pronounced level when the program

moves to the production phase, forcing a choice by leadership to either spend limited resources to promote/sustain competition, or expend the funds on fielding the weapon system capability to the warfighter. Arena and Birkler concluded by suggesting that while the use of competition in weapon system acquisition is widely advocated, savings are not always guaranteed. Their study does not address the cost of not promoting or sustaining competition on the small business industrial base in DoD; that cost is the loss of the savings that small businesses might bring to the table if competition is institutionalized in weapon system acquisition.

Competition in Defense Contracting and the BBP Initiative

Peterson (1988) defined competition broadly as a market condition in which two or more contractors are expected to submit bids or offers in response to a DoD procurement solicitation. The Department of Defense defines contracting competition rates as the total dollars competed for divided by the total dollars obligated at a specified period of time. Arena and Birkler (2009) also advanced the discussion on contracting competition with an assertion that the use of competition in weapon system acquisition is widely advocated in policy statements and widely reflected in requirements issued by Congress, the Office of Management and Budget, the Department of Defense, and the military Services. The generally accepted belief is that competition during the production phase of the acquisition system will drive the unit cost of a system or subsystem down and reduce overall procurement cost to the Government. Such cost reductions and or control during weapon system acquisitions are consistent with the broad goals of the BBP initiative.

In a similar observation made in a GAO (2012) report, the Office of Management and Budget noted that competitions that yield only one offer in response to a solicitation deprive agencies of the ability to consider alternative solutions in a reasoned and structured manner. The

GAO report further asserted that under the BBP policy, such competitive procurements that receive only a single offer (even when publicized using the full and open competition concept) are deemed ineffective. The BBP initiative specifically outlined a series of actions and directives to achieve greater efficiencies by promoting competition:

- Presenting a competitive strategy at each program milestone for defense acquisition programs
- Removing obstacles to competition
- Establishing rules for the acquisition of technical data rights

An essential reason why competition is so critical in the DoD acquisition efforts was reiterated in the guidelines from the U.S. Department of Defense, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (2014). The guidelines asserted that competition, when implemented effectively, may serve as the most effective motivator for industry to reduce costs and improve performance. The guideline further highlighted that it is only through real competition that capable small businesses are able to enter new markets. The guideline emphasizes seven points about the importance of competition in defense contracting:

1. Competition creates an incentive for contractors to provide goods and services at a lower price (economic efficiency).
2. Competition spurs innovation of transformational technologies, which allows the DoD to field the best weapon systems for our warfighters quickly.
3. Competition yields improvements in the quality of products delivered and services rendered (firms that turn out low quality are driven out of the market and are unable to compete effectively).

4. Competition affords the DoD the opportunity to acquire performance improvements (e.g., faster, lighter, more sustainable) by using “best value” source selection criteria.
5. Competition provides opportunities for capable small businesses to enter new markets.
6. Competition enhances (or maintains) a strong defense industrial base, which provides an operational surge capability to handle demand spikes.
7. Competition curbs fraud by creating opportunities to re-assess sources of goods and services, reinforcing the public trust and confidence in the transparency of the Defense Acquisition System.

In an effort to achieve a successful implementation of the BBP policy on competition, Kendall (2013) issued a memorandum reiterating that a competitive environment is DoD’s most effective tool to motivate industry in delivering cost-effective solutions for the Department; a competitive environment should be created and maintained through direct and indirect means. The policy implementation directive suggests that the strategies to be considered include open systems architecture, competitive prototyping, dual sourcing, and competition at the subsystem level.

The GAO (2012) also emphasized requirements of the Competition in Contracting Act of 1984 that agencies should obtain full and open competition through the use of competitive procedures in their procurement activities. Using full and open competition to award contracts means that all responsible sources or prospective contractors that meet certain criteria are permitted to submit proposals. The report further observed that although full and open competition is required, agencies can competitively award contracts after limiting the pool of

available contractors. Agencies are also required by law to set aside procurements for competition among small businesses.

McManus (1991) analyzed the cost perspective of competition and the perception of businesses toward government purchasing practices and found that contracting is one of the most popular forms of cost containment used by governments at all levels. It is, however, evident that businesses are skeptical about selling products and services to the Federal Government; for the Federal Government to benefit from contracting, genuine competition for Government contracts must exist. McManus argued that if a significant proportion of the business community does not perceive that Government procurement is competitive, vendor pools will not expand, competition will not increase, and Government will not realize the cost savings that should accrue from contracting efforts.

In a contrarian observation, Kovacic and Smallwood (1994) noted that a decline in the demand for an industry's output creates excess capacity under the standard competitive model. The U.S. Government has a vital interest in preserving capabilities needed to develop new, advanced weapon systems while supporting existing systems. The observation implies that the DoD should foster an environment in which a sufficient number of financially healthy contractors survive. It may be counterproductive for the Nation and DoD to induce a period of destructive competition with an ultimate capability of shrinking the industry. Kovacic and Smallwood suggested that the policy challenge for DoD and the Nation is to balance the necessity of industry consolidation with the advantages of competition.

Small Businesses Entering New Markets

One of the primary and conventional ways by which small business entities enter new markets in the DoD/Department of the Army acquisition efforts is through well-executed market

research. The U.S. Department of Defense, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (2014) provides direction by which the DoD can facilitate a continuous competitive environment throughout the life of a program, Program offices and weapon system acquisition professionals should conduct thorough market research to understand the landscape for competition and use small business set-aside authority whenever market research indicates it is feasible. A critical purpose of set-aside authority is to promote and sustain a healthy competitive industrial base, since a strong small business industrial base enables competitors to serve at the prime or subcontracting level.

In a similar argument, Kendall (2014) asserted that small businesses remain one of DoD's most productive sources of innovation. Active oversight and management of small business goals, including data metrics, effective market research, and appropriate communications, are required to ensure an awareness of the capabilities presented by small businesses for DoD's needs.

Research has also shown that the easiest way for small business entry into the DoD contracting field is through mandates stipulated by executive agencies. According to a GAO (2007) report, Congress, in its desire to help small businesses participate in DoD acquisition, established a goal of awarding 5% of the amount contracted by DOD to small businesses. The report however stated that the 5% goal was not met in the years following the policy implementation. Large DoD prime contractors attributed the failure of the policy on the dearth of qualified small businesses with a capacity to serve as subcontractors. The GAO report also noted that as a result of the shortcomings of the Congressional effort, the National Defense Authorization Act for fiscal year 1991 established the Mentor-Protégé Program. The purpose of the program is to provide incentives for major DoD contractors to furnish small businesses with

assistance designed to enhance their capabilities and increase their participation as subcontractors and suppliers.

Another mechanism by which small businesses can enter the DoD acquisition market was highlighted in the GAO (2014b) report. To compete in the global economy, the United States relies heavily on innovation through research and development. To meet such needs, Congress enacted the Small Business Innovation Development Act of 1982. The program seeks to stimulate technological innovation and use small businesses to meet Federal technology needs. The report notes however that information on technology transition outcomes for the SBIR projects is limited due to inadequate data and concept definition.

Cox et al. (2014) concur with the analysis made in the GAO (2014) report, observing that the DoD seeks innovative technologies to help it stay on the cutting edge of warfare, while identifying new ways to reduce total cost during weapon system acquisition. Suppliers with prospective cutting-edge products and or services for the Department may be new to the defense marketplace, and consequently face an uphill battle to enter the new market.

Open Systems Architecture and Contracting Competition

According to a report from the GAO (2014b), the focus on open systems architecture and acquisition of effective types of data rights, is changing the way DoD acquires goods and services. The current trend is that weapon systems are moving away from dependency on single-source suppliers for parts, maintenance, or upgrades and moving toward open systems. Since the BBP initiative emphasizes behaviors that promote competition, use of open systems architecture and effective management of data rights has resulted in more competition. The GAO report concludes that even though DoD's goal is to increase competition annually and strengthen

competition in its acquisition of products and services, many of the justifications for sole source awards were due to a lack of technical data rights.

The need to promote competition in weapon systems acquisition was also highlighted in the argument made by Guertin and Hurt (2013) that the driving message behind the BBP initiative is to expand utilization of the open systems architecture so it will serve as the pillar for promoting effective competition. The authors argued further that the critical enabler for open architecture is the capability to leverage collaborative innovation while using numerous participants to achieve shared risks and a reduction in total ownership cost.

Conclusion of the Literature Review

One of the principal tenets of the BBP initiative is to promote effective competition to achieve an emphasis on competition strategies, enforce open systems architectures, and increase small business roles and opportunities in new markets. These goals and objectives have remained consistent throughout the iterations BBP, from 1.0 to the current 3.0 guideline.

Research has shown that contracting competition in defense system acquisitions has a direct impact on the industrial base that includes small businesses with capacities to serve as primes or subcontractors. There is currently no literature that assesses the effect of the BBP initiatives on small business participation as a result of the direction to (1) increase competition during weapon system acquisition, and (2) increase the entry rate of small business into new markets.

Inputs from the small businesses affected by the BBP initiatives will be sought to validate or invalidate the hypothesis proposed in the study. The next chapter will discuss the methodology utilized:

R1: How does the BBP initiative affect small business participation in the Department of the Army acquisition efforts?

R2: How does the BBP initiative affect the entry rate of small businesses into new acquisition fields at the Department of the Army?

R1 examines the direct impact that an increase in contracting competition will have on the participation of small businesses during weapon system acquisition. R2 investigates the rate at which small businesses are able to enter new markets.

Chapter 3 – Research Methodology

This section covers the methods and processes used in obtaining inputs from small business entities. The inputs sought were designed to document their understanding of the BBP initiative to increase contracting competition and small business entry rate into new markets, and of the initiative's impact on the participation of such businesses in the Department of Army acquisition efforts. The information was collected using an electronic questionnaire, and it provides valuable feedback on how small business participation can be improved through effective implementation of the BBP initiative. The study will also help propagate the focus on the ways and means required to institutionalize contracting competition and expanded market research initiatives within the DoD.

Research Hypothesis

- H1: An increase in contracting competition in the Department of the Army acquisition effort will result in an increase in small business participation.
- H2: An increase in contracting competition influenced by the BBP initiative will result in an increase in the rate of entry into a new area of contracting by small businesses.

Research Process

A stratified random sample of small businesses was extracted from the FPDS-NG. Two primary filters were used: (1) small businesses that had a current contracting relationship with the Department of the Army, and (2) small businesses that had a contracting action or activity with the Department of the Army between 2009 and the present, since the focus of the research was specifically on how the BBP initiative has affected small businesses during Department of

the Army acquisition efforts (the BBP initiative was implemented in 2010). The survey was sent to a sample of 350 small businesses extracted from the FPDS-NG.

The survey questionnaire administered to the small business entities consists of 17 primary questions. It focused on obtaining the following information from the randomly selected small businesses:

- Demographics
- Level of familiarity of small businesses with the BBP initiative
- Small business perspective on current trends associated with contracting competition rates in the Department of the Army since the BBP initiative was implemented in 2010
- An understanding of how the BBP initiative may enable new small businesses to enter new markets

Data Collection

Response data collected from the Small Business questionnaire using the SurveyMonkey web tool was downloaded into an Excel spreadsheet and PowerPoint slides for figure generation and processing. The questionnaire was designed to use 17 primary questions with a main focus on the variables of interest to the research.

After the questionnaire was created using the SurveyMonkey tool, the distribution list containing the stratified random sample of small businesses selected from the FPDS-NG was inserted into the web-based distribution tool. The survey questionnaire was sent to participants and a follow-up reminder after 2 weeks of the initial delivery. The deadline for responses was 3 weeks.

Chapter 4 – Findings

The data collected with the survey questionnaire is used to present the findings of the research in the following sections:

1. Participant profile/demographics
2. Familiarity of small businesses with the BBP initiatives
3. Assessment of the impacts of increased contracting competition efforts being institutionalized through the BBP initiative.
4. Assessment of the entry rates of small businesses into new acquisition markets directly attributed to the BBP initiative

Section 3 is structured to provide data on the first hypothesis (H1), that an increase in contracting competition will result in an increase of small business participation during acquisition efforts at the Department of the Army. Section 4 provides data on the small business entry rates into new markets stated under hypothesis H2.

Population and Sample Size

The survey questionnaire consists of 350 small business organizations obtained from the stratified random sampling of the FPDS-NG. Response rate was 33.14%, with 116 responses received from the small businesses surveyed. The relevant demographic information requested for the study was ownership background (woman-owned, veteran-owned, minority-owned, Native-American-owned) business operation area (product, services, or both), position in the small business organization, length of contracting relationship with the Department of the Army, and current enrollment in the Mentor-Protégé Program. Responses are depicted in Figures 3 through 7.

Section 1: Participant Profile/Demographics

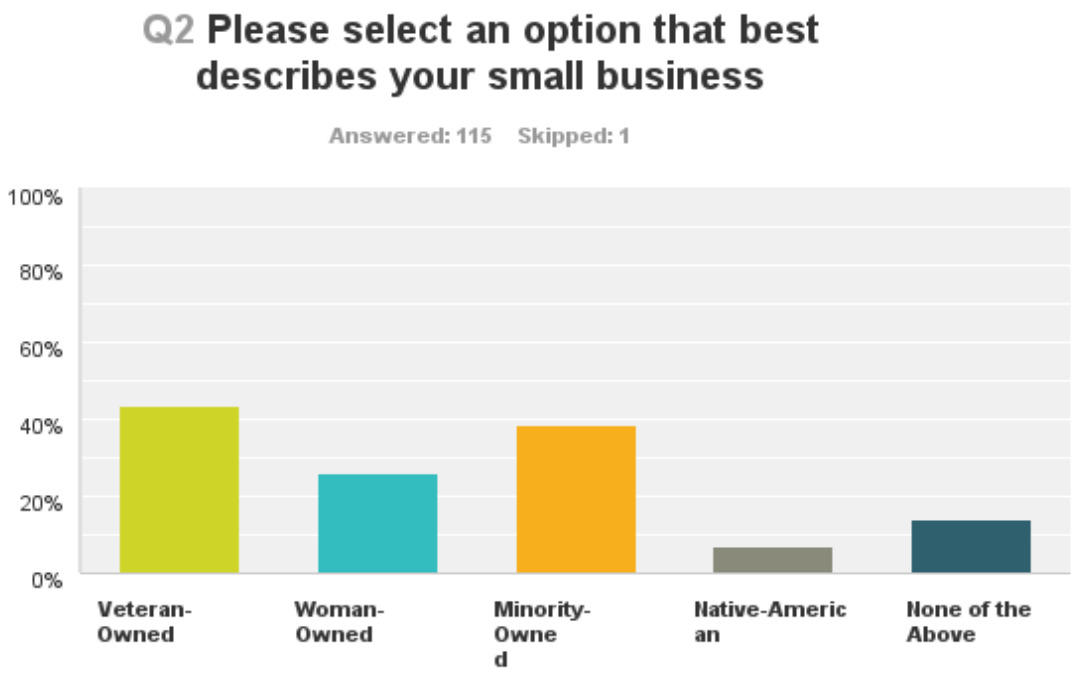

Figure 3 – Small Business Ownership Background

Respondents who self-identified as veteran-owned small businesses were 43.50%, minority-owned were 38.30%, woman-owned were 26.10%, and Native American were 6.96%, while 13.90% responded that they were not a part of the categories listed above. It could be inferred from the responses (Figure 3) that a substantial number of small businesses having a contracting relationship with the Department of the Army or other U.S. Army agencies are either owned by a veteran or a minority (when combined, these accounted for 81.80% of respondents).

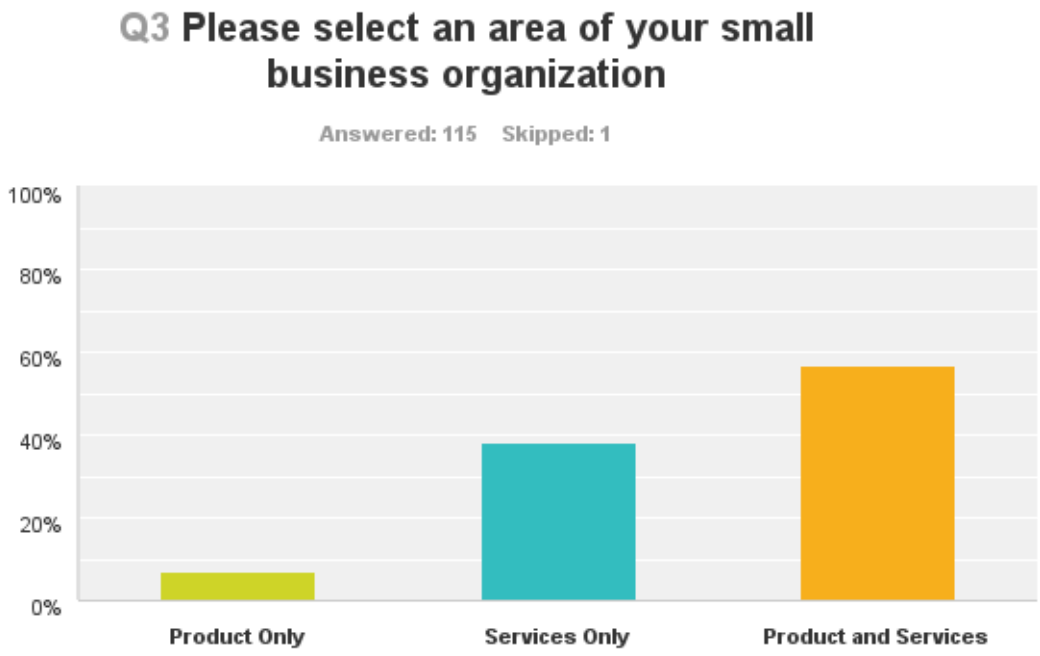

Figure 4 – Small Business Field of Operation

With regard to the business profile/background of the small businesses surveyed, only 7.00% of respondents (Figure 4) operated in the product-only field, 38.30% were services only, and the majority (56.50%) operated in both lines of contracting acquisition with the Department of the Army/other U.S. Army agencies. Since most of the weapons systems developed and procured by the Department of the Army fall in the hardware category, the low number of small businesses engaged in product-only acquisition needs to be addressed.

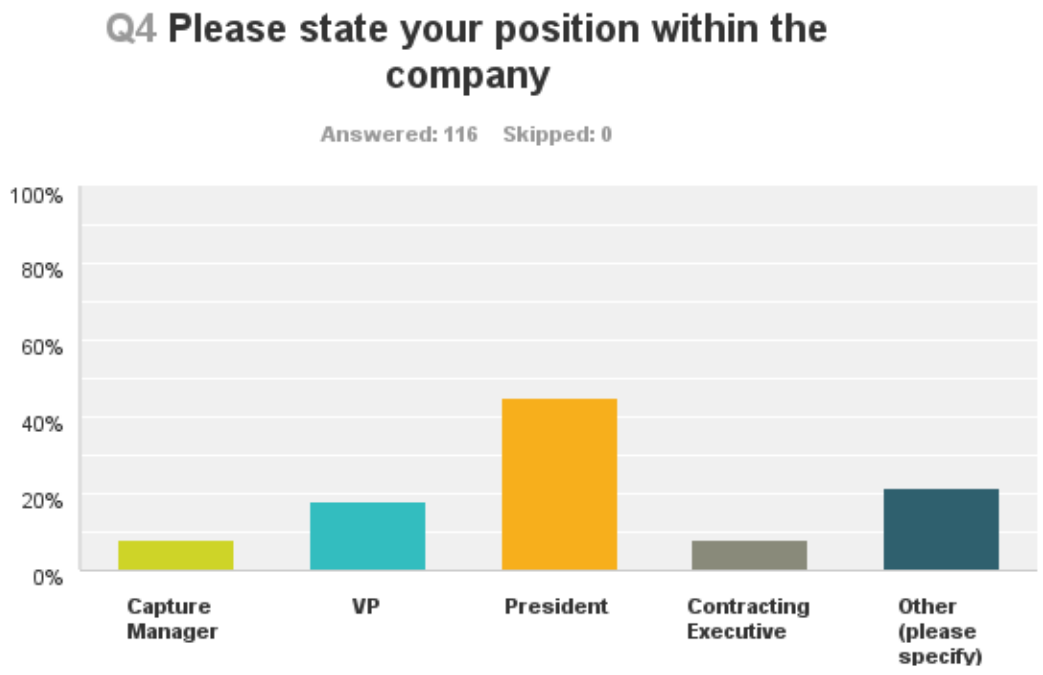

Figure 5 – Position of Respondents Within the Small Business Entity

The majority (44.80%) of respondents to the survey identified themselves as the president/CEO of the company. Other positions (21.60%) not listed on the survey questionnaire cited on behalf of the small business entity include manager bids/contracts, sales coordinator, proposal coordinator, business development officer, contract specialist, lead generation specialist, procurement analyst, IT manager, office manager, operating general manager, sales/government point of contact, and managing director. The results displayed in Figure 5 could be viewed as being consistent with the general thought that small businesses operate in a dynamic fashion when it comes to human resource utilization.

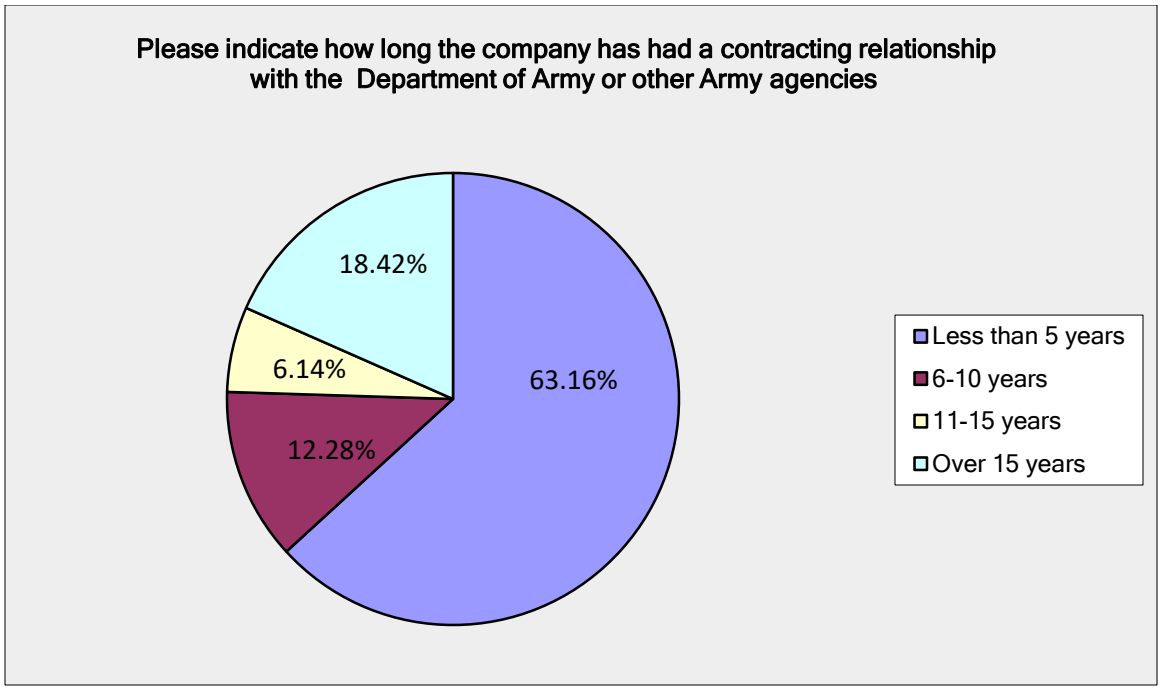

Figure 6 – Length of Contracting Relationship

A substantial number of respondents (63.16%; Figure 6) indicate their small business organization had less than 5 years of a business or contracting relationship the Department of the Army or other Army agencies. The result indicates that these respondents established a business or contracting relationship with the Department of the Army during the same time frame (starting in 2010) that the BBP initiative was implemented by Carter and Kendall to promote effective competition and improve small business participation. The average or mean years of contracting relationship for all respondents in the survey was 1.8 years.

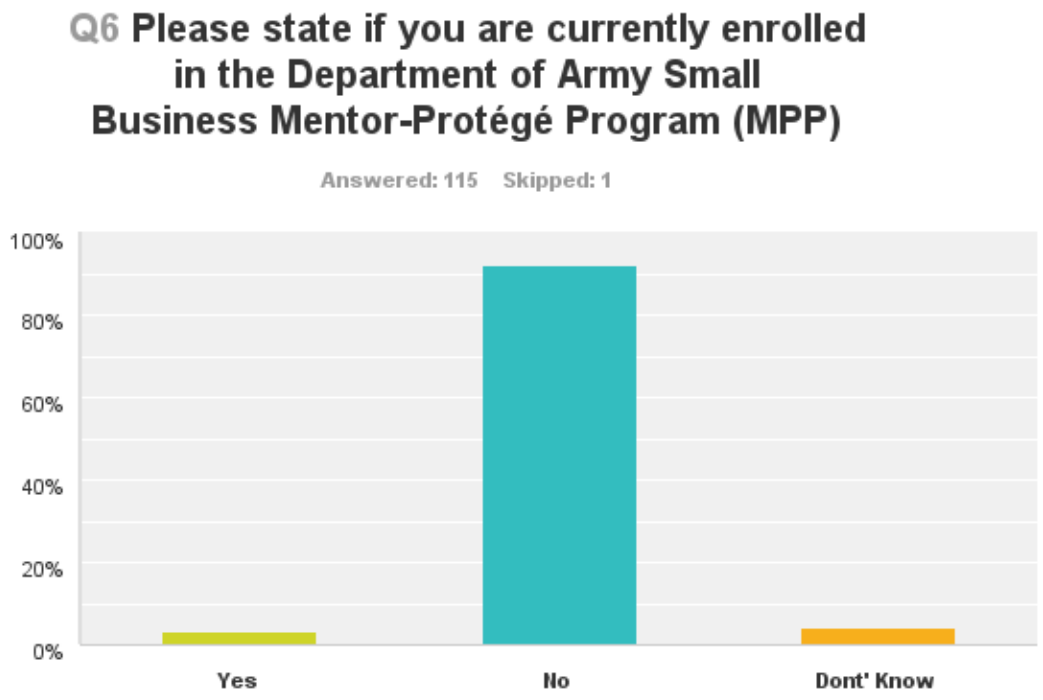

Figure 7 – Enrolment in Small Business Mentorship Developmental Program

An overwhelming number of respondents (92.20%) indicated they were not enrolled in the Department of the Army Mentor-Protégé Program. As shown in Figure 7, the results were good for the study since it eliminates the possibility that another program, other than the BBP initiative, had a significant impact on small business participation.

Section 2: Familiarity of Small Businesses with the BBP Initiatives

As observed in other acquisition reform initiatives, familiarities with programmatic objectives are sometimes used in efforts to measure effectiveness of the intervention. Analysis showing the familiarity with the BBP initiative and its perceived effectiveness on small business participation is depicted in Figures 8 and 9.

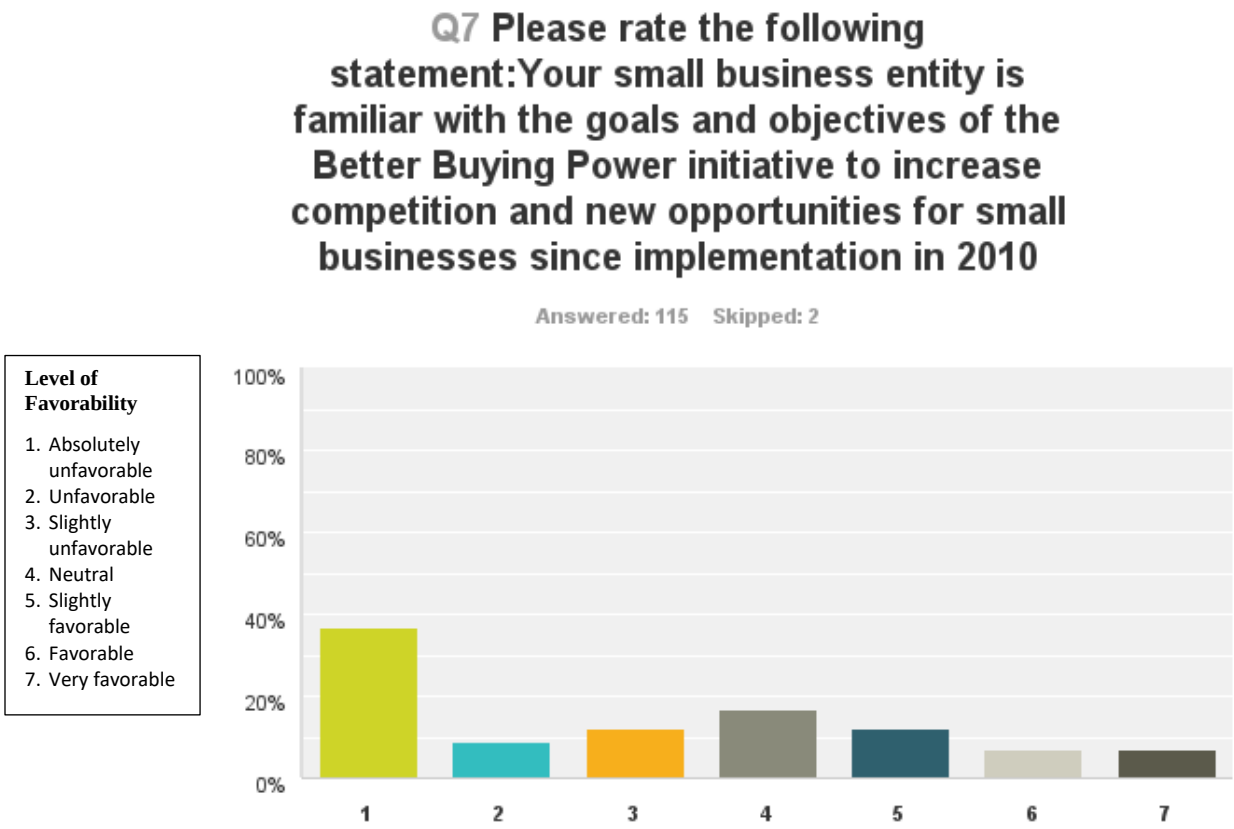

Figure 8 – Familiarity with BBP Core Focus to Increase Competition and New Opportunities for Small Business

With regard to the small business familiarity (Figure 8) with the BBP goals and objectives since implementation in 2010, 36.84% of the respondents rated familiarity as least favorable (1 on the 7-point scale), with the average or mean being a 3 or slightly unfavorable. The results indicate that approximately 57.90% of the small businesses that responded to the survey were not familiar with the goals and objectives of BBP to increase competition and new opportunities for small businesses.

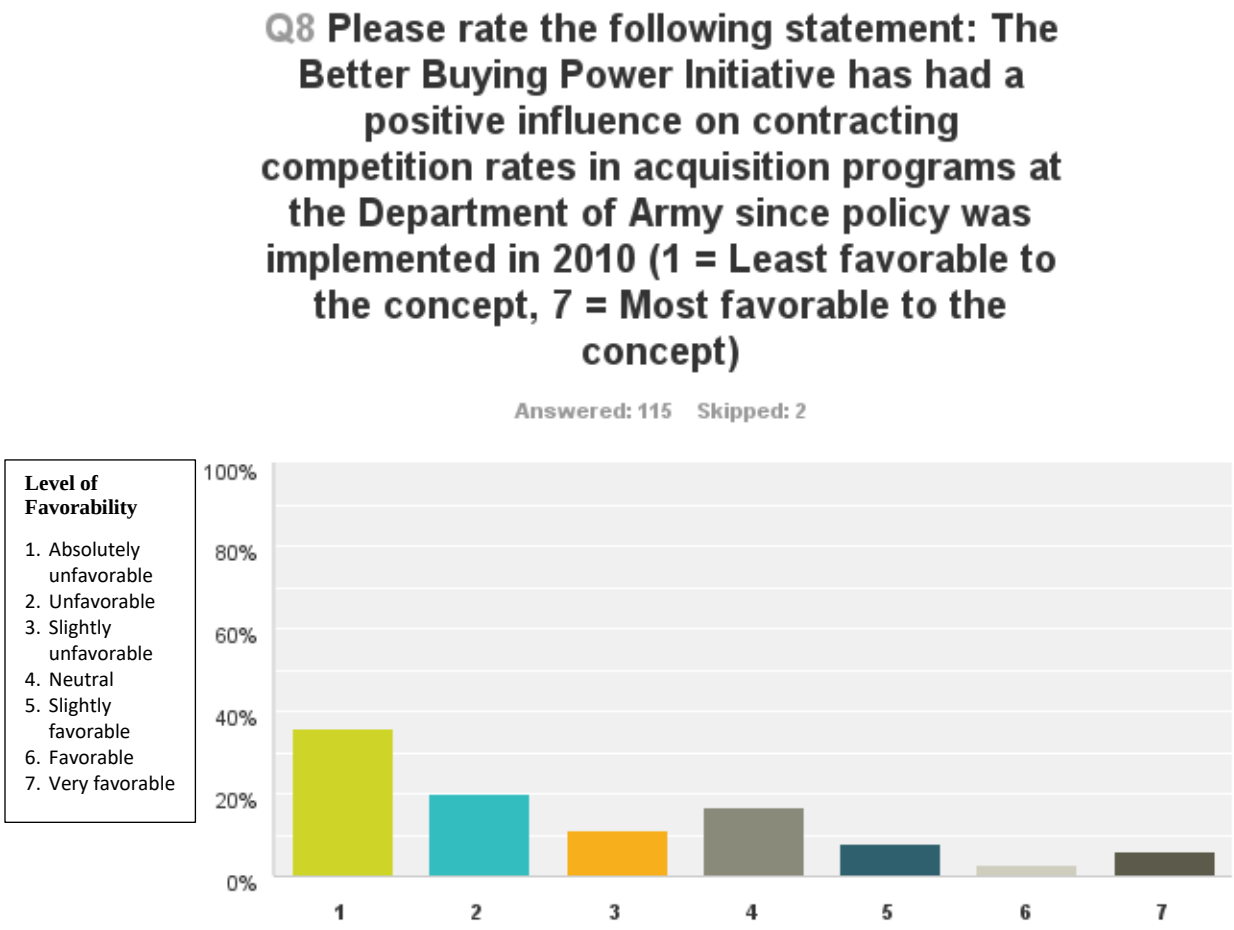

Figure 9 – BBP's Positive Influence on Competition Rates at the Department of Army and Other Army Agencies

On the topic of BPP having a positive influence on contracting competition rates at the Department of the Army or other Army agencies since implementation in 2010, the cumulative percentage of respondents (Figure 9) who rated the positive influence as slightly unfavorable or worse was 67.54%. The cumulative value of the unfavorable rating observed on the chart also reinforces the mean or average value of the respondents as a 2.71 on the 7-point scale.

Section 3: Assessment of the Impacts of Increased Contracting Competition Efforts

The contracting competition variable measured in the study is represented in Figures 10 and 11.

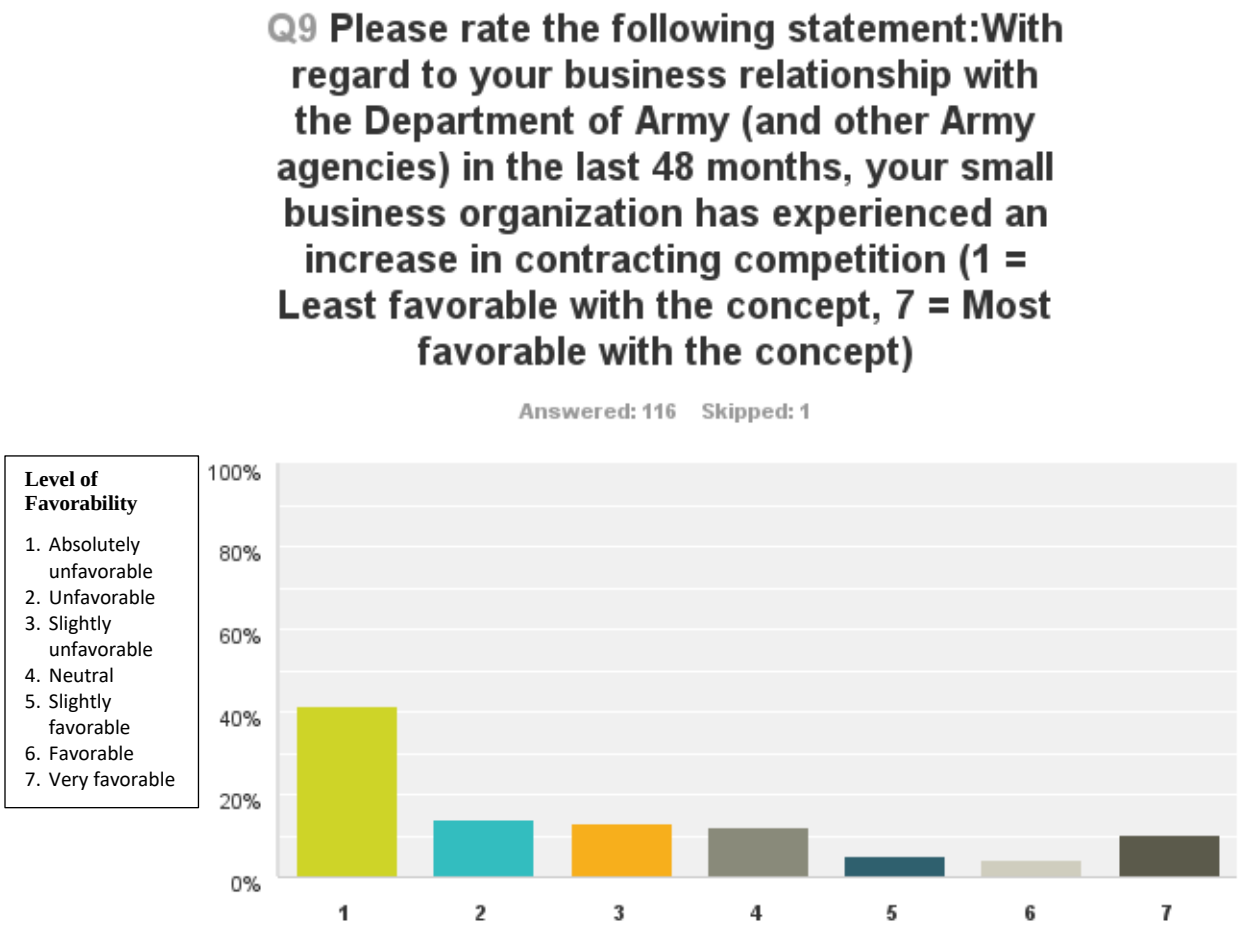

Figure 10 – Actual Experience of an Increase in Contracting Competition by Small Businesses Due to BPP

When asked from an experiential basis whether they had observed an increase in contracting competition during acquisition efforts at the Department of the Army or other Army agencies since the BBP initiative was implemented in 2010, 41.74% responded as a 1 (absolutely unfavorable), 13.91% as a 2 (unfavorable), and 13.04% as a 3 (slightly unfavorable; Figure 10). The average or mean selection of respondents was 2.78 on the 7-point scale.

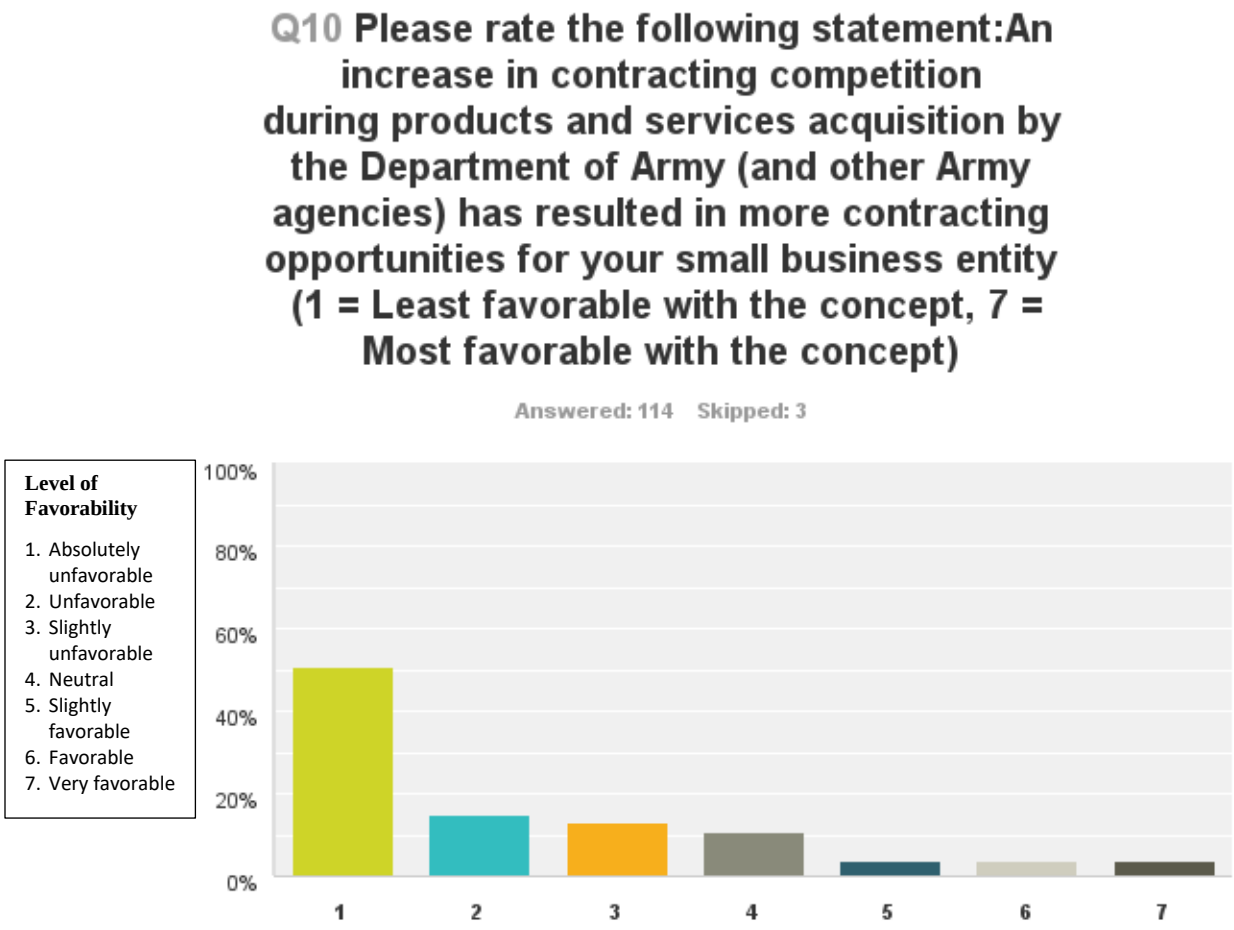

Figure 11 – BPP Increased Contracting Competition and Subsequently Increased Business Opportunities for Small Business Entities

To further establish the relationship between an increase in contracting competition and the new business opportunity variable, respondents were asked whether an increase in one (contracting competition) has resulted in more opportunities for small businesses (Figure 11). The majority, 79.64%, selected favorability factors 1 through 3 (i.e., either absolutely unfavorable, unfavorable or slightly unfavorable). The average or mean selection on the 7-point scale was 2.23, which is also below the "slightly unfavorable" mark on the scale.

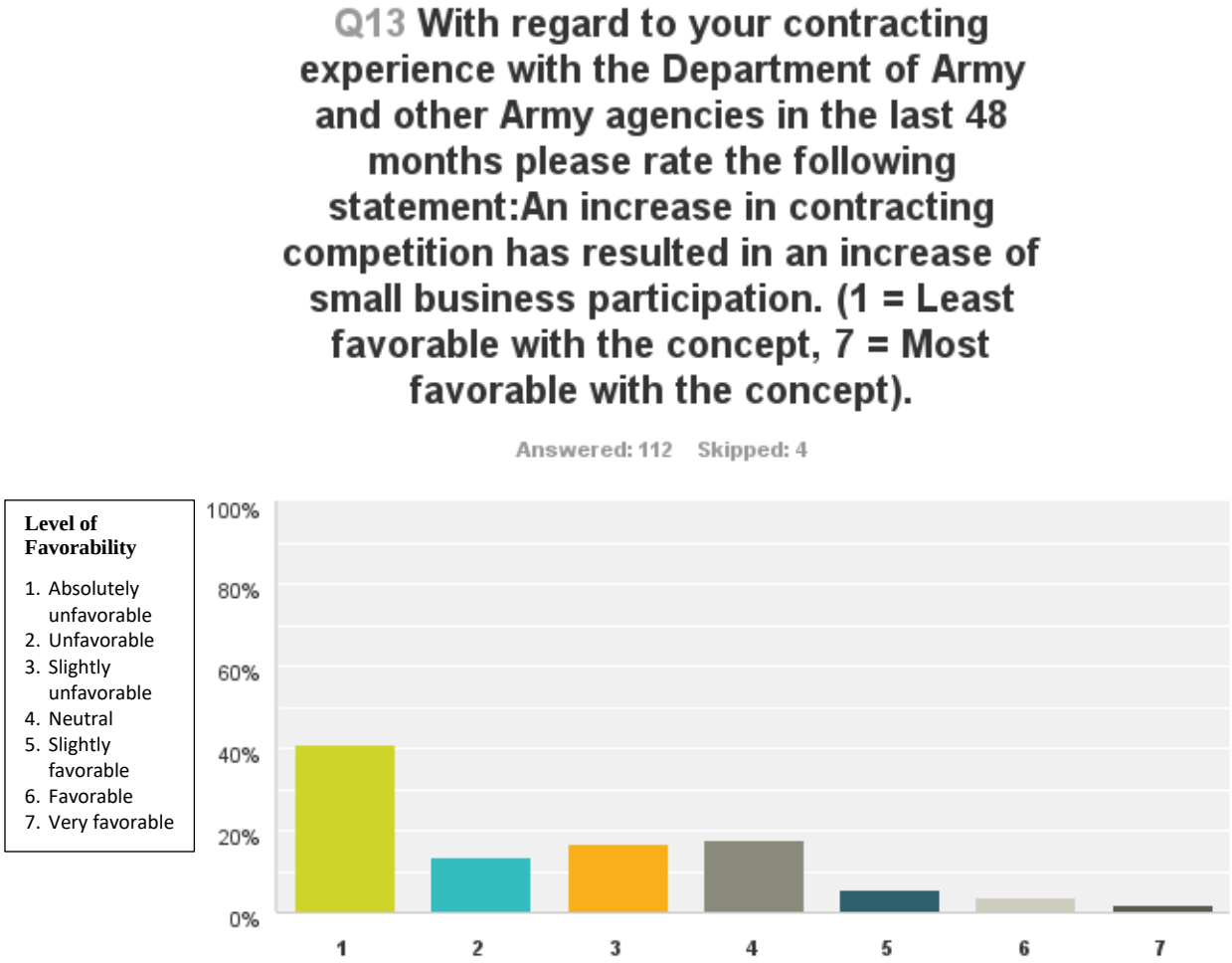

Figure 12 – Contracting Competition and Its Impact on Small Business Participation

With regard to small business participation, the hypothesis in the study proposes that as contracting competition increases, participation also increases. The respondents (Figure 12) were asked based on their contracting experiences with the Department of the Army or other Army agencies, whether an increase in contracting competition has resulted in an increase of small business participation since the BBP initiative was implemented. The results indicate that over 70.00% of the respondents hold the view that contracting competition being promoted by the BBP initiative has not translated to an increase in small business participation.

Section 4: Assessment of the Entry Rates of Small Businesses into New Acquisition Markets

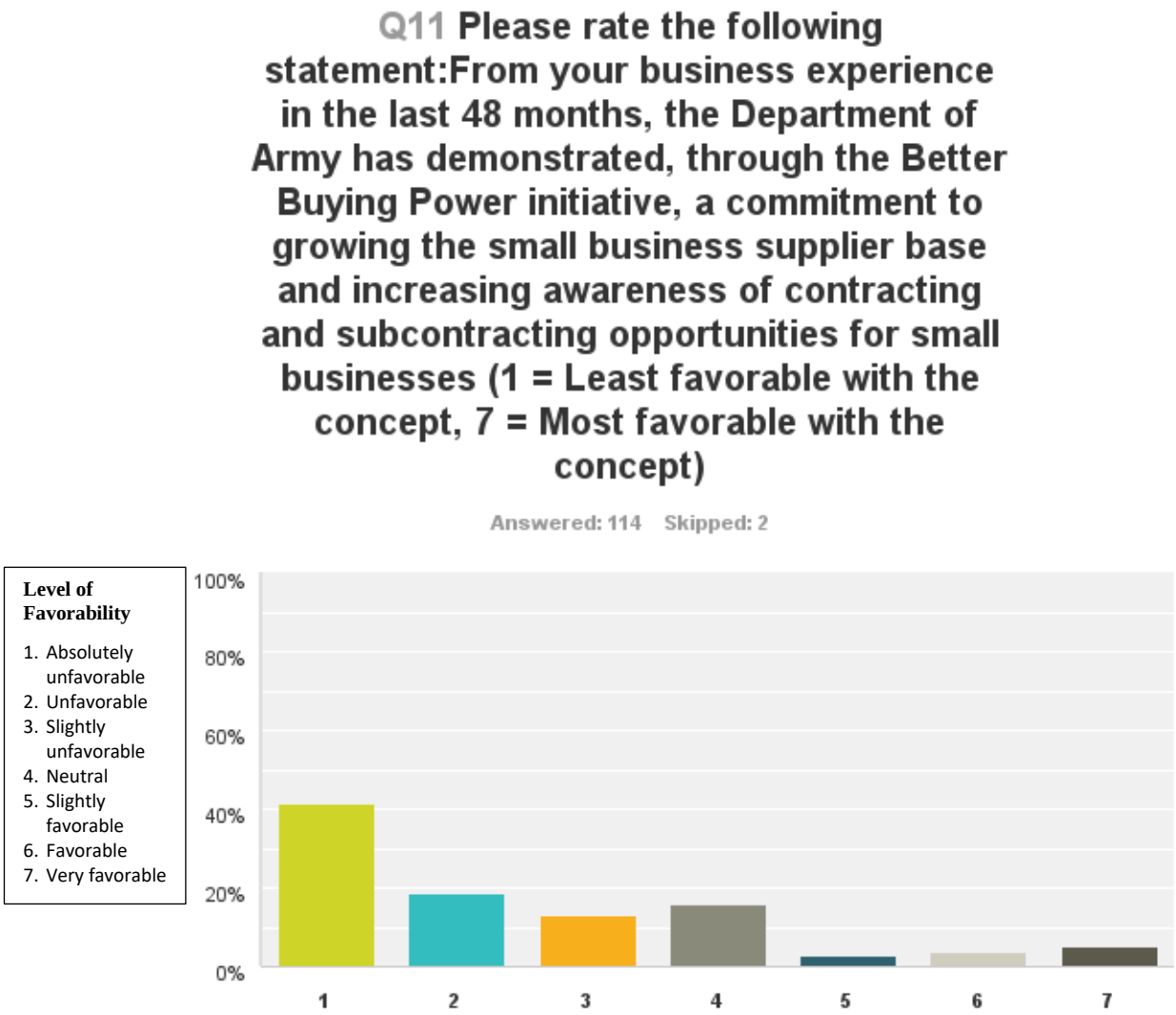

Figure 13 – BBP Has Resulted in Growth of Small Business Supplier/Industrial Base

With the objective of increasing small business participation and expanding the industrial base, the BBP initiative directed Contracting Officers in the DoD to make commitments that grow the supplier base. The majority of respondents (72.81%) to the survey reported that the BBP initiative goal of growing the small business industrial base since implementation was unfavorable (Figure 13).

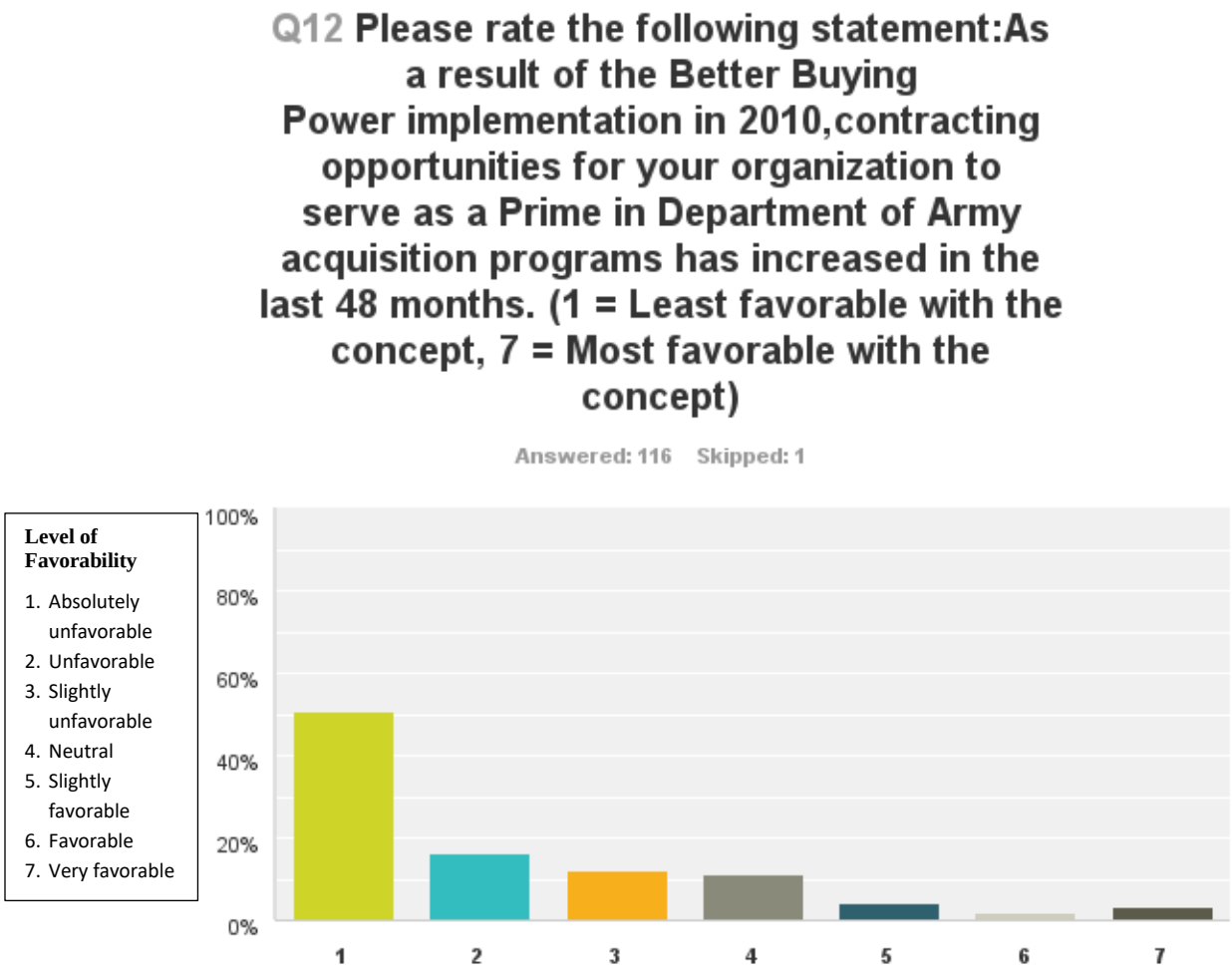

Figure 14 – Increase in Contracting Opportunities for Small Businesses to Serve as a Prime

Also from an experiential perspective, a glaring majority of respondents to the survey or (79.99%) regard as unfavorable the BBP initiative to increase contracting opportunities leading to small businesses becoming prime contractors (Figure 14). An average or mean of 2.18 on the 7-point scale indicates the belief by the surveyed small businesses that opportunities to serve as prime contractors may not be realized due to an increase in contracting competition rate.

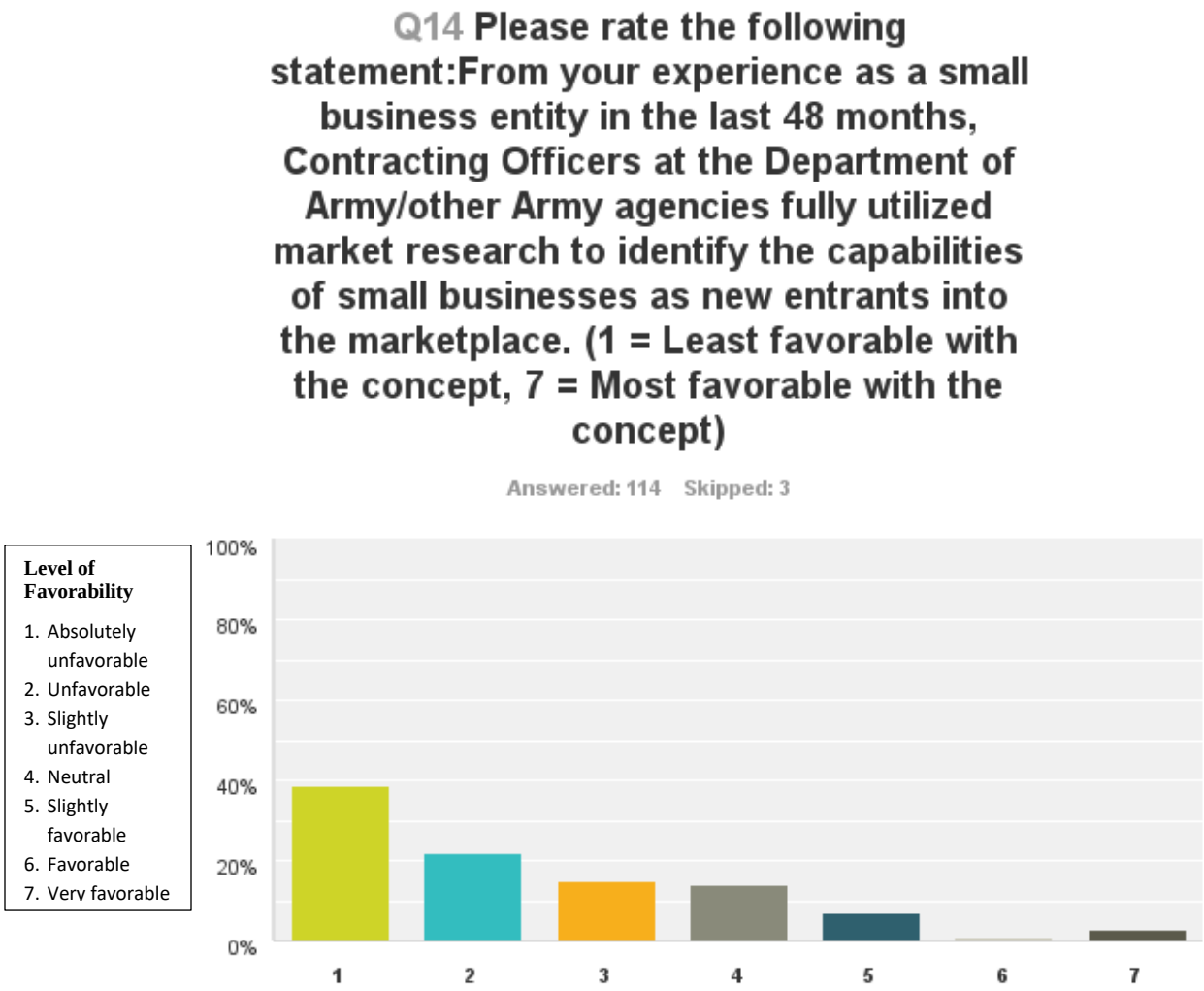

Figure 15 – Increased Use of Market Research Requirements Due to the BBP

The use of market research is critical to the entire acquisition process at the Department of the Army/DoD due to its capability to affect competition directly. Market research is also a key focus of the BBP initiative, because the general perception is that as market research efforts are increased, more small businesses are identified or stimulated to participate in the acquisition process. As shown in Figure 15, 76.10% of respondents did not agree that contracting officers at the Department of the Army and other Army agencies are utilizing market research as a tool to increase contracting competition.

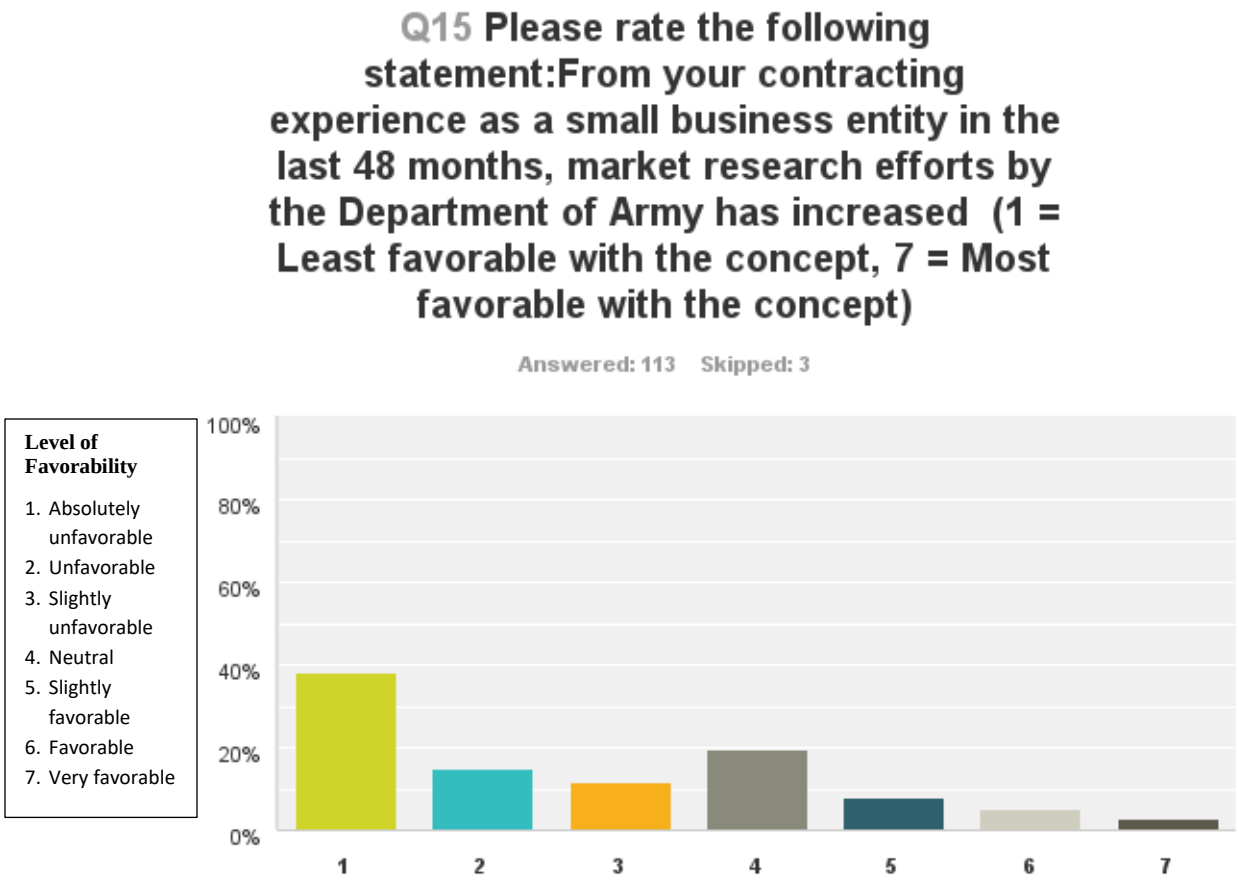

Figure 16 – Small Business Experience with Market Research Efforts

With regard to actual experiences with market research efforts being promoted by the BBP initiative, 64.59% do not see an increase during acquisition efforts at the Department of the Army and other Army agencies (Figure 16).

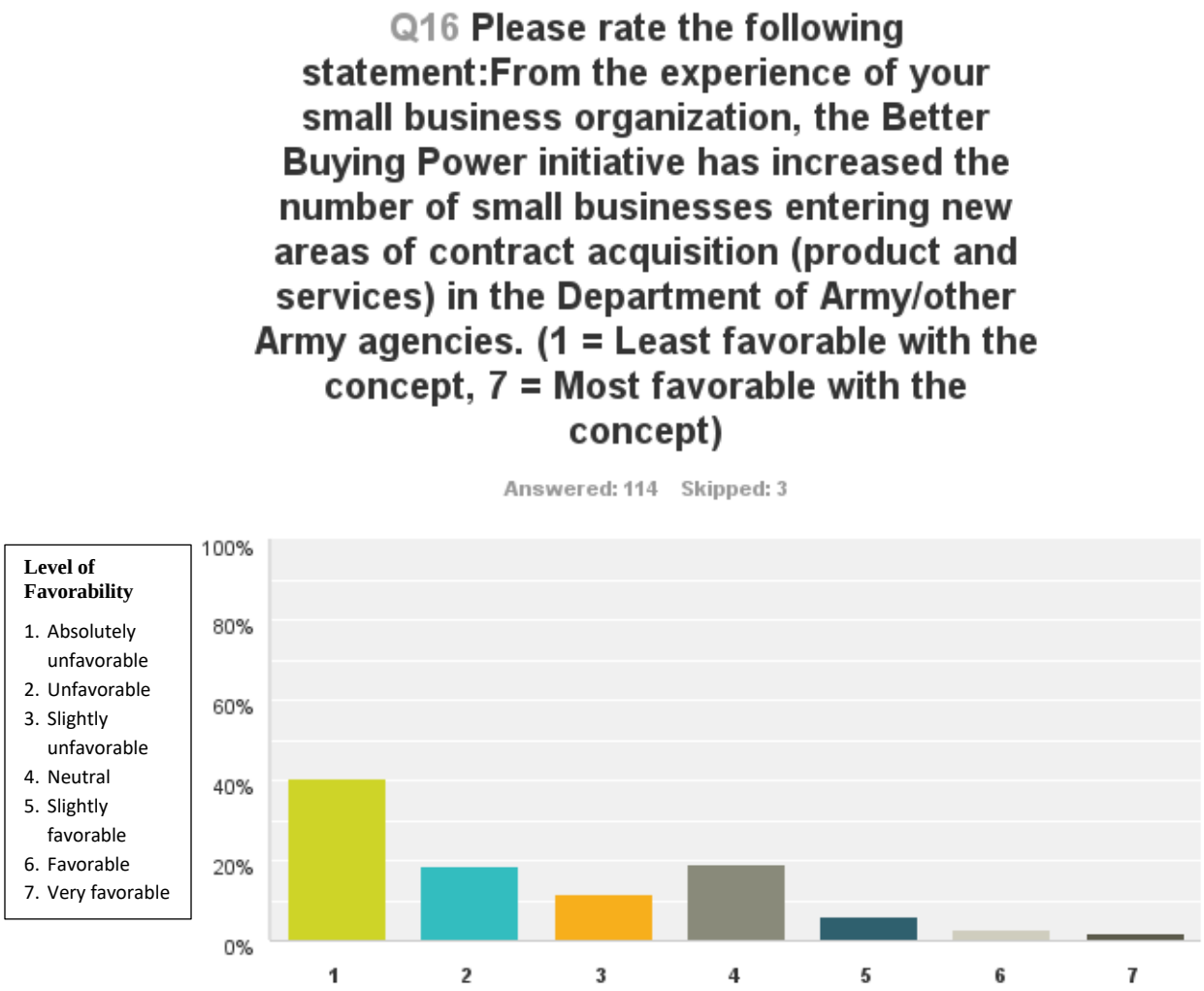

Figure 17 – Entry into New Markets Due to BBP

Another core element of the BBP initiative is to promote innovation and increase entry of small businesses into new markets (products and or services). The general premise is that the higher the entry rate of small businesses into new markets, the larger the industrial base growth, and consequently a higher rate of contracting competition is achieved. However, 70.79% of the small business respondents recorded an unfavorable rating (Figure 17) about whether the BBP initiative has facilitated an increase in the entry of small businesses into new markets.

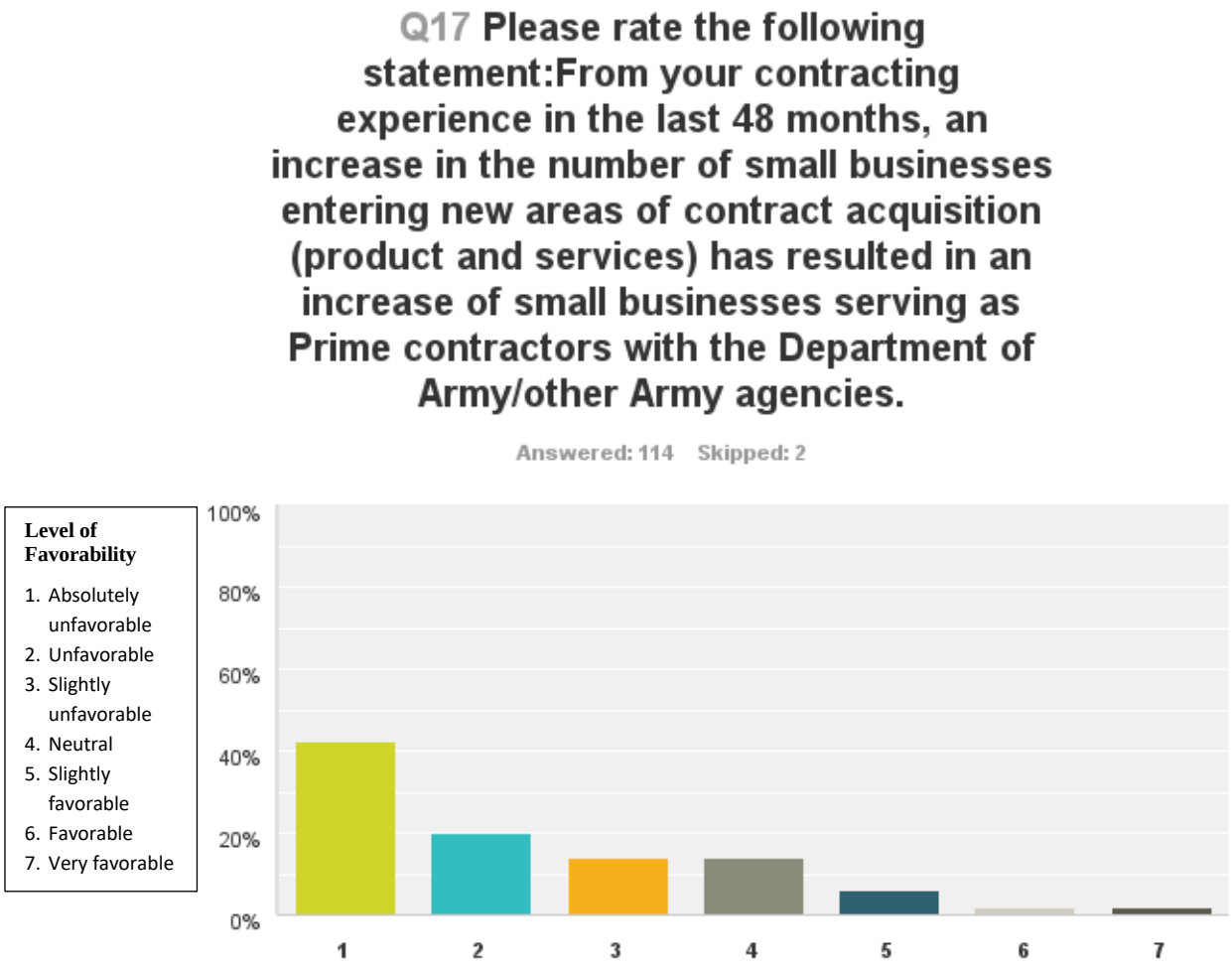

Figure 18 – Small Business Entry into New Markets as Primes

Figure 18 shows how respondents view the impact of the BBP initiative in facilitating participation of small businesses as prime contractors during acquisition efforts at the Department of the Army and other Army agencies.

Chapter 5 – Conclusions and Recommendations

The objective of this research was to improve the understanding of the BBP initiative with a focus on contracting competition and small business participation during the acquisition of products and services in the Department of the Army and other Army agencies, and of the relationship between small business entry into new markets and contracting competition rates. The data obtained to answer the study's research questions and hypotheses, will provide a valuable resource for the implementation of the BBP initiative and an understanding of its impact on small business participation.

Hypothesis 1

H1: An increase in contracting competition in the Department of the Army acquisition effort will result in an increase in small business participation.

The data used to test the hypothesis are contained in section 3 of chapter 4. The following measures/factors were used to test the hypothesis: (a) actual experience of an increase in contracting competition by small businesses due to the BBP initiative, (b) BBP initiative increased contracting competition and subsequently increased business opportunities for small business entities, and (c) contracting competition and its impact on small business participation. An aggregate mean or average of the three measures or factors should provide a reasonable indication of how the BBP influence on contracting competition has affected small business participation during acquisition efforts at the Department of the Army and other Army agencies. Actual experience of an increase in contracting competition by small businesses due to the BBP initiative had a cumulative unfavorable rating of 68.69% (mean response was 2.78); the disposition that the BBP initiative increased contracting competition and subsequently increased business opportunities for small business entities had a cumulative unfavorable rating of 79.64%

(mean response rate of 2.23), and the perceived impact of contracting competition on small business participation had a cumulative unfavorable rating of 70% (mean of 2.53). An aggregate average mean of the three factors was calculated to be 2.51, which falls in the unfavorable rating margin of the 7-point scale. This leads to the conclusion that H1 is untrue.

Hypothesis 2

H2: An increase in contracting competition influenced by the BBP initiative will result in an increase in the rate of entry into a new area of contracting by small businesses.

The data used to test the hypothesis are contained in section 4 of chapter 4 (Figures 13 through 17). The following measures/factors were used to test the hypothesis: (a) implementation of the BBP initiative has resulted in growth of small business supplier/industrial base, (b) observed increase in contracting opportunities for small businesses to serve as a prime contractor, (c) increased use of market research requirements due to the BBP initiative, (d) small business experience with market research efforts, and (e) entry into new markets due to the BBP initiative. An aggregate mean or average of the five measures or factors listed above should provide a reasonable indication of how the BBP initiative has influenced the entry rates of small businesses into new acquisition markets. The impact of the BBP initiative on the growth of small business supplier/industrial base recorded a cumulative unfavorable rating of 72.81% and a mean of 2.54. The observed increase in contracting opportunities for small businesses to serve as a prime contractor had a cumulative unfavorable rating of 79.31% and a mean of 2.21, the increased use of market research requirements due to the BBP initiative also had a cumulative unfavorable rating of 70.79% and mean as 2.53, the small business experience with market research efforts recorded 75.44% and 2.42, while entry into new markets due to the BBP initiative produced a cumulative unfavorable rating of 64.03% with a mean of 2.73. The average

mean for the five factors/measures was 2.48, which fell in the unfavorable rating category on the 7-point scale utilized in the study. This leads to the conclusion that H2 is also untrue.

Recommendations

Recommendation 1. The Office of the Assistant Secretary of the Army for Acquisition, Logistics, and Technology and the Army's Office of Small Business should broaden the BBP campaign by improving the familiarity of small businesses with the contracting competition and the new opportunity goals of the initiative.

Recommendation 2. The Office of the USD(AT&L) should develop and institute market research performance metrics for contracting officers at the Department of the Army and other Army agencies. The survey results indicates an overwhelming belief that market research efforts are not considered critical by contracting officers at the Department of the Army and other Army agencies. The behavior and culture of the contracting officers at the Department can also be influenced or changed by designating some of the contracting officers as small business specialists, with mandatory participation and sign-off on acquisition strategies being developed for approval by the Milestone Decision Authority.

Recommendation 3. The U.S. Army Office of Small Business should make enrollment in the Mentor Protégé Program mandatory for large businesses registered with the Department of the Army to deliver products and services. Proper execution of this program may help augment the goals and objectives of the BBP to increase entry of small businesses into new markets.

Recommendation 4. The Office of the USD(AT&L) should enforce the subcontracting plan required of large DoD contractors during the contract award process. Subcontracting plans submitted by the large contractors should be reviewed for accuracy and feasibility of

implementation. Metrics developed from the subcontracting plan should also be included in the past performance evaluation of large prime contractors during the source selection process.

Recommendation 5. Contract-bundling (requirements consolidation) mechanisms being used by the Department of the Army and other Army agencies should be limited to contracting actions deemed to be beyond the scope of any capable small business for execution. Contract-bundling actions has the effect of reducing competition; viable offerors capable of performing some of the work are precluded from proposing because they are unable to accomplish the complete package.

Recommendation 6. Requirements should not be written in ways that preclude other sources from having a realistic opportunity to compete, or signal to other sources than the incumbent that they need not bother competing.

Areas for Future Research

In order to learn more about the impact of the BBP initiative on small businesses with regard to increased participation, increased contracting competition, and increased market research efforts, a DoD-wide study should be executed. Differences in Service cultures may play a critical role in how the small business community is affected by the BBP initiative.

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Glossary of Acronyms and Terms

BBP .....Better Buying Power

DoD.....Department of Defense

FAR.....Federal Acquisition Regulation

FPDS-NG.....Federal Procurement Database System–Next Generation

GAO .....Government Accountability Office

H_1 .....Alternate Hypothesis

SBA.....Small Business Administration

SDB.....small disadvantaged business

USD(AT&L).....Under Secretary of Defense for Acquisition, Technology, and Logistics

Appendix A – Better Buying Power 2.0 Memorandum

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

NOV 1 3 2012

MEMORANDUM FOR DEFENSE ACQUISITION WORKFORCE

SUBJECT: Better Buying Power 2.0: Continuing the Pursuit for Greater Efficiency and Productivity in Defense Spending

It's been over two years now since Dr. Carter and I issued guidance to the acquisition community to ensure affordability and increase productivity in defense spending to deliver better value to the taxpayer and Warfighter. This guidance was followed by Better Buying Power (BBP) initiatives for increasing efficiencies in order to "do more without more." In these last two years, we've made significant strides, to include institutionalizing many of these initiatives. We are making good progress; we have learned from our experience, but we still have much to accomplish.

Through this memorandum I am introducing a preliminary version of BBP 2.0. After a period of two months for review and comment by stakeholders in industry and government, this will be followed by a more detailed memorandum that will outline the specific goals and requirements for each initiative included in the final BBP 2.0. We will continue to emphasize existing BBP initiatives that are especially important to our success or that require additional refinement, and we will incorporate new ideas and best practices to emphasize that have emerged from the work of the last two years.

As depicted in Attachment 1, BBP 2.0 encompasses 36 initiatives (which are further described in Attachment 2) that are organized into seven focus areas. These include a new focus area that reflects the importance of our total acquisition workforce. The basic goal of BBP, however, remains unchanged: deliver better value to the taxpayer and Warfighter by improving the way the Department does business.

As we move forward with BBP 2.0, let me reiterate that this represents a management philosophy of continuous improvement in our acquisition practices. Improving the productivity of all our contracted work, both products and services, is not an easy task that can be accomplished with a simple set of policy changes. It will require the professionalism and dedication I know I can expect from everyone in the workforce. We are entering an era where resources for the Defense Department are likely to be limited. We must wring every possible cent of value for the Warfighters we support from the dollars with which we are entrusted by the American taxpayers.

Frank Kendall

Attachments:
1. BBP 2.0 informational briefing with Focus Areas/Initiatives
2. Description of initiatives

Better Buying Power 2.0

Achieve Affordable Programs
- Mandate affordability as a requirement
- Institute a system of investment planning to derive affordability caps
- Enforce affordability caps

Control Costs Throughout the Product Lifecycle
- Implement "should cost" based management
- Eliminate redundancy within warfighter portfolios
- Institute a system to measure the cost performance of programs and institutions and to assess the effectiveness of acquisition policies
- Build stronger partnerships with the requirements community to control costs
- Increase the incorporation of defense exportability features in initial designs

Incentivize Productivity & Innovation in Industry and Government
- Align profitability more tightly with Department goals
- Employ appropriate contract types
- Increase use of Fixed Price Incentive contracts in Low Rate Initial Production
- Better define value in "best value" competitions
- When LPTA is used, define Technically Acceptable to ensure needed quality
- Institute a superior supplier incentive program
- Increase effective use of Performance-Based Logistics
- Reduce backlog of DCAA Audits without compromising effectiveness
- Expand programs to leverage industry's IR&D

Eliminate Unproductive Processes and Bureaucracy
- Reduce frequency of OSD level reviews
- Re-emphasize AE, PEO and PM responsibility and accountability
- Eliminate requirements imposed on industry where costs outweigh benefits
- Reduce cycle times while ensuring sound investment decisions

Promote Effective Competition
- Emphasize competition strategies and creating and maintaining competitive environments
- Enforce open system architectures and effectively manage technical data rights
- Increase small business roles and opportunities
- Use the Technology Development phase for true risk reduction

Improve Tradecraft in Acquisition of Services
- Assign senior managers for acquisition of services
- Adopt uniform services market segmentation
- Improve requirements definition/prevent requirements creep
- Increase use of market research
- Increase small business participation
- Strengthen contract management outside the normal acquisition chain – installations, etc.
- Expand use of requirements review boards and tripwires

Improve the Professionalism of the Total Acquisition Workforce
- Establish higher standards for key leadership positions
- Establish stronger professional qualification requirements for all acquisition specialties
- Increase the recognition of excellence in acquisition management
- Continue to increase the cost consciousness of the acquisition workforce – change the culture