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U.S. HOUSE COMMITTEE ON
SMALL BUSINESS**

TESTIMONY OF

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COMMITTEE ON SMALL BUSINESS

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Introduction

Chairman Hanna, Ranking Member Takai and distinguished members of the Committee, thank you for the opportunity to speak with you today about the Department of Defense Mentor-Protégé Program and how we serve small businesses. My name is Kenyata L. Wesley and I am the Acting Director of the Department of Defense, Office of Small Business Programs (DoD OSBP) and I report to the Under Secretary of Defense for Acquisition, Technology and Logistics. The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD(AT&L)) is the principal staff element of the Office of the Secretary of Defense for all matters relating to DoD acquisition. As the Acting Director of the Office of Small Business Programs, it has been my honor to support the world's finest military for the past year by helping to sustain the strongest and most innovative defense industrial base. As the former Chairman of the Joint Chiefs of Staff, General Dempsey, pointed out in his testimony before the House Armed Services Committee in March of 2015, "An enduring source of strategic advantage, we count on the defense industry to be able to research, develop, produce, deliver, and maintain the world-class weapons systems on which our military has long relied."¹

Background

As a standard practice, the military always seeks to establish decentralized supply chains fed by multiple sources, and small businesses are essential components of that. As you know, small businesses are some of the greatest assets of our country that drive our economy and provide technological innovation. To that end, the Department of Defense's Mentor-Protégé Program is

¹ U.S. House Committee on Armed Services. Hearing on *The President's Proposed Authorization for the Use of Military Force against ISIL and the Fiscal Year 2016 National Defense Authorization Budget Request from the Department of Defense*, March 18, 2015. 114th Congress, 1st Session. Washington: 2005 (Posture Statement of Gen. Martin E. Dempsey, Chairman of the Joint Chiefs of Staff), p. 11.

the only program with an active role in the growth and development of small businesses while playing a vital role in maintaining the strength and diversity of our defense industrial base. The Mentor-Protégé Program enables small businesses to meet emerging requirements by simultaneously setting them up for today's needs while posturing them for tomorrow's threats, challenges, and opportunities.

In the midst of the First Gulf War, the Department of Defense was the first agency to have a Federal Mentor-Protégé Program become fully operational. The Department of Defense Mentor-Protégé Program was established in response to section 831 of the National Defense Authorization Act for Fiscal Year 1991. Since 1991, the program has offered substantial assistance to small disadvantaged businesses by helping them to expand the overall base of their marketplace participation, which in return produces more jobs and increased national income. The DoD Mentor-Protégé Program assists eligible small businesses (protégés) to compete successfully for prime contract and subcontract awards by partnering with eligible large companies (mentors) under mentor-protégé agreements.

Over the years, the program has established a proven success record. In 2007, the Government Accountability Office concluded that most former protégé firms valued their experience – with 93% of them reporting that their participation enhanced their firm's overall capabilities; 87% of them reporting that mentors helped with their business development; and 84% reporting that mentor support helped their engineering or technical expertise.²

² U.S. Government Accountability Office, *Contract Management: Protégés Value DOD's Mentor-Protégé Program, but Annual Reporting to Congress Needs Improvement*, GAO-07-151, January 31, 2007, p. 6.

Improvements and New Initiatives

Over the past couple of years, the Mentor-Protégé Program has begun to undergo a transition. For example, we formed government-led working groups to cultivate new relationships with DoD acquisition professionals and thereby facilitate the exchange of information and ideas with industry. These government working groups will yield greater continuity among all agencies and components and share the best practices and lessons learned to all DoD participants. I have also directed my team to undertake the revision of Department of Defense's regulations to incorporate this feedback into the program. The first drafts of those revisions are expected to be released for comment by the end of this year. In the upcoming months, we will also engage with the Small Business Administration and other Federal agencies to harmonize efforts to promote continuous improvement within the program.

We would also like to implement a tiered developmental plan – in which potential protégés undergo an initial assessment to determine what characteristics are necessary to become successful small business partners for large defense contractors.

Congressional Inquiries

While undergoing these transitions, the DoD Office of Small Business Programs has also made note of Congressional to the Mentor Protégé Program. Congress expressed concern about whether the program's developmental assistance was being employed in the most effective and efficient manner.³

³ Conference Report to accompany H.R. 1735, National Defense Authorization Act for Fiscal Year 2016." H.R. Rep. No. 114-270, pp 711-712.

To address effectiveness and efficiency, the focus of all future Mentor-Protégé agreements under the program will be narrowly focused and prioritized on developmental assistance for entities that directly support: (1) department / component / agency missions; (2) the Secretary of Defense's top ten challenges; (3) major acquisition programs of record; and (4) challenges / threats facing the department across the entire enterprise.

As the Government Accountability Office has previously noted, the Department of Defense is the only Federal agency currently required by statute to collect information on protégé firms after they exit the program.⁴ The Defense Contract Management Agency collects extensive data on the number and type of agreements in place, the locations and socio-economic categories of participating firms, and the forms of developmental assistance provided under those agreements. We collect information on the trends in employment, revenue, and Federal contract and subcontract awards to protégé firms while they are in the program and for a period of up to two years after they leave the program. These insights enable the Department to make adjustments to program management to become more effective and efficient.

For your awareness, I have provided the committee with a breakout of the mentor-protégé agreements currently in place. One-third of these agreements relate to contracts supporting the intelligence community and many others also relate to classified work. One of the responsibilities of the DoD Office of Small Business Program's includes collecting and

⁴ U.S. Government Accountability Office, *Small Business Contracting: Opportunities to Improve the Effectiveness of Agency and SBA Advocates and Mentor-Protégé Programs*, GAO-11-844T, September 15, 2011, p. 12.

sanitizing this classified data through internal DoD security with the Small Business Administration. This is an effective and efficient use of federal resources.

I have also directed my staff to develop programmatic metrics that clearly demonstrate the return on investment for the Mentor-Protégé Program. These metrics will capture the effect of our initiatives for Fiscal Year 2016. My staff will categorize each mentor-protégé agreement according to the Department's needs, challenges, and major defense acquisition programs to which it relates. This will illustrate not only the developmental assistance being performed, but also the capability and impact each agreement provides.

I have directed my staff to work in conjunction with the Defense Contract Management Agency and develop for consideration proposed contract guidance that would provide contract incentives to prospective protégés have previously received significant prime contract awards from the Department of Defense or from any other Federal agencies – to determine whether developmental assistance is really warranted.

I have also directed my staff to develop specific requirements for a more concrete developmental plan that would: (1) factors to assess the protégé firm's developmental progress under the program; (2) a description of the quantitative and qualitative benefits to the Department of Defense from the Mentor-Protégé agreements; and (3) goals for additional prime contract awards the protégé firm can compete for outside the Mentor-Protégé Program.

Congress also would clarify the program’s eligibility to include those firms which “currently provide goods or services in the private sector that are critical to enhancing the capabilities of the defense supplier base and fulfilling key Department of Defense needs.”⁵ The DoD Office of Small Business Programs is in the process of developing more specific criteria to implement this provision. My approach is to support Small Business Innovation Research / Small Business Technology Transfer projects moving directly to Phase II which currently support a major defense acquisition program or department challenge or threat.

I also understand there has been some discussion on whether to incorporate all federal mentor-protégé programs under the Small Business Administration. It is important to note that some national security interests are best served by maintaining a separate program specifically focused on developing the defense industrial base, which was the original intent of this program.⁶

Conclusion

As you can see each of the initiatives I have discussed provides greater opportunities for small businesses, promotes rapid innovation, and expands the defense industrial base – while capitalizing on the entrepreneurial spirit which makes this nation great. I would like to thank you again for allowing me to speak today and I look forward to answering any questions you may have.

⁵ Conference Report to accompany H.R. 1735 § 861 H.R. Rep. No. 114-270.

⁶ Sen. Levin (MI). “Amendment No. 2541 to S. 2884, National Defense Authorization Act for Fiscal Year 1991.” Congressional Record 136:16 (Aug. 3, 1990) p. S12026.