



Office of Naval Research
Naval Research Enterprise (NRE)

FY19/FY20 SMALL BUSINESS STRATEGY ANNUAL REPORT



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INTRODUCTION

Congress established the Office Naval Research (ONR) in Public Law 588 in 1946 to “plan, foster and encourage scientific research in recognition of its paramount importance as related to the maintenance of future naval power and the preservation of national security.” Today, ONR consists of four command elements: ONR-Headquarters (HQ), the United States Naval Research Laboratory (NRL), ONR Global and Office of Special Projects (PMR-51). Collectively, these elements make up the Naval Research Enterprise (NRE). Part of ONR’s responsibility includes the development and execution of the Naval Research and Development Framework. Successful implementation of the Naval Research and Development Framework requires the informed support of the people of ONR and the cadre of stakeholders, internal and external to the Navy, who are essential to our discovery of breakthrough technology, its development, and ultimate delivery to naval forces in the form of dominant warfighting capability.

ONR’s Small Business Program and Small Business Innovation Research/Small Business Technology Transfer programs reach out to tap the innovation provided by small businesses. Small businesses play a critical role in the ultimate delivery of capability to the warfighter. From a statutory perspective, the Small Business Act requires that small businesses have the maximum practicable opportunity to participate in providing products, supplies and services to government agencies. From an ONR perspective, maximizing opportunities for small businesses promotes innovation and competition.

The Department of the Navy Office of Small Business Programs (DON OSBP) annually assigns small business targets (commonly referred to as “goals”) to ONR each fiscal year for all prime contracts. DON OSBP negotiates with commands to establish individual command targets that, in total, constitute Navy-wide targets. Before the beginning of the fiscal year, commands submit their proposed targets to DON OSBP, which determines whether these command targets meet or exceed the Navy-wide mandated targets established by the U.S. Small Business Administration in each small business category. DON OSBP then notifies the commands of their final targets. Once the targets are established, a letter is sent to each commanding officer accepting command targets. The letter informs commands that achievements will be measured against the accepted targets. At the end of each fiscal year (FY), DON OSBP requests a report from the Federal Procurement Data Center-Next Generation calculating the prime statistical achievements for each command and the Navy-wide accomplishments. DON OSBP forwards a copy of the report to each command that negotiates targets with DON OSBP. Each command that fails to achieve a proposed prime target is required to submit a justification and corrective action plan to DON OSBP. For FY19, ONR’s negotiated targets are as follows:

<u>PRIME CONTRACTING</u>	<u>TARGET</u>
FY19 Projected Spend	\$1,186,000,000
FY19 Small Business Projected Spend	\$ 486,300,000
Small Business Percentage	41.00%
Historically-Underutilized Business Zone Percentage	0.30%
Service-Disabled Veteran-Owned Small Business Percentage	2.50%
Small Disadvantaged Business Percentage	5.00%
Women-Owned Small Business Percentage	2.50%

ACTIONS TO IDENTIFY NEW REQUIREMENTS SUITABLE FOR SMALL BUSINESS PARTICIPATION

The following actions will be part of the overarching ONR Small Business Strategy execution plan to increase small business participation:

- Identify follow-on contracts that were previously awarded to other than small businesses (OTSB) that have significant small business subcontracting as candidates for future breakout competition among small businesses;
- Develop feedback capabilities to improve program assessment;
- Increase role and participation in Peer Review Boards, Contract Review Boards, Services Requirements Review Boards, and similar opportunities by command/activity-level Small Business Professionals (SBPs), to include, as appropriate, being a sitting/voting member of the respective board;
- Execute default small business set-aside approaches for service requirements under \$10M. The Head of the Contracting Activity (HCA) must approve service requirements under this value that will not be set-aside for small business;
- Include locally developed "Small Business Utilization" evaluation criterion centered on FAR Clause, 52.219-8. This clause is already required for all contracts above the Simplified Acquisition Threshold (SAT), which would allow for an increased number of businesses to receive credit for utilizing small businesses, whether the entity is a small business or OTSB;
- Focus on early engagement in Acquisition Strategy planning and peer reviews to promote opportunities for small business; and
- Ensure compliance with DFARS 215.305 regarding the consideration of small business utilization in past performance evaluations. Procurements that involve subcontracting are required to establish small business subcontracting plans as a condition of award and are to report annually their achievements in the Electronic Subcontracting Reporting System (eSRS).

COMMUNICATION

To provide better direction to the workforce and to clarify engagement with industry, it is of the utmost importance to publicize communication opportunities, prioritize engagement opportunities and conduct an awareness campaign to eliminate barriers to small business engagement. To facilitate this ONR, shall host an annual "Small Business and Other Socio-Economic Concerns Roundtable Discussions" to begin dialogue between the small business community, ONR acquisition officials, and large businesses to identify concerns, misconceptions and success stories on how the NRE conducts business, ways to improve that business process, and to share lessons learned across industry and government. These types of communication platforms will allow ONR to more easily engage with the small business community during the pre-solicitation stage and facilitate exchanges for specific planned acquisitions. In addition, prior to issuance of a solicitation, program managers, requirements officials and contracting officers may meet with potential offerors in information exchanges and conduct market research related to an acquisition. These events will provide small businesses and OTSBs the opportunity to identify potential teaming arrangements and potential prime contractors and subcontractors, and the opportunity to meet and develop viable relationships

that may subsequently benefit contract performance. Thorough engagement goes beyond meeting the Government's technical requirements. It is important to share information about unique terms and conditions such as small business set-aside requirements, small business participation plans, and small business subcontracting targets as early as possible. ONR is committed to ensuring the following:

- Communicating early, frequently, and constructively;
- Including small businesses and other socio-economic concerns in communications with industry, especially those firms that the NRE has not worked with in the past;
- Updating on an annual basis the long range acquisition forecast identifying which efforts are likely to involve opportunities for small businesses on ONR's public-facing website; and,
- Publicizing engagement events to include industry days, small business events, pre-solicitation/pre-proposal conferences, solicitation question and answer sessions, Request for Information (RFI) results, and other notifications.

LEADERSHIP

Showing support for small business utilization across the NRE chain of command will help ensure a successful small business program. To accomplish this, ONR has included accountability requirements for senior leadership who are involved with acquisitions to include performance standards that demonstrate support for the ONR/NRL small business mission. Additionally, ONR/NRL leadership will ensure that their front-line managers work with DON OSBP to implement the following:

- Maximizing the use of small business set-asides;
- Minimizing contract bundling and the consolidation of contract requirements;
- Utilizing small business contractors as both prime contractors and subcontractors to the maximum extent practicable;
- Encouraging small business subcontracting plan development and oversight;
- Requiring annual mandatory training for ONR's acquisition community on matters pertaining to small business as new rules are issued to stay current on the latest information, tools and techniques for contracting with small businesses;
- Communicating the importance of reaching the agency's overall small business and socio-economic targets within their respective departments and directorates; and
- Fostering effective engagement of ONR senior level management in confirming the importance of the NRE small business program in the overall S&T acquisition process.

EMPLOYING ANALYTICS/METRICS

Critical to accomplishing the small business program targets is the ability to track metrics at any given time to adjust the strategy as appropriate. This includes measuring the extent of participation

by small business concerns and other socio-economic concerns in Government acquisitions in terms of the total value of contracts placed during each fiscal year, and report information to Chief of Naval Research, Vice Chief of Naval Research, and ONR Executive Director on a quarterly basis.

Currently, ONR OSBP tracks ONR's weekly small business contracting outcomes by way of the Federal Procurement Data System-Next Generation and DON OSBP's distribution of command-specific small business metrics and dashboards. ONR's Performance Improvement & Information Management Office is providing solid analytical support by developing internal small business metrics, which will allow ONR OSBP to gauge how the NRE S&T departments and other directorates are progressing throughout the fiscal year in terms of small business contract/procurement awards on a dollar and percentage basis. This will allow ONR OSBP to run reports regularly to track the NRE's progress and share the data with command leadership. The collection and dissemination of small business metrics command-wide will increase familiarity with and understanding of the impact each action has on the command's small business program success and will provide socio-economic category insight and help regulate overemphasis of one category over another.

EMPOWERING THE PEOPLE

It is important to articulate the importance of revving the innovative engine of small business and explaining how this engine empowers the NRE to complete its mission. Achieving assigned small business prime contracting targets depends greatly on effectively communicating those targets throughout ONR and on establishing lines of accountability for results. DON OSBP small business dashboards demonstrates ONR's progress in achieving its targets. Quarterly and *ad hoc* meetings between the ONR OSBP Director, the Chief of Naval Research, the Executive Director and the Assistant Chief of Naval Research will improve and enhance communications and collaboration between leadership and DON OSBP. However, sustained success in goal achievement requires clear accountability at all levels of ONR and an understanding that there is a shared responsibility among the stakeholders who play a role in small business contracting.

Accordingly, ONR OSBP shall ensure program, contracting, and small business professionals throughout ONR understand the small business contracting targets and the tools available for meeting those targets. At a minimum ONR OSBP should convey the following key messages to the acquisition workforce:

- Ensure all stakeholders are aware of ONR's commitment to ensure that small businesses have a fair chance to participate in NRE's contracting opportunities;
- Remind all acquisition professionals of ONR's overall small business prime contracting targets and advise them of the agency's small business contracting results on a quarterly basis throughout the current fiscal year by sharing the amount and percentages of overall contracting dollars that went to small business as well as other socio-economic categories; and
- Encourage front-line contracting officers to work with respective ONR and NRL OSBPs to review proposed regulatory changes and guidance as they are developed to implement said contracting initiatives and provisions.

EMULATING SUCCESS & TEAM / EMPLOYEE RECOGNITION

The NRE has had success with increasing opportunities for small businesses, however information is often not effectively communicated internally. To improve results and to build on past success, ONR and NRL departments/directorates shall identify and share success stories and best practices regarding small business utilization with ONR OSBP on a quarterly basis. Examples include cost savings achieved by contracting with small businesses through practices such as competitive set-asides, small business contracting tools, and the effective development of technology by these small firms. ONR OSBP will forward this information to DON OSBP for incorporation into a Small Business Communique and Situational Summary.

ONR will celebrate contract awards to small businesses by way of ONR's internal newsletter, whether the award was executed by ONR HQ or its sub-activities. The large awards will be shared all the way up the NRE's chain of command. Additional incentives include public recognition at all-hand ceremonies of employees who demonstrate exceptional commitment to small business engagement. Recognition will not be limited to contracting officials, but also to teams of acquisition professionals such as program managers, requirements officials and contracting officer's representatives.

INCREASING SMALL BUSINESS SUBCONTRACTING OPPORTUNITIES

Subcontracting can be an excellent means for small businesses to get started doing business with ONR. To promote small business participation in larger contracts, Congress enacted Public Law 95-507 requiring all contractors, other than small businesses, i.e., large businesses receiving federal contract awards over \$700,000 (\$1,500,000 for construction) to submit acceptable subcontracting plans prior to contract award. To maximize small business utilization in subcontracting opportunities, best practices will include, but are not limited to:

- Engagement with servicing United States Small Business Administration (SBA) Procurement Center Representative (PCR) to assist, where appropriate;
- Early engagement with internal and external stakeholders working collaboratively with acquisition team and industry to ensure all interested stakeholders have a clear understanding of the Government's requirements to include small business participation;
- Use of collaborative market research results to aid in the development of small business participation concepts/strategies;
- Utilization of on-line tools such as the SBA's Dynamic Small Business Search for inquiries about numbers and types of registered small business concerns for desired North American Industry Classification System (NAICS) codes as potential small businesses subcontractors;
- Encouragement for small businesses to use SBA's SUB-Net database which lists subcontracting solicitations and opportunities posted by large prime contractors responding to ONR's business opportunities;
- Encouragement for small businesses to register on the "Interested Vendors List" for solicitations posted to the Federal Business Opportunities (FedBizOpps) website allowing vendors to be added to watch list to receive email notices of FedBizOpps postings for a solicitation. Interested vendors' information is particularly helpful for smaller firms mostly

interested in subcontracting opportunities. Interested vendors post information about the company's contact person, contract information, business type(s) and NAIC Codes; and

- Identification of potential small businesses as subcontractors from command-sponsored industry days inclusive of partnership with the large business community.

OPTIMIZE SMALL BUSINESS INNOVATION RESEARCH (SBIR) / SMALL BUSINESS TECHNOLOGY TRANSFER (STTR) PHASE III RESULTS

A key aspect of the ONR SBIR/STTR program's mission is to utilize small businesses to develop and deliver cost-effective innovations that will sustain technological superiority over adversaries. This is often accomplished by directly addressing immediate needs of the fleet. In addition, consistent with the National Defense Strategy, it is critically important to seek opportunities to accelerate technology development to deliver superior technologies to the warfighter in an expeditious manner. This requires a responsive and agile program that reaches out to companies that have not traditionally done business with the DON. Finally, it is important to seek opportunities to radically transform the Naval Enterprise level in business processes, practices, and technologies. Recognizing these facts, ONR will implement a three-pronged approach to improve the DON SBIR/STTR Program:

- **Support to the SYSCOMS, PEOs, and Programs of Record.** The calendar-based, cycle-driven SBIR/STTR program is traditionally strong in this area and has a long history of developing and delivering technical solutions to near-term needs. However, to improve the strategic context and cohesiveness of the work, the following actions have already been or will soon be implemented in accordance with ASN RDA's CHALLENGE & DIRECTION TO INCREASE AGILITY:
 - Established a SBIR/STTR Senior Steering Group comprised of SYSCOM-level senior leadership, whose task is to provide the SBIR Enterprise with top-level strategic guidance for SBIR topic generation, resource allocation, and process improvement.
 - Established a SBIR/STTR Tiger Team comprised of SBIR and technical subject-matter experts, whose task is to continually examine the SBIR process and develop methods to improve topic quality, increase information sharing, and continually drive improvement into the program. Redirected SBIR/STTR FY 19 19.1 and 19.2 Investments and Topic areas to reflect specific alignment with the National Defense Strategy and the CNOs Design for Maritime Superiority. Overlaid the ASN RDA's direction and challenges of increasing our delivery of increased warfighter capability to ensure all Topics made sense and were contributors to the overall Mission and Vision.
 - Modify the SBIR/STTR award process to minimize proposal-generation overhead and dramatically speed proposal selection and contract award. Lessons learned from the previous ASN RDA & ONR CATAPULT Event, as well as the Air Forces recent demonstration of purchase card awards to ensure agility and communication are maximized to the fullest extent possible.

- **Accelerate the traditional SBIR cycle and attract non-traditional suppliers.** *The Accelerated Delivery and Acquisition of Prototype Technologies (ADAPT)* was been established to evaluate SBIR/STTR pilots that accelerate delivery of small business operational prototypes to DON acquisition organizations (e.g. PEOs and SYSCOMs) and DON beneficiaries (e.g. Navy and private shipyards) with focus on non-traditional defense contractors and startup companies.
 - The initial pilot will be structured on a DHS Silicon Valley Innovation Program (SVIP) model to accelerate prototype development and delivery. Funds will be provided in four (4) rounds with a Milestone Decision at the end of each round to determine progression to the next round. ADAPT will employ the Hacking for Defense (H4D) methodology to source and curate problems for topics to ensure all topics have a DON acquisition or DON beneficiary customer from start to finish.
- **Drive Naval-Enterprise-wide transformations through game-changing technologies.** To succeed in an era of near-peer competition, transformative change is required at the Naval Enterprise level. Such change will likely occur outside the bounds of traditional programs and organizational constructs. To drive that change, the following action will be implemented:
 - Establish a process to select, champion, and fund a small set of efforts that, if successful, could radically change or disrupt the way the Navy conducts business. Outcomes can be technology, process, or business-centric products.

Additional activities, applicable to all three prongs of the SBIR/STTR Program, that have been or will be implemented include the following:

- Conduct and attend outreach events, provide assistance, and be the NRE's subject-matter expert and single voice to customers and stakeholders.
- Establish appropriate policies, metrics, guides and training, e.g., training module based upon "SBIR and STTR Phase III Guidebook for Program Managers, Contracting Officers and Small Business Professionals."
- Conduct oversight to ensure the program operates in the most effective manner to improve the NRE's transition/commercialization performance for NRE SBIR/STTR Phase III awards.
- Develop processes and procedures to track ONR SBIR/STTR Phase III transitions into programs of record and fielded systems. Phase III vehicles provide a powerful tool to transition SBIR/STTR-funded technologies that could potentially fulfill DON mission needs from research and development to fully competent services and products in support of the warfighter.

OUTREACH EVENTS

We will encourage and increase department and directorate-level outreach events which allow small businesses the opportunity to engage directly with ONR/NRL program officials on upcoming ONR business prospects. NRE departments and directorates will host a small business outreach event each fiscal year. To ensure the success of these matching events, program officials will be encouraged to do the following:

- List all upcoming outreach events, industry days and small business training events on the ONR website for upcoming contract actions. This will allow small businesses to search for events and it will help them navigate through requirements that have been forecasted for the current fiscal year and beyond. This will also assist with pre-planning stages in preparation for seeking out potential prime and subcontractor business partners;
- Identify repeat ONR/NRL prime contractors and request their participation in the events and in advertising available subcontracting opportunities;
- Develop agendas for the event to include speaking roles for the respective department and directorate heads as well as cognizant program managers and officers and other requirements officials; and
- Collaborate with ONR's Corporate Strategic Communication Department to prepare press releases, post on the NRE website, and other media outlets to advertise the upcoming small business events.

SMALL BUSINESS ADVOCACY

Effective June 2015, to improve small businesses engagement, ONR assigned its S&T departments and directorates military and civilian deputies to assume the role of "Small Business Advocate." As ONR's Small Business Advocates, their role includes identifying opportunities within their specific S&T programs for small business participation and serves as the technical point of contact for small businesses interested in pursuing these opportunities. Additional Small Business Advocate responsibilities include, but are not limited to the following:

- Advises on, administers, or performs professional and technical work concerned with various S&T projects as it applies to ONR procurement requirements and small businesses;
- Are subject matter experts (SMEs) responsible for program assessment and review as it relates to research, development, testing, evaluation, innovation, and re-engineering requirements capable of being performed by small businesses. Assists ONR OSBP with resolving problems or issues pertaining to small business which impacts projects within the organization;
- Participates in outreach events, committees and seminars of ONR, DON, or DoD small business importance;
- Supports ONR OSBP when conducting small business education and training for ONR S&T department acquisition personnel;
- Evaluates or assigns technical SME to evaluate capability briefings of prospective small businesses seeking to do business within the ONR S&T departments, in order determine their technical and business competence; and

- Actively participates or assigns technical SME in planning and execution for S&T department small business industry days, which includes speaking and/or presenting at government/industry events. Participates in small business conferences to assist small business concerns in identifying potential business opportunities within their department. Maintains contact with potential viable technical small business customers.

Small Business Advocates oversee and keep the program community focused on the importance of accomplishing small business goals and initiatives. Placing Small Business Advocates in charge of keeping their program managers focused on small business daily will make a difference, ensure focus into the organizational culture and aid in meeting ONR's socio-economic prime contracting targets on an annual basis.

STREAMLINING THE ACQUISITION PROCESS

To increase the inclusion of the small business community in NRE business opportunities, the following efforts have been taken or will be taken to try to streamline/simplify the acquisition process:

- Leverage small business as a strategic advantage;
- Conduct small business specific outreach events inclusive of hosting industry days on large dollar-scaled procurements to strengthen and expand ONR/NRL's network of partners;
- Increase usage of Other Transaction Authorities (OTAs) as a business tool to procure requirements using means other than those governed by the standard regulations, i.e., FAR, DFARS, NMCARS. In some cases, it is anticipated that this will cut years off the warfighter's wait for new systems and capabilities;
- Empower ONR/NRL contracting/acquisition officials to be more innovative and problem solving;
- Boost training opportunities for the contracting/acquisition workforce; and
- Increase use of providing feedback and debriefing-like information during the Request for Information, Sources Sought Notice, unsuccessful offeror and post-award debriefing processes. By providing debriefs, both successful and unsuccessful offerors will gain a better understanding of the proposal evaluation process to improve and develop both future solicitations by the Government and proposal submissions by small businesses and industry at large, i.e., increased vendor communications.

TRAINING

ONR OSBP will encourage command program managers, requirements officials, contracting officials and others to participate in annual small business training opportunities to develop a better understanding of the overall small business program. There are multiple training options available to these individuals, such as on-line and in-class training modules provided by venues such as the Defense Acquisition University Continuous Learning offerings, SBA training modules and the annual DoD Small Business Training Conference, as well as on-site training opportunities. Courses such as these deliver either introductory or refresher training for acquisition workforce members, i.e., contracting officials, small business professionals and program managers, etc.. for these individuals to stay current on the latest tools and techniques for

partnering with small businesses. Mandatory training will ensure the workforce has the skills to use small business information and tools in the most effective manner possible.

CONCLUSION

As a result of its efforts, ONR recently received a DON OSBP Small Business Award for exceptional support of Service-Disabled Veteran-Owned Small Businesses. This acknowledgement in conjunction with prior fiscal year small business outcomes reiterates the importance of the NRE achieving its small business targets as well as leaderships' commitment to ensuring small businesses have the opportunity to participate in and contribute toward the overall Naval Research and Development Framework to the maximum extent practicable.



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