



DEPARTMENT OF THE NAVY OFFICE OF SMALL BUSINESS PROGRAMS EXECUTIVE SUMMARY

Fiscal Year 2014



**"SMALL BUSINESS -
THE FIRST OPTION"**

[HTTP://SMALLBUSINESS.NAVY.MIL](http://smallbusiness.navy.mil)



DEPARTMENT OFFICE OF SMALL B

OF THE NAVY BUSINESS PROGRAMS



DIRECTOR'S UPDATE

The Department of the Navy's (DoN) commitment to Small Business utilization in Fiscal Year (FY) 2014 was exceptional. The Department exceeded all of its assigned Department of Defense (DoD) Small Business and socio-economic targets for the first time ever. The DoN achieved a FY14 Small Business target of 17.33%, far exceeding previous year actuals for FY13 (15.11%), FY12 (15.59%) and FY11 (15.41%). During this past year, the DoN Office of Small Business Programs (OSBP) identified and targeted specific industry areas for growth within the DoN's Small Business Accessible Market (SBAM).

SBAM was developed as a way to gauge how this Department performs in markets and industries where Small Business had an opportunity to compete for awards based on historical performance across the Federal Government. The Department's total FY14 spend was \$71.2B, of which \$46.6B was eligible for Small Business opportunities. As a result, the Department awarded \$12.3B which equated to 17.33% SB and 26.33% SBAM. The SBAM far exceeds the Small Business statutory goal of 23%.

In FY14, the DoN developed and published the DoN SBIR Guidebook and the DoN Mentor Protégé Program (MPP) Guidebook which serve as the single authoritative reference outlining the necessary processes and streamlined features for both Small Business programs. The DoN SBIR Guidebook serves as a comprehensive reference desk guide on SBIR/STTR program execution. The DoN MPP Guidebook provides guidance to potential Mentors and Protégés as well as Small Business Professionals (SBP) and Head of Contracting Activity (HCA) contracting and program personnel.

DoN senior-level leadership played a critical role in FY14 in effectively communicating the importance of achieving the agency's Small Business contracting goals throughout the acquisition community. Notably, Assistant Secretary of the Navy for Research, Development and Acquisition (ASN/RD&A), Honorable Sean Stackley, hosted six (6) Small Business Roundtables for the purpose of bettering understanding of policies, practices and execution that promote or inhibit Small Business competition for DoN contracting opportunities. Two of the most important takeaways from these forums were the developments of the aforementioned SBIR and MPP Guidebooks following discussions on impediments to competition, communications and best practices. In addition, HON Sean Stackley issued a memo this January ordering every HCA and Program Executive Office (PEO) to formulate strategies for the coming years to incorporate more small businesses into prime contracting and subcontracting. The memo also highlights the SBIR/STTR as programs that require "unique consideration" and that Phase III contracts can be issued as sole source awards and are exempted from competition requirements.

Overall, in FY14, the DoN has garnered major success in not only surpassing its Small Business acquisition goals, but in maintaining the commitment of its staff and senior-level leadership to the Small Business community.



DEPARTMENT OFFICE OF SMALL B

HEADQUARTERS MARINE CORPS, I&L



The Deputy Commandant, Installations and Logistics (DC, I&L) acts on behalf of the Commandant of the Marine Corps in designated matters of logistics policy and management, and coordinates logistics actions with other agencies. The Installations and Logistics (I&L) Department shapes logistics plans and policies to sustain excellence in warfighting. Headquarters Marine Corps, I&L is fully committed to utilizing small businesses to meet its mission. Headquarters Marine Corps, I&L was recognized by the National Veteran Small Business Coalition (NVSBC) for “Exceptional Support of Service-Disabled Veteran-Owned Small Business” for FY10 through FY13. In FY14, I&L awarded 29.9% of its total spend of \$1.1B to small business. Hattie Mosely, Director, Small Business Program Office, Marine Corps Logistics Command (LOGCOM) accepted the NVSBC award on behalf of Headquarters Marine Corps, I&L. Technica LLC, an 8(a), Economically Disadvantaged Woman-Owned Small Business (EDW OSB) was issued a contract modification to provide non-personal support services to Marine Corps Logistics Command’s operation in Barstow, CA. Technica provides Integrated Logistics Support of Marine Corps items of supply being returned from theater for RESET. The total value of the contract modification was \$2,357.859.

MARINE CORPS SYSTEMS COMMAND



The Marine Corps Systems Command (MARCORSYSCOM) and its affiliated Program Executive Offices (PEOs), to include the largest PEO, PEO Land Systems (PEO LS), achieved greatness with regard to the Small Business Program exceeding four of its five negotiated small business goals during FY14. MARCORSYSCOM is fully committed to the utilization of small

businesses to meet its warfighting mission. MARCORSYSCOM was recognized by the National Veteran Small Business Coalition (NVSBC) as a "Champion of Veteran Enterprises" for "Exceptional Support of Service-Disabled Veteran-Owned Small Business" for FY12 through FY14. Additionally, MARCORSYSCOM achieved a small business set-aside rate of 74.62% during FY14. This is the fourth consecutive fiscal year that the Command exceeded the Federal SDB goal and the third consecutive fiscal



year that the Command exceeded the Federal SDVOSB goal. The total amount obligated to small business was \$513,595,110 or 30.60% of our total contract obligations being awarded to small business prime contractors during FY14. As America’s Expeditionary Force in Readiness, the Marine Corps is a small and agile service, which is why it is natural for the Marine Corps to partner with small businesses capabilities and technology solutions.

OF THE NAVY BUSINESS PROGRAMS



MILITARY SEALIFT COMMAND



MSC is the leading provider of ocean transportation for the Navy and the rest of the Department of Defense – operating approximately 110 ships daily around the globe. The majority of MSC contracting dollars are spent in two areas: Deep Sea Freight Transportation and Ship Repair. Strategic priorities are focused on providing ships ready for tasking, developing, enhancing and enabling the workforce, focusing on the customers and managing organization change.



Small businesses are vital to MSC and offer maritime solutions for its global fleet. Since 2010, MSC has exceeded 40% of our contract awards to our Small Business Accessible Market. In FY14, MSC awarded \$342 million to small businesses. That equates to approximately 41.26% of total contract award spending. By developing policies and promoting enhanced awareness of MSC's mission and requirements, MSC expanded its reach into the Small Business industrial base and screened its procurements to assure small businesses had access to current and future contracting opportunities.



NAVAL AIR SYSTEMS COMMAND

In FY14, NAVAIR achieved \$1.44B in Small Business obligations and 15.34% of the Small Business Accessible Market, and surpassed goals for Service-Disabled Veteran-Owned, Women-Owned, and HUBZone Small Businesses. **Synapse**, developed by Architecture Technology Corporation (ATC), is a Federated Application hosted within Joint Mission

Planning System – Expeditionary (JMPS-E) environment. Synapse enables collaborative mission planning of strike group aircraft between ships, eliminating cross-deck transfer of personnel during the mission planning process. Working with existing Command Control Personal Computer (C2PC) and Global Control Command System (GCCS) systems, Synapse allows mission planners to share documents and collaboratively build mission briefings in less time and with improved quality. As a result, Synapse completed Functional Qualification Test (FQT) and Fleet fielding during FY15. JMPS-E is part of the Strike Planning and Execution Office (PMA-281) headquartered at the Naval Air Systems Command (NAVAIR) in Patuxent River, Maryland.





DEPARTMENT OFFICE OF SMALL B

NAVAL FACILITIES ENGINEERING COMMAND



In FY14, NAVFAC awarded over \$3.6B in small business contracts, a record 50.6% of its contract obligations. While NAVFAC obligates less than 10% of the Navy's contract dollars, the command accounts for nearly 30% of the Navy's overall small business achievements and



significantly more in certain socioeconomic categories. NAVFAC has successfully institutionalized a culture of seeking small businesses opportunities first in its mission to build and maintain sustainable facilities, deliver utilities and services, and provide Navy expeditionary combat force capabilities. Dedicated small business professionals across the command collaborate with contracting, requirements and industry representatives during early acquisition planning to identify and leverage the extensive capabilities of the nation's small business enterprises.

NAVFAC OSBP - Gateway to Opportunities!



NAVAL SEA SYSTEMS COMMAND

In FY14, NAVSEA awarded approximately \$2.3B in prime contracts to Small Business concerns. A particular area of focus in FY14 was awards to Women Owned Small Businesses (WOSB) in which over \$200M in prime contract awards were made to support NAVSEA technical programs. More than half of these prime contract awards to Small Business were made by NAVSEA's nine Surface and Undersea Warfare Division field activities. NAVSEA's continued aggressive use of SeaPort-e to contract for professional and engineering services has allowed for increased prime contracting opportunities for Small Businesses in support of NAVSEA Program Executive Offices (PEO). Examples include: AdvantEdge Technology a WOSB was awarded a \$30M Indefinite Delivery Indefinite Quantity (IDIQ) contract which provides maintenance, operations and repair services for the Navy's Self Defense Test Ship located Port Hueneme California. Another WOSB received an \$85M award in support of the NAVSEA Integrated Weapons Systems PEO for AEGIS DDG 51 Modernization.



OF THE NAVY BUSINESS PROGRAMS



NAVAL SUPPLY SYSTEMS COMMAND



NAVSUP is committed to engaging small businesses as it delivers sustained global logistics and quality-of-life support to the Navy and Joint warfighter. NAVSUP appreciates the critical role that small businesses play in helping to accomplish its mission. In FY14, NAVSUP awarded nearly 25% of all contract spend to small businesses, accounting for almost half of all actions. The

NAVSUP Fleet Logistics Centers, NAVSUP Weapon Systems Support, Naval Medical Logistics Command, Naval Oceanographic Office, and other sites together accounted for more than \$1.7B in awards to small businesses. One example of the many excellent small businesses providing support to NAVSUP comes from a WOSB, Llamas Plastics Inc. Llamas manufactures and repairs 11 configurations of the V22 Osprey Window. With the less-than-desirable weather conditions in the Middle East, these windows were subjected to extremely harsh conditions and were in constant need of either repair or total replacement. To date, Llamas has supported this program with a savings of over \$5M. MRV Systems, LLC,



provides the Naval Oceanographic Office with SOLO profiling floats; an oceanographic instrument platform that changes its buoyancy in order to move vertically in the ocean, repeatedly collecting data that spans a range of depths. The small business successfully competed to win a long-term contract and plans to conduct research, value engineering, and innovation with associated U.S. universities to maximize the performance of the existing floats.



OFFICE OF NAVAL RESEARCH

ONR has contributed to nearly every technology in the hands of Sailors and Marines deployed around the world today. Numerous technologies developed for naval applications have resulted in significant civil and economic benefit which includes partnerships forged with the Small Business community. During FY14, ONR collaborated with Small Business on a variety of S&T projects which included the development of the Ground Renewable Expeditionary Energy Network System (GREENS) which is a portable hybrid photovoltaic and battery power system capable of providing 300 watts of continuous power to soldiers in remote locations and forward operating bases. GREENS is sufficient to power check points, small operation centers and independent weapon systems. Its light and rugged design allows GREENS to be rapidly deployed and it is HMMWV transportable. The Small Business's solution combines an innovative packable framework array and lightweight, efficient solar technology. This Portable Array Module (PAMTM) approach can accommodate conventional rigid solar panels or solar blankets. The new solar panels reduced panel system weight and volume by as much as 75%. The new solar panel technology can be deployed by a single soldier, while the original GREENS COTS panel technology required a two-man lift.'





DEPARTMENT OFFICE OF SMALL B

SPACE AND NAVAL WARFARE SYSTEMS COMMAND **SPAWAR**



The Space and Naval Warfare Systems Command delivers information dominance and cyber capabilities. Installation of CANES - the Navy's next generation tactical afloat network - was completed on 11 ships of various classes. CANES provides improved operational effectiveness and significantly enhances afloat cybersecurity for the Fleet. The third Mobile User Objective System satellite, a next-generation satellite communications system, was prepared for a January 2015 launch. MUOS works like a smartphone network in space, vastly improving secure satellite communications for mobile U.S. forces. Upon acceptance for operational use, the three MUOS satellites in orbit will provide communications coverage to more than three-quarters of the globe. SPAWAR awarded over \$1.2B to small businesses, resulting in a Small Business achievement of 26.52%. Also, SPAWAR set-aside work previously performed by a large business that resulted in a \$61M task order to Indus Technology, Inc., a SDVOSB to provide support for C4I integration for international partners.



STRATEGIC SYSTEMS PROGRAMS



Strategic Systems Programs (SSP) provides lifecycle support for the nation's sea based deterrent missile system and is unique in that they are the Navy's manager for all aspects of development, manufacture and support of the Strategic Weapons systems. The majority of SSP's contracting dollars are spent utilizing two major NAICS: 336414-Guided Missiles &

541330-Engineering Services. Strategic priorities are focused on the safety, security and reliability of the submarine and the fleet ballistic missile (TRIDENT II D5). In FY14, SSP successfully awarded over \$1.8M in prime contracts to SB concerns in this unique and challenging environment. In addition, SSP achieved \$705M or 6.90% of the Small Business Accessible Market in FY14 and met or surpassed goals for Small Business (SB), Small Disadvantaged Business (SDB) and Service-Disabled Veteran-Owned Small Business (SDVOSB). SSP remains committed to providing Small Businesses with critical networking and industry engagement to support maximum practicable opportunities.



OF THE NAVY BUSINESS PROGRAMS



MENTOR-PROTÉGÉ PROGRAM SPOTLIGHT 2014 NUNN-PERRY AWARD WINNER RAYTHEON / SONJU INDUSTRIAL

On March 12th, 2015, Department of Defense Office of Small Business Programs conducted its annual Nunn-Perry Award Ceremony, recognizing 14 exceptional Mentor-Protégé agreements that had significant growth in employees, revenue, capabilities, innovations, facilities and more importantly how those enhancements significantly supported the warfighter. Amongst the 14 agreements was the Department of the Navy's Mentor-Protégé agreement between Raytheon Missile Systems (Raytheon) and Sonju Industrial, Inc. (Sonju). Sonju is a certified Service Disabled Veteran Owned Small Business (SDVOSB) operating in Kalispell, Montana. It opened its doors in 1978 as an auto-body and repair business and now manufactures products in the area of aerospace

Raytheon

Missile Systems

and defense that are used on such things as laser guided missiles, aircraft and firearms. This Mentor-Protégé Agreement was recognized due to Sonju's 74.19% increase in its employee base since its inception in the Mentor-Protégé Program, 105% increase in square footage of manufacturing space, the 448% increase in total procurement awards from Raytheon as well as upgrades in pertinent certifications and incorporation of new innovative software. With the guidance and mentorship of Raytheon, Sonju was able to provide these, along with several other enhancements to improve turn-around time, go "paperless" in various aspects of their production and be more efficient in providing the warfighter what they needed.



MENTOR PROTÉGÉ PROGRAM COMPLETION BATTELLE/ENVIRO COMPLIANCE SOLUTIONS



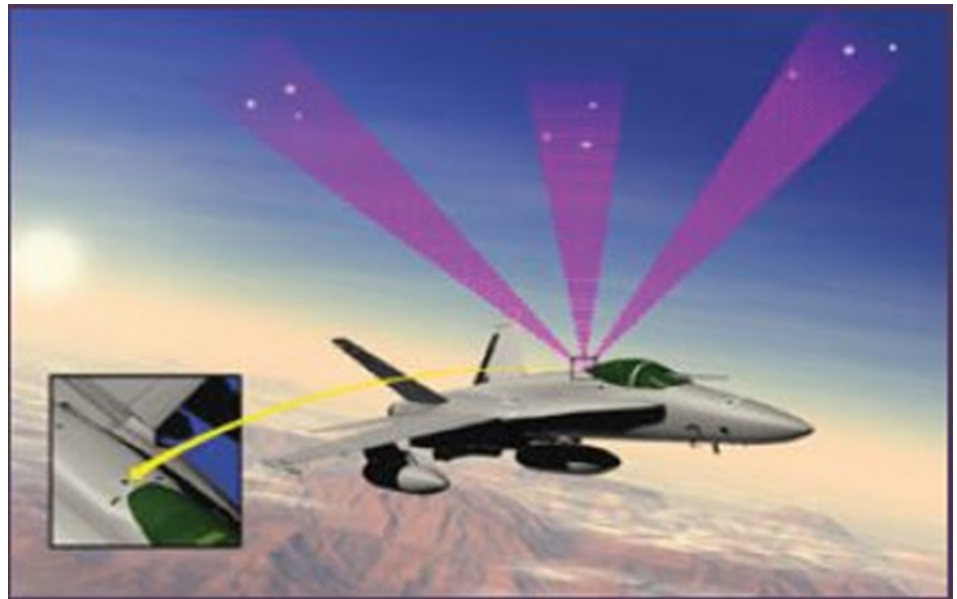
Congratulations to the Battelle Memorial Institute (Battelle) and Enviro Compliance Solutions, Inc. (ECS) for successfully completing the DoN Mentor-Protégé Program. Battelle is a non-profit research and development company, with over 22,000 employees at more than 60 locations globally. A 501(c)(3) charitable trust. Its national laboratories maintain a contract research portfolio spanning consumer and industrial, energy and environment, health and pharmaceutical and national security. ECS is an environmental consulting firm specializing in air quality compliance issues. They provide such services as air quality auditing, air quality regulatory activities, greenhouse gas emission inventories and many more.



SMALL BUSINESS INNOVATION RESEARCH SMALL BUSINESS TECHNOLOGY TRANSFER

The federal SBIR and STTR Programs are a primary seed funding source with greater than \$2B in FY14, supporting innovative technology research and development work of the nation's small businesses. The DoN FY14 SBIR/STTR budget of \$280M focused on high-priority research needs identified by the Navy's Sea, Air and Space commands, the Marine Corps, the Office of Naval Research, and some smaller Navy organizations. SBIR/STTR's "best in class" reputation is staked on its proven ability to meet priority naval needs by transitioning SBIR/STTR technologies into Programs of Record. Non-SBIR/STTR mission funding invested in SBIR/STTR projects is a key success metric: 142 such investments were made in FY14, through direct Government Phase III awards worth an aggregate \$490M.

In pre-sequestration FY12, Phase III funding reached \$712M, for a Return on Investment (RoI) approaching 1:2.4. An example of FY14 success is Trex Enterprise Corporation's "Geodetic Astrolab" daytime electronic stellar imaging system; an automatic, day/night celestial navigation system that observes K-band or H-band infrared



light from multiple stars to provide the Navy with all of the benefits of a GPS system without the risks – a truly innovative game-changer, since GPS depends on man-made components such as satellites and transmitters, which are vulnerable to hostile attack and jamming. Trex Enterprises' automated processing algorithm provides instantaneous determination of the ship attitude. This further enhances the navigation capability without the vulnerability of GPS. The computer can also be programmed to use this celestial position information to calculate latitude and longitude, which may be displayed on a device such as a monitor or used by a guidance control system. These embodiments are jam-proof and insensitive to radio frequency interference. These systems provide efficient alternatives to GPS when it is denied or otherwise unavailable and can be used for periodic augmentation of inertial navigation systems. Trex's SBIR awards from SPAWAR totaling \$3.32M led to a Phase III contract worth \$16.28M from the National Geospatial Agency – a RoI greater than 1:5 – to deliver a total of 15 Geodetic Astrolabes over a 5-year period.

OF THE NAVY BUSINESS PROGRAMS



HOW SBIR IS ENHANCING LITTORAL COMBAT SHIP (LCS)

1. Agile, multi-mission platform for ops near-shore
2. Quickly reconfigurable sea frames
 - a. (18) SBIR/STTR Technology Providers
 - b. (62) Contributing SBIR/STTR projects

SHIP CREW SUPPORT

- Synthetic Training
- ASW Mission Planning

MISSION PACKAGES

- MCM COBRA
- MCM Object Categorization
- MCM RMMV Effectiveness

UNMANNED VEHICLE COORDINATION

- USV Situational Awareness
- Ship/UxV Secure Comms

SHIP SYSTEMS

- Autonomous Shipboard Cleaning
- Mission Package Handling Systems

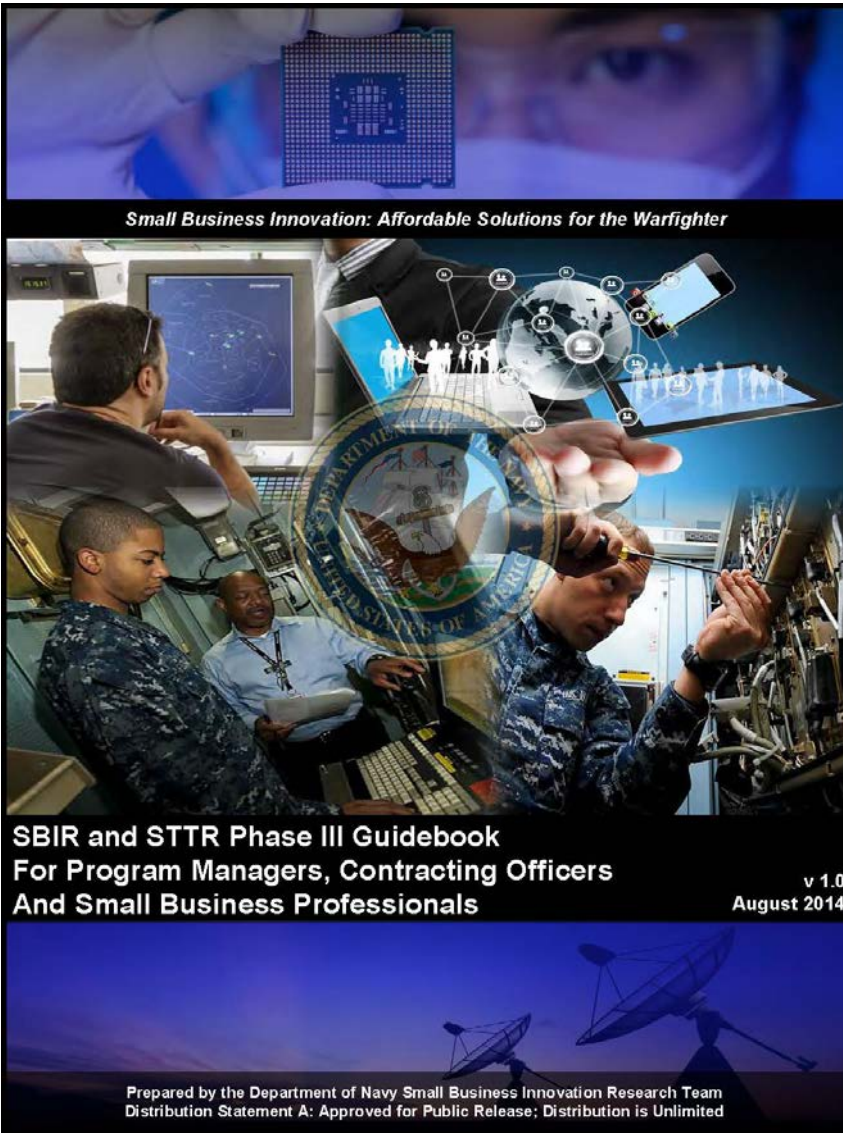
PEO LCS
ASSURED ACCESS
LITTORAL COMBAT SHIPS

PROGRAM EXECUTIVE OFFICE



DON SBIR/STTR PHASE III GUIDEBOOK

The Department of the Navy (DoN) SBIR/STTR Phase III Guidebook provides guidance to Program Managers (PMs) and Deputy Program Managers (DPM), Heads of Contracting Activity (HCA) and Contracting Officers (KO), and Small Business Professionals (SBP) on using SBIR/STTR technologies to:



1. Implement SBIR/STTR inclusion requirements discussed in Interim Dept. of Defense (DoD) Instruction 5000.021
2. Realize Better Buying Power 2.0 goals and objectives described in ASN(RDA) memoranda² to increase competition, reduce cost to field capability, deliver more innovation, and curb vendor lock in DoN acquisition
3. Expand SBIR/STTR transitions as required by the National Defense Authorization Act of 2012³
4. Realize ASN (RDA)'s DoN small business goals

This Guidebook focuses on SBIR/STTR technology use to realize mission cost savings and technology objectives, describes SBIR/STTR inclusion in program planning and management over program life cycles.

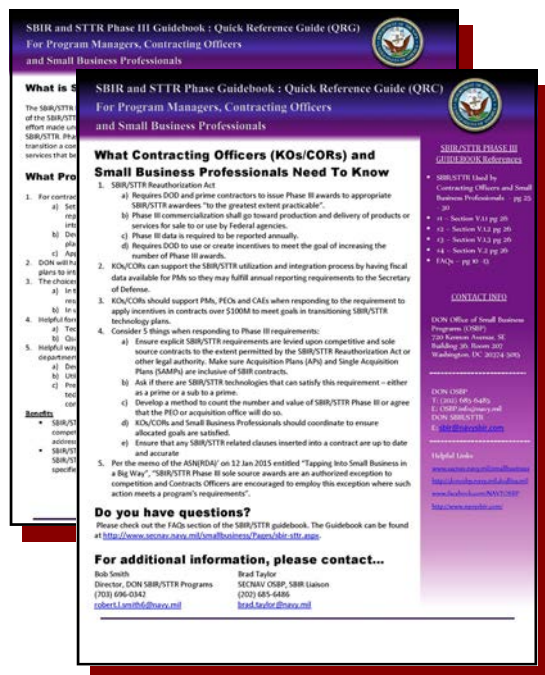
If you would like your own copy of the SBIR/STTR Phase III Guidebook please visit secnav.navy.mil/smallbusiness/Pages/sbir-sttr.aspx

OF THE NAVY BUSINESS PROGRAMS




DON SBIR/STTR PHASE III GUIDEBOOK: QUICK REFERENCE GUIDE

In collaboration with the DoN SBIR/STTR Program, the DON Office of Small Business Programs (OSBP), has developed the SBIR/STTR Phase III Guidebook: Quick Reference Guide. This guide was designed to be a helpful, simple and concise reference to the important and pertinent information located in the SBIR/STTR Phase III Guidebook that Program Managers, Contracting Officers and Small Business Professionals will need to know when incorporating SBIR/STTR Phase III firms in DoN contracts. This 2-sided document can be used as a desk guide to provide quick tips to better understand roles and responsibilities in the SBIR/STTR Phase III Process.



SBIR and STTR Phase III Guidebook : Quick Reference Guide (QRG)
For Program Managers, Contracting Officers
and Small Business Professionals



**SBIR/STTR PHASE III
GUIDEBOOK References**

- SBIR/STTR Used by Program Managers - pg 16 – 24
- #1 - Section IV.1.1 pg 17
- #1.c - Section IV.1.3
- #2 - Section IV.1.4 pg 17
- #3 - Section IV.3.2 pg 20
- #4 - Section IV.3.4
- #4.a - Section IV.3.4 pg 22
- #4.b - Section IV.3.4 pg 23
- #5 - Section IV.4 pg 24
- Benefits - Section IV.2

CONTACT INFO

DON Office of Small Business Programs (OSBP)
720 Kennon Avenue, SE
Building 36, Room 207
Washington, DC 20374-5015

DON OSBP
T: (202) 685-6485
E: OSBP.info@navy.mil
DON SBIR/STTR
E: sbir@navysbir.com

Helpful Links
www.secnav.navy.mil/smallbusiness
<https://donosbp.navy.mil/dodlive.mil>
www.facebook.com/NAVYOSBP
<http://www.navy.sbir.com/>

What is SBIR/STTR Phase III?

The SBIR/STTR Phase III is also known as, the “Commercialization Phase” and the ultimate goal of the SBIR/STTR program. The work in this phase, derives from, extends, or completes an effort made under prior SBIR funding agreements, but is funded by sources other than SBIR/STTR. Phase III funding can come from the government or industry. The purpose is to transition a company’s SBIR/STTR effort into hardware or software products, processes or services that benefit the DON acquisition community.

What Program Managers (PMs) Need To Know

1. For contracts at or above \$100M PMs will have to...
 - a) Set a goal for the transition of Phase III technologies in subcontracting plans and report the number and dollar amount of Phase III SBIR/STTR contracts entered into.
 - b) Develop a detailed plan for the use of SBIR/STTR technologies with associated planned funding which will be provided at each milestone.
 - c) Apply incentive fees to support increased SBIR/STTR participation.
2. DON will have to submit information annually to the Secretary of Defense regarding its plans to integrate the SBIR/STTR technologies in contracts above \$100M.
3. The choices of finding potential SBIR/STTR solutions are:
 - a) In the SBIR/STTR topics proposed in most DON ACAT I, II and III programs in response to program needs.
 - b) In utilizing www.navy.sbirsearch.com
4. Helpful forms and templates used to track SBIR/STTR projects and project performance:
 - a) Technology Roadmap
 - b) Quad Chart Template
5. Helpful ways to increase support of SBIR/STTR Phase III integration within your department:
 - a) Develop a Program Executive Officer (PEO) Operating Instruction manual
 - b) Utilize SBIR/STTR Transition Managers
 - c) Prepare a “Phase III package” for KOs and SBPs to review if a SBIR/STTR technology requires further development and testing in anticipation of a Phase III contract.

Benefits

- SBIR/STTR technologies are innovative, cost-effective solutions that promote competition for program technology needs at component and system levels addressing Key Performance Parameters (KPPs) and Key System Attributes (KSAs).
- SBIR/STTR policy supports government-only use of Intellectual Property (IP) owned by SBIR/STTR awardee, with rights reverting to government after a number of years specified in the contract.

If you would like your own copy of the SBIR/STTR Phase III Guidebook Quick Reference Guide please visit secnav.navy.mil/smallbusiness/Pages/sbir-sttr.aspx



DEPARTMENT OFFICE OF SMALL B

DEFENSE INDUSTRIAL BASE ENGAGEMENT

The Department of the Navy strives to participate in as many Small Business events as possible in an effort to ensure open communications between the industrial base and the Department's buying commands they seek to do business. In FY13, this effort was met with unprecedented challenges due to sequestration, budget delays and new restrictions on conference participation. These challenges resulted in many changes to the Department's anticipated outreach calendar, but allowed for the development of a foundation for future engagements with a greater focus on strengthening industry to command communications. In FY14, the DoN Office of Small Business Programs hosted the first Small Business Forum at the annual Sea Air Space Exposition.



The Forum opened with networking and a continental breakfast, followed by a special opening presentation from the [former] Director of DoN OSBP, Mr. Seán Crean. Mr. Crean, along with small business directors from the Air Force, Coast Guard, Army and DLA discussed their agencies' acquisition process and answered questions from the floor. The Forum then moved in to smaller presentations from all ten of the Major Navy Buying Commands who contract with small businesses. These commands also held exhibit tables for the duration of the expo.

The Small Business Forum was greatly successful and the Office of Small Business Programs looks forward to growing this event as one of the prominent and essential Small Business acquisition gatherings on the East coast.





SMALL BUSINESS ACQUISITION

STRATEGIC SOURCING

The overall objective of the Department of the Navy (DoN) Strategic Sourcing Program is to identify opportunities for making cost effective procurement decisions across the DoN by focusing on analysis of how the DoN generates spend, how it develops requirements, and how it sources those requirements. One primary benefit of the DoN Strategic Sourcing Program is that it mandates structured analysis of opportunities for small business, which increases the DoN's performance in all socioeconomic categories.

The DoN Strategic Sourcing Program has achieved substantial success. Currently, the DoN has implemented strategic sourcing initiatives for office supplies, furniture purchases, and logistics support services. In FY14, approximately 70% of the office supplies spend was awarded to small businesses, 65% of the furniture spend was awarded to small businesses, and 100% of the Integrated Logistics Support Services was awarded to small businesses.

ACQUISITION OVERSIGHT

In accordance with SECNAVINST 4380.8C, the Department of the Navy OSBP participates fully in acquisition oversight activities, along with the Deputy Assistant Secretary of the Navy - Acquisition and Procurement (DASN AP). The purpose of the Procurement Performance Management Assessment Program (PPMAP) is to assess the quality of a contracting activity's small business program, evaluate its impact on small business, and provide recommendations to improve small business participation in the contracting activity's acquisition process.

In 2014, the DoN significantly increased oversight of contracting activities by implementing a new pilot approach, which included reviews of subordinate activities within multiple phases. As a result of this heightened oversight, OSBP has participated in assessments of six contracting activities consisting of \$32B in 2014.

COMMUNICATION WITH INDUSTRY

The Honorable Sean J. Stackley, ASN/RDA conducted six Small Business Roundtables in 2014 (Charleston SC, Jacksonville FL, Norfolk VA, Johnstown PA, San Diego CA, Washington D.C.). The Small Business Roundtables are conducted with randomly selected Small Businesses in an effort to enhance communications and to identify policies and practices which may erect barriers to Small Businesses when conducting business with the DoN.



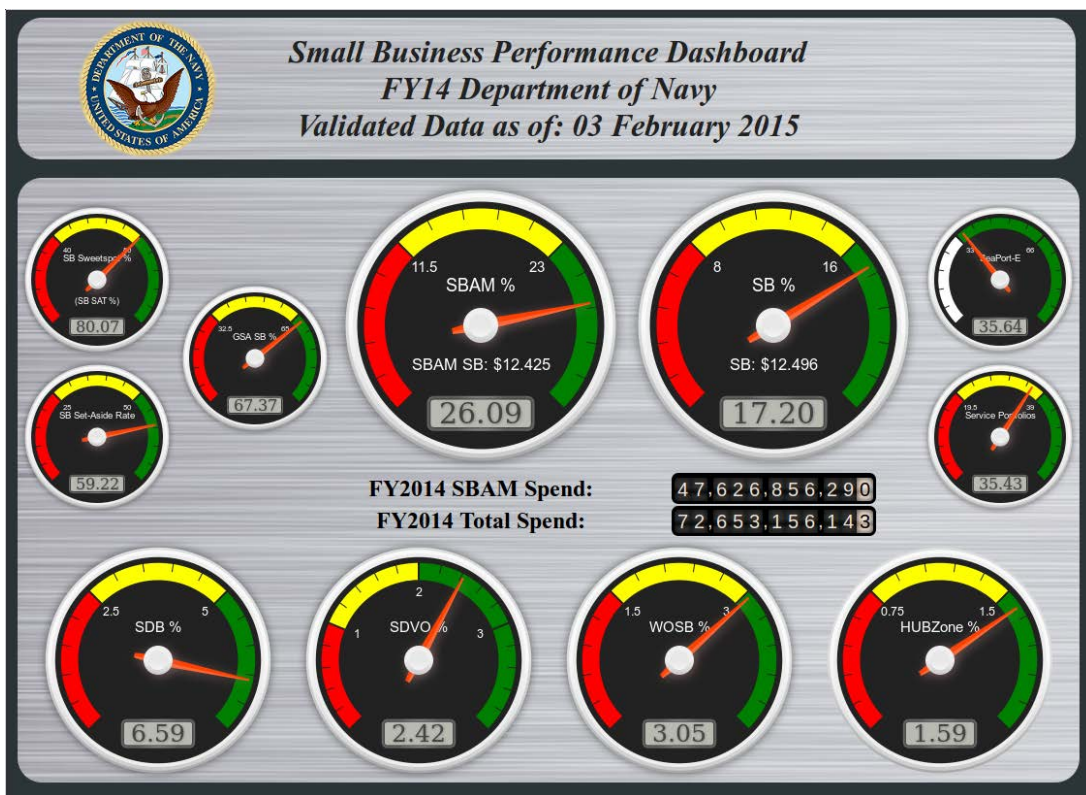


IMPROVING SMALL BUSINESS PERFORMANCE

In FY14, DoN surpassed all six (6) of our internal Small Business and socioeconomic goals (Small Business, Small Business Accessible Market, Small Disadvantaged, Service-Disabled Veteran Owned, Women Owned, and HUBZone) and all but one of our five (5) Key Performance Indicator (KPI) targets (“Sweetspot” Simplified Acquisition Threshold (SAT), GSA Federal Supply Schedule, Small Business Set Asides, SeaPort-e Task Orders, and Service Portfolios Small Business performances). The Department fell short in meeting the Service Portfolios performance target of 39% with a small business performance of 35.43% overall for awards in the Electronic and Communications, Facilities Related, and Knowledge Based Services Portfolio Groups. In comparison, the Department met only the Small Disadvantaged Business goal and “Sweetspot” Simplified Acquisition Threshold (SAT) target in FY13 prior to shifting our focus to the Small Business Accessible Market (SBAM). This remarkable performance improvement was the result of the outstanding efforts of our Major Head Contracting Activities (HCAs) to maximize the practicable opportunity within the Small Business Accessible Market.

The Department awarded over \$72.6B in total Small Business Eligible procurements with \$12.5B or 17.2% of those awards going to Small Business. In terms of socioeconomic group performances DoN exceeded its Small Disadvantaged Business (SDB) goal by awarding \$4.8B or 6.59% (goal was 5%) of total awards to SDB vendors, its Women-Owned Small Business (WOSB) goal of 2.7% by awarding \$2.2B or 3.05% of total spend to WOSB, and its HUBZone goal, thanks to the efforts of NAVFAC and SPAWAR, by awarding \$1.15B or 1.59% of total awards to HUBZone surpassing the 1.5%

goal. While the Department is still working towards achieving 3% of Service Disabled Veteran Owned Small Business (SDVOSB) performance, in FY14 DoN awarded \$1.75B or 2.42% of total awards to SDVOSB vendors, surpassing the internal SDVOSB goal of 2%. Additionally, three (3) of the ten (10) Major Head Contracting Activities (HCA) exceeded all five (5) of their SB targets and two (2) exceeded four (4) of its SB targets.



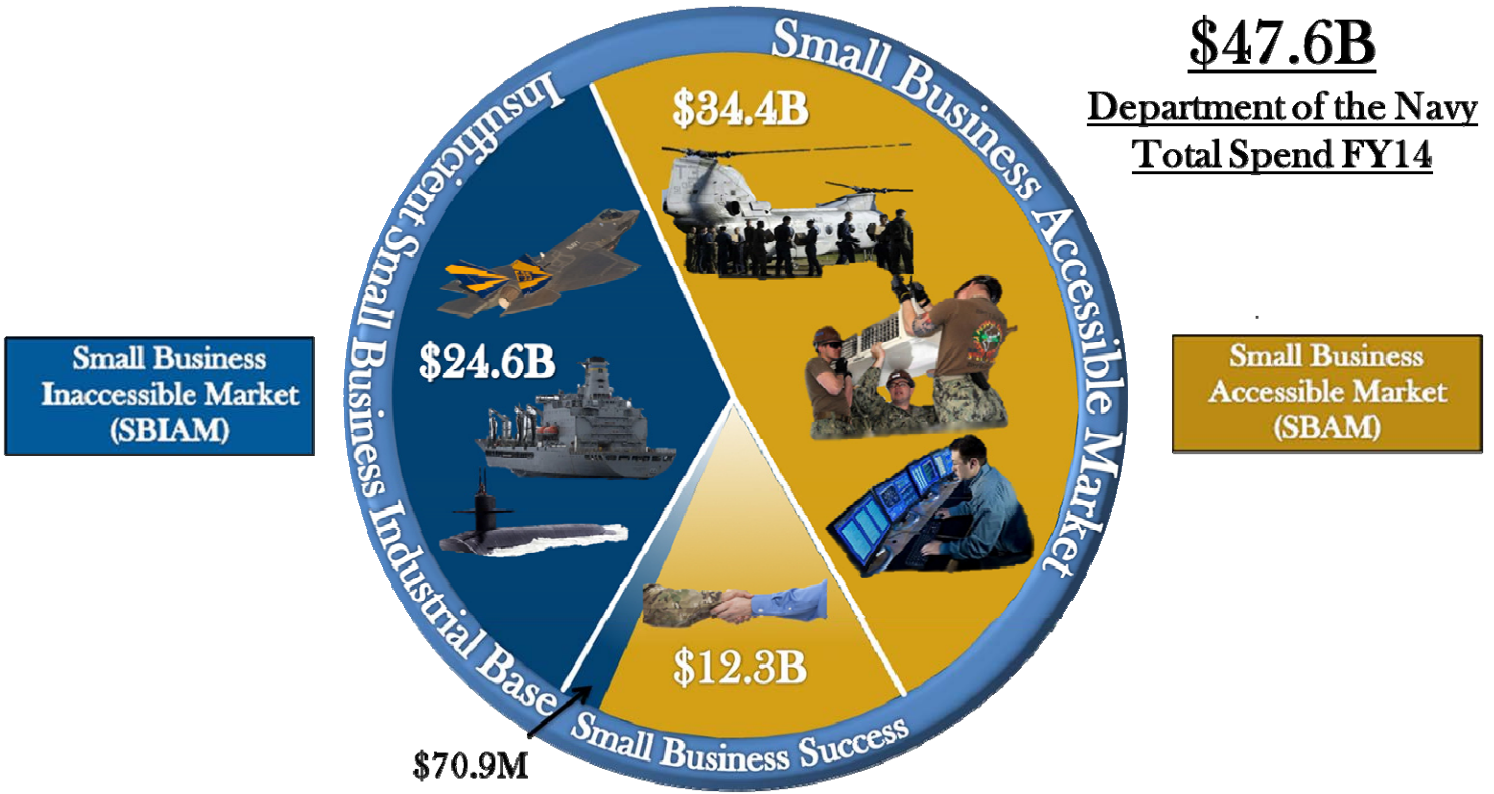
OF THE NAVY BUSINESS PROGRAMS



SMALL BUSINESS ACCESSIBLE MARKET

The DoN has a significant amount of spend each fiscal year obligated to programs that, at the prime contracting level, are awarded principally to Other Than Small Businesses (OTSB). These are areas where the small business industry has little or no industry to support the requirements such as, manufacturing of major shipbuilding, nuclear reactors, missile systems, winged aircraft, weapon systems, and some R&D. As a result of these spends not being accessible to Small Business, the DoN in FY13 developed the Small Business Accessible Market (SBAM) as a way to gauge just how well Navy performs in markets and industries where Small Business has an opportunity to compete for awards.

Currently, the DoN defines the SBAM as spends for Product Service Codes (PSC) where Small Business achieved greater than 1% market share across the federal government over the past fiscal years consistently. If a PSC had less than 1% of its awards go to Small Business in FY13 that spends associated with that PSC code were removed from our base since these spends do not present adequate opportunity to Small Business. While DoN awarded \$72.6B in Small Business Eligible procurements only \$47.6B or 65.5% of those awards were in PSC codes and industries within the Small Business Accessible market. By removing the \$25B of FY14 spend in PSCs that Small Business has not historically had at least a 1% market share of the Department achieved a SBAM performance of 26.09% surpassing the Federal statutory goal of 23%. Shifting the focus of the Departments HCAs and Contracting Offices to socializing the SBAM to potential vendors enables small businesses to market to those buying commands that offer the greatest competitive opportunity for achieving success with the Navy and Marine Corps.





SMALL BUSINESS ACCESSIBLE MARKET

As a result of implementing the SBAM goal into our Small Business dashboards and annual goals the Department and Major Head Contracting Activities (HCA) have a newfound focus on industries with the highest probability of Small Business success and impact. In FY14 DoN replaced the Small Business performance with the SBAM performance gauge for all HCA dashboards. While this change had little impact on the HCAs that awarded in SBAM only industries in FY14, it did have a positive impact on our HCAs that do the majority of the Department's major hardware buys, specifically NAVSEA and SSP. In the case of NAVSEA looking at their performance within the SBAM resulted in a SBAM Small Business performance of 18.93% on a goal of 15%. For SSP there was a significant increase in Small Business performance (2.86% of total FY14 awards, 6.9% of SBAM awards).

While the majority of FY14 was spent socializing and expanding an understanding of the Small Business Accessible Market and its impact on Small Business, DoN OSBP spent a considerable amount of time in FY14 fine tuning the measurement of our Key Performance Indicators. Throughout FY12 and FY13 DoN OSBP, through "deep dive" analyses of historical procurement data, developed a methodology for the Small Business "Sweetspot" (contracts within the Simplified Acquisition Threshold (SAT), \$3,000-150,000K) that provides the purest measurement of Small Business performance of these awards. In FY14 the Navy achieved 80.07% performance in the "Sweetspot", surpassing its 80% target with \$891,022,721 of the \$1,112,817,869 total awards going to Small Business.

When DoN OSBP redesigned the Small Business Executive Performance Dashboard it added two new KPIs that were not previously tracked – the SeaPort-e Small Business performance and the Small Business Set-Aside Rate. The SeaPort-e SB performance provides an indication of the amount of executed SeaPort-e Task Order awards that went to Small Business; the SeaPort-e Task Order Report is obtained each week via Crystal Reports. The Small Business Set-Aside Rate provides the percentage of Small Business awards that are awarded as a result of a Set-Aside based on data in FPDS-NG. In late-FY14 it was discovered that FPDS-NG was not correctly capturing Set-Aside data resulting in the SB Set-Aside rate being underreported. Fortunately, the SeaPort-e report contains Set-Aside data that we were able to use to augment the Set-Aside data from FPDS-NG. Using this additional data, Navy now has a SB Set-Aside Rate for FY14 of 59.22%, indicating that almost 60% of all SB awards for Navy are the result of a Set-Aside.

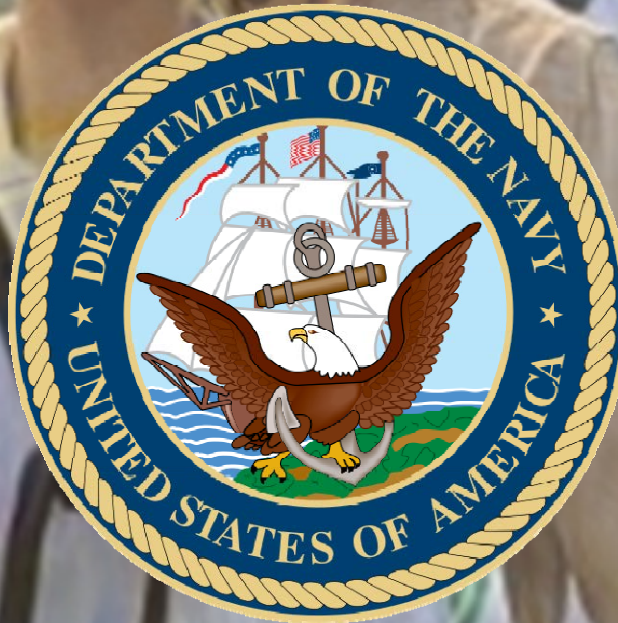
OF THE NAVY BUSINESS PROGRAMS



NAVY TEN MAJOR BUYING COMMANDS



OUR MISSION IS TO HELP THEM...



COMPLETE THEIRS SAFELY