

Worthy of the Refrigerator: DCMA's Small Business Report Card

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BUSINESS PROCESSES

The members of the Defense Contract Management Agency (DCMA) Small Business Office recently received a report card worthy of prominent posting on the office refrigerator. In a matter of only two years, DCMA Small Business raised its performance assessment grade from an F to an A-.

The “Small Business Program Assessment,” overseen by Mr. Michael W. Wynne, acting under secretary of Defense for Acquisition, Technology and Logistics, was based on the achievement of goals set for both prime contracts and subcontracts. It measured fiscal year 2003 targets against actuals to obtain rating points, which ranged from 1 through 4 (with 4 being the highest grade of A). The rating points were then converted to weight factors and averaged. For fiscal year 2003, the Department of Defense (DoD) set a record of \$42 billion in small businesses contract awards, a \$9 billion increase over fiscal year 2002. This huge

increase is largely due to the innovative processes set in place by the DCMA Headquarters Office of Small Business Programs.

Prior to 2002, DCMA’s small business subcontracting program provided only basic oversight and fulfillment of requirements, and contractor performance ratings utilized rating criteria that were loosely defined.¹ In the last two years, however, both new leadership and new policies have resulted in the current assessment grade of A-.

Ms. Barbara Little, director, Small Business Programs, credits much of DCMA Small Business’ success to Maj. Gen. Darryl A. Scott. Under his direction several new initiatives were introduced that have yielded positive results. The first is the newly revised “Comprehensive Subcontracting Test Program,” which examines the allocation of the top 11 DoD prime contractors’ funds

(Above) Members of DCMA Small Business with report card. Left to right: Mr. Frank Ramos, director of the Office of Small and Disadvantaged Business Utilization, Office of the Under Secretary of Defense; Ms. Barbara Little, director, DCMA Small Business Office; Ms. Linda Oliver, deputy director of the Office of Small and Disadvantaged Business Utilization, Office of the Under Secretary of Defense.

to small business subcontracts. The revised program's first implementation revealed that over the past five years, the utilization of small business subcontractors has been declining. As a result, DCMA wanted to develop a better method for holding the prime contractors accountable for both meeting and increasing their DoD subcontracting goals.

The search for a more effective method for increasing prime contractor accountability resulted in the second initiative, the development of the benchmark small business goal. This program was designed for six of the 11 comprehensive contractors as an in-depth analysis of the techniques contractors use for finding and working with small businesses and examining successful practices as models for industry benchmarks. The results from this study are due out in January 2005. Maj. Gen. Scott allocated \$365,000 dollars for the study's funding, which provided for a systematic and in-depth technical analysis that had not been conducted before.

Another factor in the Small Business success was the revision of the primary contractors' individual compliance reviews in an effort to increase their accountability for small business subcontract achievements. The revision, instituted in July 2003, created more specific criteria for determining contractor performance, and a change in the rating schematic made it more difficult to attain a performance rating of "highly successful" or "outstanding." To achieve such a rating, the contractor must meet three long-standing small business goals and at least one of the newer goals (e.g., veteran-owned small business) as well as demonstrate significant success in other objectives identified in its subcontracting plan.

All of these guidelines have led, perhaps surprisingly, to improved relations between DCMA Small Business and the contractors. According to Ms. Vicky Harper-Hall, sector manager, Socio-Economic Business Programs (SEBP), Northrop

Grumman Integrated Systems, "DCMA Small Business has really helped us have better focus on our small business goals. They have been increasingly helpful in identifying ways we can expand subcontracting work." Ms. Harper-Hall also notes that "from a contractor standpoint, the Small Business visibility has really increased." Thus while the goals and standards set for the contractors are more difficult, they appreciate the clarity and solidity of their performance expectations. The contractors are working harder but with more definitive objectives in sight, which ultimately benefits their organizations.

Operations are also running more smoothly and with better direction at DCMA. In terms of agency procedure, Small Business has benefited from a modification in command structure in which Ms. Little now reports directly to Mr. Robert Schmitt, executive director for Operations, rather than to Maj. Gen. Scott. By making Operations a central component, Small Business gains access to the transformation initiatives that are taking place in Mr. Schmitt's unit. Additionally, DCMA Small Business is reallocating its resources by limiting its training and outreach functions, since other organizations already provide these services, and skipping a contractor's review for one year or more if the contractor's previous year's rating was "outstanding" and there were no significant changes in their subcontracting activity or personnel.²

The next DoD assessment of DCMA Small Business will be in August 2005, and Ms. Little feels that their success will continue. "We have done everything we can do to be the best agency we can be, and now we need to execute our initiatives," stated Little. She said she is confident that the implementation of the policies, which occurs at the District level, will be just as successful, continuing the Agency's positive momentum.

¹ United States General Accounting Office. *Contract Management: DoD Needs Measures for Small Business Subcontracting Program and Better Data on Foreign Subcontracts*. Washington D.C.: GAO, 2004.

² *ibid.*