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THESIS

**THE PILOT MENTOR-PROTEGE PROGRAM:
A VIABLE PROGRAM FOR GOVERNMENT
PROCUREMENT?**

by

Raymond J. Rodriguez

June, 1993

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The Pilot Mentor-Protege Program was implemented on October 1, 1991. It is a voluntary program that provides incentives for major defense contractors to provide developmental assistance to Small Disadvantaged Businesses (SDBs). The developmental assistance provided should enhance the capabilities of SDBs to perform as subcontractors and suppliers under Government and commercial contracts and increase Small Disadvantaged Business participation in Department of Defense subcontracting. This study was undertaken to assess the current perceptions of industry regarding the program and to determine if the program has a viable future in Government procurement. The results of the study indicate an overall positive impression of the program exists in industry, especially among current participants. There are active mentor-protege relationships in which the assistance being provided is improving the capabilities of the protege. There are, however, some undesirable aspects and barriers that limit participation and effectiveness.					
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THE PILOT MENTOR-PROTEGE PROGRAM:
A VIABLE PROGRAM FOR GOVERNMENT PROCUREMENT?

by

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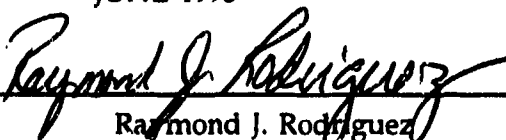
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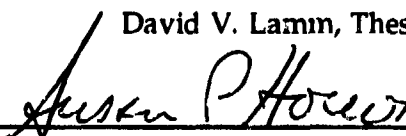
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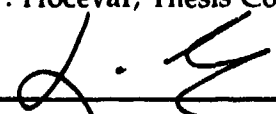
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ABSTRACT

The Pilot Mentor-Protege Program was implemented October 1, 1991. It is a voluntary program that provides incentives for major defense contractors to provide developmental assistance to Small Disadvantaged Businesses (SDBs). The developmental assistance provided should enhance the capabilities of SDBs to perform as subcontractors and suppliers under Government and commercial contracts and increase Small Disadvantage Business participation in Department of Defense subcontracting. This study was undertaken to assess the current perceptions of industry regarding the program and to determine if the program has a viable future in Government procurement.

The results of the study indicate an overall positive impression of the program exists in industry, especially among current participants. There are active mentor-protege relationships in which the assistance being provided is improving the capabilities of the protege. There are, however, some undesirable aspects and barriers that limit participation and effectiveness.

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I. INTRODUCTION

A. BACKGROUND

The Pilot Mentor-Protege Program (PMPP) was authorized by Section 831, Title VIII, of the National Defense Authorization Act for Fiscal Year 1991 (Public Law 101-510) on November 5, 1990 and charged the Secretary of Defense with establishing the program. The purpose of the program, as stated in the legislation, is:

... to provide incentives for major Department of Defense contractors to furnish disadvantaged small business concerns with assistance designed to enhance the capabilities of disadvantaged small business concerns to perform as subcontractors and suppliers under Department of Defense contracts and other contracts and subcontracts in order to increase the participation of such business concerns as subcontractors and suppliers under Department of Defense contracts, other Federal Government contracts, and commercial contracts. [Ref. 1:104 Stat. 1607]

Under the program, large defense contractors (mentors) voluntarily enter into formal agreements with Small Disadvantaged Businesses (SDBs) (proteges). The mentor provides developmental assistance to the protege in technical and/or administrative areas in exchange for either cash reimbursements from the Government or credit towards SDB subcontracting goals.

B. OBJECTIVES

The objectives of this study were: (1) to briefly examine SDB legislation and the effectiveness of such legislation prior to the implementation of the PMPP; (2) to briefly examine the legislative history, Congressional intent, and DOD regulations for the PMPP; (3) to determine the degree of familiarity with the program among SDBs and large DOD contractors; (4) to determine the current perceptions of the program among SDBs and large DOD contractors in areas such as perceived barriers to participation and the future viability of the PMPP; and (5) to provide recommendations concerning the future of the PMPP.

C. THE RESEARCH QUESTION

The following research question was used to complete the objectives of this study:

How effective has the Pilot Mentor-Protege Program been and what modifications could be made to improve participation?

The following subsidiary questions were germane to this research effort:

1. What is the Mentor-Protege Program?
2. To what extent are firms familiar with the PMPP?
3. Do firms believe the program is worthwhile?
4. What are the advantages and disadvantages of a mentor-protege relationship?

5. What are the aspects of participation and non-participation among mentor and protege participants and non-participants?
6. What are the barriers that preclude participation?
7. What improvements can be made to the program that will foster greater participation?

D. SCOPE, LIMITATIONS AND ASSUMPTIONS

In June 1991, A.D. Huff authored a thesis that examined how one major DOD contractor could implement a Mentor-Protege Program [Ref. 2]. At that time, policies and procedures for the PMPP were still under development. Now that the program has been in place for over almost two years, a follow-up study is warranted to assess the current standing of the PMPP. The study is limited by the amount of participation of firms contacted during the research effort. It is assumed that the reader is familiar with the basics of contract management and the acquisition process within the Department of Defense.

E. RESEARCH METHODOLOGY

The research for this thesis was conducted by performing a comprehensive search of literature utilizing the Naval Postgraduate School Library, the Defense Logistics Studies Information Exchange (DLSIE), the Federal Register, and Congressional Records. In an effort to gather PMPP perceptions from the defense industrial base, surveys were mailed to one hundred large defense contractors and one

hundred SDBs. Telephone and personal interviews were conducted with representatives from large companies, small disadvantaged businesses and various Government agencies. Additional information on methodology is presented in the introductions to Chapters IV and V.

F. DEFINITIONS AND ABBREVIATIONS

1. **PMPP-** Pilot Mentor-Protege Program.
2. **SDB-** Small Disadvantaged Business, a business concern that is at least 51% owned by one or more individuals who are both socially and economically disadvantaged, or a publicly owned business having at least 51% of its stock owned by one or more socially and economically disadvantaged individuals and has its management and daily business controlled by one or more such individuals. [Ref. 3:Sec. 19.001]
3. **SBA-** Small Business Administration.
4. **HBCU/MIs of Higher Education-** Historically Black Colleges and Universities/Minority Institutions of Higher Learning.
5. **USD(A) OSADBU-** Under Secretary of Defense for Acquisition, Office of Small and Disadvantaged Business Utilization.
6. **Socially Disadvantaged Individuals-** persons who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group, without regard to their qualities as individuals. [Ref. 4:p. 3]
7. **Economically Disadvantaged Individuals-** persons whose ability to compete in the free enterprise system is impaired due to diminished opportunities to obtain capital or credit as compared to others in the same line of business who are not socially disadvantaged. Individuals who certify that they are members of named groups, (e.g., Black Americans, Hispanic Americans, Native Americans) are to be considered socially and economically disadvantaged. [Ref. 4:p. 3]

8. **8(a) Program-** refers to Section 8(a) of the Small Business Act. Section 8(a) authorizes the SBA to enter into contracts with other Government departments and agencies, and to award subcontracts for performing these contracts to minority-owned firms. Only small business concerns owned and controlled by qualified socially and economically disadvantaged individuals are eligible to participate in the 8(a) program. [Ref. 3:Sec. 19.8]
9. **Emerging SDB concern-** a small disadvantaged business whose size is no greater than 50% of the numerical size standard applicable to the standard industrial code for the supplies or services which the protege firm provides or would provide to the mentor firm [Ref. 13:p. 16]

G. ORGANIZATION OF THE STUDY

This thesis is a study of the Pilot-Mentor Protege Program - its effectiveness to date, its advantages and disadvantages, how it is perceived by the defense industry, and how it can be improved to make it more viable in the future.

The remainder of the thesis is organized as follows. Chapter II presents a background of SDB legislation and its effectiveness. Chapter III discusses the Pilot Mentor-Protege Program. Included in this discussion are Congressional intent, program elements, and DOD regulations with regard to the program. Chapter IV analyzes the results of interviews and surveys of large defense contractors regarding the PMPP. Chapter V analyzes the results of interviews and surveys of SDBs regarding the PMPP. Chapter VI presents the researcher's conclusions and recommendations regarding the PMPP.

II. BACKGROUND OF SMALL DISADVANTAGED BUSINESS LEGISLATION

A. INTRODUCTION

The impact of small businesses on the U. S. economy is significant. Ninety-nine percent of all U. S. businesses are small businesses. They represent approximately 47% of all private sector jobs, and nearly two-thirds of all new jobs are to be found in companies employing less than 20 people. Small businesses account for 38% of the U. S. gross national product and provide more than half of all industrial innovations and inventions. [Ref. 5:p. 19] Internal Revenue Service figures for 1990 reported an estimated 20.1 million business tax returns were filed in 1989 and that fewer than 7,000 (.035%) of those firms would be considered large businesses (large = 500 or more employees)." [Ref. 6:p. 12] The Department of Labor figures also stated that there are more than one million minority-owned businesses in the U. S. and only 3,500 of them are certified in the 8(a) program [Ref. 6:p. 198]. Department of Commerce statistics indicate that Black- and women-owned businesses are increasing in number [Ref. 6:p. 199].

The Federal Government, understanding the significance of these numbers, has long been interested in providing the means for socially and economically disadvantaged individuals to compete more equitably in the nation's economy. This interest

has resulted in various legislation and regulations designed to meet socioeconomic development. This chapter will briefly examine the major legislation and regulations pertaining to SDB participation in Government procurement.

B. A SYNOPSIS OF SMALL DISADVANTAGED BUSINESS LEGISLATION

The major legislation concerning SDBs that will be discussed in this section are:

1. Public Law 85-536, The Small Business Act of 1958
2. The Small Business Act of 1953, Section 8(a)
3. Public Law 95-507, Amendments to the Small Business Investment Act of 1958
4. Public Law 99-661, Section 1207, The National Defense Authorization Act of 1987
5. Public Law 100-656, Title VII, The Business Opportunity Development Reform Act of 1988

Public Law 85-536 states the policy intended to improve the opportunities and competitiveness of SDBs as follows:

It is the policy of the United States that Small Business Concerns and Small Disadvantaged Business Concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency, including contracts and subcontracts for subsystems, assemblies, components, and related services for major systems.

Section 8(a) of the Small Business Act authorizes the Small Business Administration (SBA) to enter into contracts with other Government departments and agencies, and to award subcontracts for performing these contracts to minority-owned

firms. In the late 1970's, the 8(a) program was structured to provide eligibility only to small business concerns owned and controlled by qualified socially and economically disadvantaged individuals. Executive Order 12432, concerning Minority Business Enterprise Development issued July 14, 1983 requires all Federal agencies to establish an annual SDB business plan and to provide technical and management assistance to these firms. [Ref. 4:p. 3]

In addition to setting aside contracts for SDBs, the 8(a) program also offers management, technical, financial, and marketing aid to firms. The combination of set asides and professional/technical assistance was expected to develop SDBs into self-sufficient firms capable of competing in the marketplace without 8(a) support. [Ref. 2:p. 10]

Public Law 95-507 was enacted on October 24, 1978. Under this law, contracting officers could no longer ignore SBA requests that specific contracts be set aside for the 8(a) program. Instead, an appeals process was established for contracting officers who desired to challenge the SBA's set aside request. [Ref. 2:p. 11]

Public Law 95-507 also provided for contractual acceptance of Government SDB policy by requiring the following contractual clause in any contract awarded by any Federal agency in excess of \$10,000 that will be performed in the U. S. or its territories:

It is the policy of the United States that small businesses and small business concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency. The contractor hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with the efficient performance of this contract. [Ref. 7:Sec. 211]

Another provision of Public Law 95-507 was the requirement for successful offerors and low bidders on Federal contracts valued at more than \$500,000 (\$1 million for construction) to submit a detailed subcontracting plan prior to contract award for approval by the contracting officer. The plan is required to contain the following information [Ref. 4:p. 12]:

1. Percentage goals for utilization of small businesses and SDBs;
2. The name of the contractor's employees who will administer the program and a description of his/her duties;
3. A description of contractor efforts to ensure that these entities would have an equitable opportunity to compete for subcontracts;
4. A commitment to impose these same requirements on large subcontractors (same dollar thresholds as for the prime);
5. Assurances that the contractor would submit periodic reports and cooperate in studies and surveys required by Federal agencies in order to determine the level of compliance by the contractor with the plan;
6. A recitation of the types of records that a contractor would maintain to demonstrate the level of compliance by the contractor with the plan.

Finally, Public Law 95-507 authorizes incentives to prime contractors awarded contracts via the negotiated procurement

method to encourage SDB subcontracting opportunities. An additional payment of up to 10% of the dollar value of subcontract awards in excess of the 5% goal is allowed to be paid at the discretion of the contracting officer and is not subject to appeal. [Ref. 7:p. 72]

The next legislation to be discussed is Section 1207 of Public Law 99-661, the National Defense Authorization Act of 1987. This law establishes a goal for DOD and defense contractors of placing 5% of DOD subcontracting dollars with SDBs [Ref. 4: p. 4]. The Department of Defense is authorized to use less than "full and open competition" to facilitate achievement of the 5% goal. Fair market prices may be exceeded by 10% and, in unrestricted acquisitions, a 10% evaluation preference is permitted for SDBs, to the disadvantage of all other bidders. The provisions of Section 1207 have been extended through September 30, 1993. [Ref. 2:p. 13]

Public Law 110-656, the Business Opportunity Development Reform Act of 1988, is the final piece of legislation relevant to this research. This Act resulted in the establishment of Government-wide contracting goals for small business and SDB concerns. The goals, set by the Office of Federal Procurement Policy in March 1991, are that not less than 20% of the total value of all Federal Government prime contract awards are to be made to small businesses. In addition, SDBs are to receive not less than 5% of all Federal Government prime contracts nor

less than 5% of all subcontract awards. In general these goals have not been met. [Ref. 4:p. 4]

Public Law 110-656 also requires competition among 8(a) firms for contracts expected to exceed \$3 million (\$5 million for manufacturing) [Ref. 2:p. 14]. Included in this law is a provision for the assessment of liquidated damages against a contractor who failed to meet, or make a good faith effort to meet, subcontracting goals for small businesses and SDBs [Ref. 2:p. 15]. However, liquidation damages have been suspended by The Small Business Administration Reauthorization and Amendments Act of 1990, Public Law 101-574, for selected Government contractors participating in a test program for comprehensive subcontracting plans on a corporate-, division-, or plant-wide basis [Ref. 4:p. 5].

C. EFFECTIVENESS OF SMALL DISADVANTAGED BUSINESS LEGISLATION

Over the past several years, the annual percentage of total Federal procurement dollars awarded to small businesses and SDBs has not met the established goals. Throughout the 1980s the total percentage awarded to small businesses was 19%, very close to the 20% goal. However, the total percentage awarded to SDBs has only recently climbed to 3.2%, short of the 5% goal mandated by Public Law 110-656. [Ref. 8:p. 41] Because of the fact that there has been no growth in small business or SDB contract awards indicates that legislation has been unsuccessful.

The following nine factors have been suggested as reasons for the failure of Federal procurement set-aside goals [Ref. 9:p. 40]:

1. Agencies must implement programs from vague and ambiguous legislation.
2. Performance is difficult to evaluate because of hard-to-measure output.
3. Generally, agencies will award contracts to firms within targeted groups that are most likely to succeed rather than to those most in need.
4. Goal displacement occurs because agencies' concern over the number of targeted firms reaching self-sufficiency becomes secondary to desires to achieve monetary goals.
5. Agencies must simultaneously implement the incompatible goals of full and open competition and the Federal procurement preference programs that restrict competition.
6. There are no special agencies' budgets to support the implementation of nonprocurement objectives.
7. There are multiple responsibilities within the Federal procurement goal setting process, causing fragmentation of responsibilities.
8. Procurement preference programs lack effective incentive and enforcement mechanisms over agencies' performance.
9. Agencies will generally "lowball" goals to ensure attainment.

Long term problems that have plagued the 8(a) program include [Ref. 9:p. 2]:

1. a large percentage of 8(a) contracts are awarded to a very few firms;
2. firms may not be prepared for the competitive market at or near graduation from the program;

3. SBA's management efforts fall short of requirements.

A General Accounting Office (GAO) audit for Fiscal Year 1987 revealed that 50 firms received 35% of 8(a) business. Also, only 20% of 35 firms surveyed had met or exceeded the 75/25 non-8(a)/8(a) business mix that the SBA had expected 8(a) graduates to achieve. [Ref. 8:p. 6]

The SBA's management effort problems appear to be related to a manpower shortage [Ref. 9:p. 22]. The 8(a) firms are supported by SBA Business Development Specialists (BDS). According to the SBA, the ideal workload for a BDS is 10 to 15 firms. At the time of the audit, one BDS was assigned for every 26 8(a) firms. As a result, the following requirements were not being met at the time of the audit [Ref. 9:p. 22-23]:

1. annual review of 8(a) firms;
2. annual site visits to 8(a) firms;
3. submission of annual financial statements by 8(a) firms;
4. encouragement of firms by BDSs to develop non-8(a) business.

Large businesses maintain that they are not able to identify sufficient numbers of qualified and competent SDBs, especially in the manufacturing field, to enable them to meet Federal subcontracting goals [Ref. 4: p. 5]

D. SUMMARY

Chapter II has presented a brief history of Small Disadvantaged Business legislation. The SBA's 8(a) program and the establishment of SDB contracting and subcontracting goals have been marginally successful at best, as evidenced by the lack of growth in percentage of total Federal procurement dollars awarded to SDBs over the last several years. Considering the current downsizing environment and reductions in the defense budget, it is probable that the amount of Federal procurement dollars being awarded to SDBs may decrease even further.

A concerned Congress has determined that something more must be done to develop the potential of SDBs. The PMPP was designed to develop that potential. Chapter III will discuss the Congressional intent, essential elements, and DOD guidance for the PMPP.

III. THE PILOT MENTOR-PROTEGE PROGRAM

A. INTRODUCTION

There has been a vast amount of Congressional concern over why the percentage goals of subcontract awards to SDBs have not been met. Prime contractors have claimed that the 5% goal is difficult to reach because SDBs lack the knowledge, expertise, and capabilities to perform as subcontractors. SDBs, however, felt many prime contractors did not make serious efforts to do business with qualified SDBs. [Ref. 2:p. 21]

The PMPP is one of several efforts aimed at eliminating the barriers preventing SDBs from fully participating in DOD procurements. Other efforts include the enactment of P.L. 101-189 which extended the 5% SDB procurement goal through FY 1993 and P.L. 101-656 Section 304 which calls for the assessment of liquidated damages against prime contractors that fail to meet their subcontracting goals. [Ref. 2:p. 21]

Under the PMPP, large firms voluntarily enter into formal agreements with SDBs to enhance the capabilities of SDBs to perform in the defense subcontractor base. To accomplish this, mentor firms provide technical knowledge and skills to the protege firms that would enable the proteges to compete more successfully for defense subcontracts. Designed to

ensure that both large and small minority-owned companies are motivated to establish productive, long term relationships, the Pilot Mentor-Protege Program provides incentives for mentors to assist protege SDBs in developing their potential.

B. INTENT OF CONGRESS IN ESTABLISHING THE PILOT MENTOR-PROTEGE PROGRAM

The PMPP was proposed as an amendment to the FY 1991 Defense Authorization bill by Senator Sam Nunn (D-GA). Senator Nunn's purpose is achievement of the 5% SDB procurement goal. In addition to achievement of the 5% goal, the PMPP is an attempt to determine whether incentives (such as credit towards SDB subcontracting goals or cash reimbursements) or punitive measures (such as liquidated damages) are a more effective means of achieving SDB subcontracting goals. [Ref. 10:p. 3]

The PMPP was incorporated into the FY 1991 Defense Authorization Act by the conference committee. The conferees believed that the Mentor-Protege Program provides a flexible framework for mentor firms to develop SDBs capable of meeting available defense contract opportunities and should foster the establishment of stable long term business relationships. The conferees expected that mentor firms would negotiate agreements with emerging SDBs as well as more established SDBs. The conferees also reported that the success of the

program would be measured largely by whether the number of subcontracts awarded to SDBs increased. [Ref. 2:p. 22]

Senator Nunn described the Mentor-Protege Program as a private sector 8(a) program that could reach many more SDBs while not being affected by the inflexibility and over-regulation that usually plague Government programs. [Ref. 2:p. 29]

C. PROVISIONS OF THE PILOT MENTOR-PROTEGE PROGRAM

For a detailed subsection summary of P.L. 101-510, Section 831, the Pilot Mentor-Protege Program, the reader is referred to Chapter III of Reference 2. The key provisions of the legislation are presented below [Ref. 1].

Mentor firms must be eligible for Federal contract awards and, during the fiscal year preceding the fiscal year in which the mentor firm enters into the agreement, the total amount of DOD contracts and subcontracts awarded to the mentor firm must have been equal to or greater than one hundred million dollars. Mentor firms are those firms that apply to and are approved by the Secretary of Defense for participation in the program and provide assistance to disadvantaged small business concerns.

Protege firms are SDB firms that enter into agreements with Mentor firms and receive assistance from Mentor firms. Mentor firms may rely in good faith on a written representation of a business concern that it is, in fact, a

SDB. Protests may be lodged over whether a business concern is a SDB. The SBA will make determinations on those protests.

Mentor firms must demonstrate the ability to assist in the development of protege firms. In demonstrating this ability, the mentor describes the resources that will be available during the conduct of the developmental assistance. Examples of "ability" include plant and office facilities, computing equipment, human resources, library services and other types of support facilities. The mentor should stress any areas of expertise and experience that would be instrumental for implementing a successful Mentor-Protege Program.

The formal Mentor-Protege agreement that is required between the mentor and protege firm regarding the assistance to be provided by the mentor firm must include, at a minimum, a developmental program for the protege firm, a program participation term, and termination procedures. The participation term cannot exceed five years, but may be renewed upon its expiration for an additional term not to exceed four years. Termination procedures should address voluntary termination by one or both parties and procedures for the mentor firm to terminate the agreement for cause.

The agreement must also contain the factors that will be used to assess the protege firm's developmental progress under the program as well as the anticipated number and type of subcontracts to be awarded to the protege firm.

The legislation lists the following forms of assistance that a mentor firm may provide a protege firm under a Mentor-Protege agreement:

1. General business management including organizational, financial, and personnel management, as well as marketing business development and overall business planning;
2. Engineering and technical assistance in areas such as production, inventory control and quality;
3. Non-competitive contract award under DOD or other contracts;
4. Payment of progress payments under subcontracts, with payment not to exceed 100% of costs incurred by the protege firm;
5. Advance payments under subcontracts;
6. Loans;
7. Cash in exchange for ownership interest in the protege firm, not to exceed 10% of total ownership interest;
8. Assistance obtained by the mentor firm for the protege firm from small business development centers, entities providing procurement technical assistance, HBCUs or MIs of higher learning.

The program provides incentives for Mentor firms to participate in the program. Mentor firms can be reimbursed for the costs associated with assistance provided under the program as well as the total amount of any progress payments or advance payments made under the program to protege firms in connection with DOD contracts awarded to mentor firms. Payment of the above costs is to be made either under an existing DOD contract with a mentor firm for products or

services or under another contract entered into between the Secretary of Defense and the mentor firm for the sole purpose of providing for reimbursement of costs incurred under the program.

Another incentive is that mentor firms may receive credit toward the attainment of their subcontracting goals for developmental costs that are not reimbursed. The amount of credit given shall be equal to:

1. four times the cost attributable to assistance provided by small business development center, HBCUs and MIs, and entities providing procurement technical assistance;
2. three times the total amount of such costs attributable to assistance furnished by the mentor firm's employees and;
3. two times the total amount of any other allowable costs.

A combination of reimbursement and credit towards subcontracting goals is also authorized. A protege firm is not considered an affiliate of a mentor firm solely on the basis of receiving assistance under the PMPP. A mentor firm is prohibited from requiring a SDB to enter into an agreement as a condition for being awarded a contract by the mentor firm.

Mentor-Protege agreements were authorized to commence on October 1, 1991 and no new agreements shall be entered into after September 30, 1994. The Secretary of Defense is charged

with the responsibility of prescribing regulations to carry out the program.

D. DEPARTMENT OF DEFENSE POLICY

The Pilot Mentor-Protege Program is the subject of Subpart 219.71 of the Defense Federal Acquisition Regulation Supplement (DFARS). The latest changes to the DFARS concerning the PMPP were implemented by Defense Acquisition Circular (DAC) 91-4 and became effective October 5, 1992 [Ref. 11:p. 4]. DFARS Subpart 219.71 addresses the scope, general features, general procedures, OUSD(A)SADBU responsibilities, contracting officer responsibilities, developmental assistance costs eligible for reimbursement or credit, other forms of assistance, and reporting requirements. [Ref. 12:p. 219.71-1]

The DFARS does not contain a detailed DOD policy statement. Instead, DFARS 219.7101 states that direction for implementation of the program is contained in a policy statement entitled "DOD Policy for the Pilot Mentor-Protege Program" which was included as an attachment to DAC 91-4 and is included in Appendix A. It addresses in detail the program purpose, general procedures, duration, eligibility requirements, the selection/approval process, the mentor-protege agreement, advance agreements on the treatment of developmental assistance costs, and reporting requirements. [Ref. 12:p. 219.71-1] Essential elements contained in the

policy statement that have not been presented previously will now be discussed.

The Department of Defense will measure the overall success of the program by the extent to which the program results in [Ref. 13:p. 1]:

1. an increase in the dollar value of subcontracts awarded to SDBs by mentor firms under DOD contracts;
2. an increase in the dollar value of contract and subcontract awards to protege firms (under DOD contracts, contracts awarded by other Federal agencies and under commercial contracts) since the date of their entry into the program;
3. an increase in the number and dollar value of subcontracts awarded to a protege firm (or former protege firm) by its mentor firm (or former mentor firm);
4. an improvement in the participation of SDBs in DOD, other Federal agencies, and commercial contracting opportunities that can be attributed to the development of SDBs as protege firms under the program;
5. an increase in subcontracting with SDB concerns in industry categories where SDBs have not traditionally participated within the mentor firm's vendor base;
6. the involvement of emerging SDBs in the program;
7. an expanded relationship between mentor firms and protege firms to include non-DOD programs; and
8. the development of protege firms that are competitive as subcontractors and suppliers to DOD or in other Federal agencies or commercial markets.

In a recent GAO report, criticism of the above measures was as follows [Ref. 14:p. 6]:

The Mentor-Protege Pilot Program does not have adequate evaluation criteria to determine accomplishments or the rate of progress in achieving its goal. They do not

quantify specific accomplishments to be achieved under the program.... They therefore do not provide an adequate basis for determining program success. Also, some of the results that will be used to determine its success, such as increases in subcontracts to proteges and improvements in their participation in DOD contracts, might or might not occur independent of the program.... The program success measures do not indicate the amount of improvement or the rate of increase that DOD is seeking to achieve. Accordingly, determinations about success will be subjective. Also, even if the numerical value of change were specified and success objectively defined, SDB performance may not be directly attributable to the Mentor-Protege Pilot Program. Expected decreases in DOD contracting dollars could more directly affect percentages and dollar amounts of SDB contracts than could the Mentor-Protege Pilot Program. For example, the percentage of subcontracts awarded to SDBs increased from 1.9 percent in fiscal year 1987 to 2.9 percent in fiscal year 1990. This equated to a \$550 million, or a 54 percent, increase in the dollar value of subcontracts awarded to SDBs. The first three quarters of fiscal year 1991 showed continued progress, with 3.2 percent of subcontract awards going to SDBs. However, this latest improvement in the percentage of subcontracts to SDBs is attributable more to a reduction in overall subcontract awards than to an increase in awards to SDBs.... For the first three quarters of fiscal year 1991, overall subcontract awards were \$5 billion less than in the previous comparable period while the value of SDBs' subcontracts increased by \$35 million. Accordingly, changes outside the program can significantly affect the percentage and dollar amount of awards to SDBs.

The DOD policy statement states that the reimbursement and/or credit incentives for mentors can be provided utilizing one of four methods [Ref. 13:p. 2]:

1. A separate contract - company is interested in reimbursement through a separate contract with DOD or, a combination of reimbursement through a separate contract with DOD and credit against SDB subcontract goals for any unreimbursed costs incurred under the program;

2. Program Manager funded reimbursement - company has identified a DOD program manager willing to fund the program and the company is interested in reimbursement through a separately priced cost reimbursement contract line item added to a DOD contract, with credit against SDB subcontracting goals for any unreimbursed costs;
3. Indirect reimbursement and credit - company is interested in receiving reimbursement for indirect costs incurred under the program as well as credit against SDB subcontract goals for these indirect costs;
4. Credit only - company is interested in receiving credit only against SDB subcontracting goals for costs incurred under the program.

GAO has expressed a concern that the program incentives- credit toward subcontracting goals and cash reimbursement for assistance provided- might not be sufficient to attract significant numbers of prime contractors [Ref. 14:p. 7]:

... credit cannot be used to earn incentive fees, and its value depends on DOD effectively managing prime contractors' subcontracting plans. Furthermore, the appeal of cash reimbursements is diminished because prime contractors cannot earn a profit on the developmental assistance provided to proteges.

The profit restriction was lifted by DAC 91-4 [Ref. 11:p. 4]. Although the specific prohibition at DFARS 219.7104(b) was eliminated, neither the DFARS nor DOD policy statement specifically address the issue of earning a profit on the developmental assistance provided to proteges. If a mentor provides assistance to an SDB and includes the costs of that assistance in indirect expense pools such as overhead or general and administrative expense categories,

... the cost of providing that assistance is being reimbursed, together with an amount of negotiated profit

(or fee), on one or more of the mentor's existing contracts. [Ref. 4:p. 14]

Another key provision of the DOD policy statement is that a protege firm may only have one active mentor-protege agreement [Ref. 13:p. 4]. An interview with the President and owner of a SDB revealed that this restriction is not overwhelmingly popular among many proteges, many of whom have launched an intense lobbying effort to get the restriction removed. Congressional concern over competition, technical transfusion, financial considerations, and proprietary information resulted in the restriction. An example of the proprietary information issue is that if there are two mentors working with one protege, mentor A may be concerned about mentor B using mentor A's management ideas. [Ref. 4:p. 8]

The DOD policy statement details the application and approval process for companies to participate in the program as mentor firms. Applications are submitted to USD(A) OSADBU which will evaluate the application on the extent to which it addresses the following specific issues [Ref. 13:p. 5]:

1. a statement that the company is currently performing under at least one active approved subcontracting plan and that the company is currently eligible for the award of Federal contracts;
2. the number of proposed mentor-protege relationships covered by the request for approval as a mentor firm;
3. a summary of the company's historical and recent activities and accomplishments under their SDB program;
4. the total dollar amount of DOD contracts and subcontracts received by the company during the two

preceding fiscal years (show prime contracts and subcontracts separately per year);

5. the total dollar amount of all other Federal agency contracts and subcontracts received by the company during the two preceding fiscal years (show prime contracts and subcontracts separately per year);
6. the total dollar amount of subcontracts awarded by the company under DOD contracts during the two preceding fiscal years;
7. the total dollar amount of subcontracts awarded by the company under all other Federal agency contracts during the two preceding fiscal years;
8. the total dollar amount and percentage of subcontract awards made to all SDB firms under DOD contracts and other Federal agency contracts during the two preceding fiscal years (show DOD subcontract awards and other Federal agency subcontract awards separately);
9. the number and total dollar amount of subcontract awards made to the identified protege firm(s) during the two preceding fiscal years (if any).

Companies must also submit the following information for each proposed mentor-protege relationship [Ref. 13:p. 6]:

1. information on the company's ability to provide developmental assistance to the identified protege firm and how that assistance will potentially increase subcontracting opportunities for the protege firm, including subcontracting opportunities in industry categories where SDBs are not dominant in the company's vendor base;
2. a letter of intent indicating that both the mentor firm and the protege firm will negotiate a mentor-protege agreement;
3. an assessment of the protege's developmental needs and assistance to be provided;
4. an estimate of the dollar amount and type of subcontracts that will be awarded by the mentor firm to the protege firm, and the period of time over which they will be awarded;

5. information as to whether the protege firm's development will be concentrated on a single major system(s), a service or supply program, research and development programs, initial production, mature systems, or in the mentor firm's overall contract base;
6. an estimate of the cost of the developmental assistance program and the period of time over which the assistance will be provided.

Upon receipt of this information, OSADBU will provide a determination within 30 days. If approved, the prime contractor must proceed with negotiating the mentor-protege agreement. If disapproved, the prime contractor may submit additional information for reconsideration. [Ref. 4:p. 9]

A signed mentor-protege agreement for each mentor-protege relationship must be submitted to OSADBU and approved before developmental costs may be incurred. To the maximum extent possible, such agreements will be approved within five business days of receipt. The agreement must include [Ref. 13:p. 9]:

1. the name, address and telephone number of the mentor and protege and a point of contact within the mentor firm who will administer the developmental assistance program;
2. the applicable Standard Industrial Classification (SIC) code and a statement that the protege firm does not exceed the size standard for the SIC code;
3. a developmental program for the protege specifying the type(s) of assistance that will be provided;
4. factors to assess the protege firm's developmental progress under the program including milestones for providing the assistance;

5. the anticipated number, dollar value and type of subcontracts to be awarded the protege firm and the period of time over which they will be awarded;
6. a program participation term;
7. procedures for concluding the agreement (via withdrawal or termination);
8. any additional terms and conditions.

Mentor firms are required to report on the progress made under active mentor-protege agreements semi-annually. The report shall include [Ref. 13:p. 15]:

1. the number of active mentor-protege agreements in effect;
2. the progress in achieving the developmental assistance objectives, any problem areas encountered, and any other appropriate information;
3. the amount of dollars credited to the SDB subcontract goal as a result of developmental assistance provided to a protege;
4. an explanation as to the relationship between the developmental assistance provided the protege firm(s) and the activities under the contract involved;
5. the number and dollar value of subcontracts awarded to the protege firm(s).

E. SUMMARY

Chapter III has discussed the essential elements of the Pilot Mentor-Protege Program - a basic introduction to the program, the intent behind the program, the key provisions of the program, and DOD policy concerning the program.

The purpose of the program is fourfold:

1. to provide incentives to major DOD contractors that provide developmental assistance to SDBs;
2. to enhance the capabilities of SDBs to perform as subcontractors under DOD and other contract and subcontract requirements;
3. to increase the overall participation of SDBs as subcontractors under DOD, other Federal agency, and commercial contracts;
4. to foster the establishment of long-term business relationships between SDBs and DOD, other Federal agencies, and commercial contractors.

It is the intent of Congress to forward socio-economic objectives by increasing the number of subcontracts awarded to SDBs and to determine if incentives are more effective than punitive actions in reaching SDB subcontracting goals.

Chapter IV will present and analyze the perceptions of large businesses with regard to the Pilot Mentor-Protege Program.

IV. LARGE BUSINESS PERCEPTIONS OF THE MENTOR-PROTEGE PROGRAM

A. INTRODUCTION

This chapter will present and analyze the perceptions of the large business community with regard to the PMPP. The information in this chapter was primarily accumulated through the use of surveys mailed to the top 100 defense contractors that are not currently participating in the PMPP, the 22 contractors that are current mentors, the 17 contractors that have approved letters of intent on file at OSADBU, and the six contractors that have applications pending. The return rate for the top 100 defense contractors who are not involved in the program was 25%. The return rate for the 45 contractors who are either current mentors, have approved letters of intent on file, or applications pending was 40% (18 respondents).

The questions used in the surveys were designed to provide a brief description of firms, past experience with Government contracting, degree of familiarity with the PMPP, and positive and negative perceptions of the PMPP. A copy of the survey can be found in Appendix B. The surveys were addressed to a generic "Director of Contracts" and responses were written by people in various positions related to Government contracting

such as "Vice President- Government Contracts and Compliance", "Director Materiel Policy and Socio-Economic Programs", "Vice President for Contract Administration", "Small Business Liaison Officer" and "Program Manager- Mentor-Protége Program."

B. INTERVIEW/SURVEY QUESTIONS AND ANALYSIS

1. Question One

What is your principal product or service?

Response: The large businesses that are participants in the PMPP described their principal products in the following general categories:

Avionics/Electronics	30%
Engine Manufacture	17%
Construction/Engineering/Technical Services	17%
Weapon System Manufacture	13%
Ground Vehicle Systems	13%
Aircraft Manufacture	9%

The products of non-participants were grouped in the following general categories:

Avionics/Electronics	52%
Aircraft/Aerospace Systems	26%
Weapon Systems	11%
Engineering/Management Services	4%
Communication Systems	4%
Precision Machined Parts	4%

Analysis: The products and services listed above essentially cover the entire spectrum of defense related products provided by prime contractors. It is these products and services that require make or buy decisions on the part of prime contractors. The PMPP is designed to develop SDB sources for prime contractors to use when a decision to subcontract is made. It is interesting to note the dominance of avionics/electronics among participants and non-participants. This is due to the vast array of electronic components that are present in today's technologically advanced defense forces. Virtually every major defense contractor has a requirement for electronic equipment, regardless if that electronic equipment is internally manufactured or externally procured. It also interesting to note the nearly identical percentages of participants and non-participants involved in the manufacture or supply of weapon systems. When one considers the number of large companies involved in DOD contracting, it is logical to assume that only a small percentage would be responsible for a complete weapon system. The data indicate this assumption is valid.

2. Question Two

What is the approximate number of employees in your firm?

Response: The results were as follows:

	<u>Participants</u>	<u>Non-participants</u>
Over 2,500	70%	52%
1,001-2,500	13%	19%
501-1,000	4%	19%
251-500	9%	0%
51-250	4%	11%

Analysis: These data suggest that the rate of participation in PMPP is greater in the larger major firms than in the smaller major firms. This is evidenced by the fact that while 52% of non-participating firms have over 2,500 personnel, 70% of participating mentor firms are of this size. This would also seem to indicate that larger companies are more apt to participate if they have more personnel resources at their disposal to devote to a project such as the Pilot Mentor-Protege Program.

3. Question Three

What is the approximate annual sales volume (in millions of dollars) of your firm?

Response: The results were as follows:

	<u>Participants</u>	<u>Non-participants</u>
Over \$100	78%	74%
25.1 - 100	17%	15%
10.1 - 25	0%	11%
5.1 - 10	4%	0%

Analysis: The data indicate that the majority of large major defense contractors contacted reported annual sales in excess \$100 million per year. The annual sales volume of participating firms is fairly representative of large firms as a whole. Participation may also be driven by the financial health of the firm. The data suggest that firms that have more capital resources at their disposal, perhaps to cover the start-up costs of such a program as the PMPP, are more apt to participate in such a program.

4. Question Four

What is your experience as a Government prime contractor and/or as a subcontractor to a DOD prime?

Response: Among program participants, 91% had "major" experience and 9% had "significant" experience as a Government prime contractor. As subcontractors, 52% had "major" experience, 22% had "significant" experience, and 26% had no experience.

Among non-participants, 56% indicated they had "major" experience as a Government prime contractor, 33% had "significant" experience, and 11% had "minor" experience.

Analysis: Although the majority of both groups reported major or significant experience as a Government prime contractor (99% of participants, 89% of non-participants), significantly more of the participants classified their experience as "major." The question did not define "major" or

"significant" for the respondent, so the distinction between the two may be very minor depending on the judgment of the respondent. While the data indicate that participants consider themselves to be very experienced Government contractors, it is also noteworthy that a significant portion of experienced top 100 defense contractors have chosen not to participate. If non-participation can not be attributed to a lack of Government contracting experience among mentors, this suggests that other reasons for non-participation must exist.

5. Question Five

What are your future intentions with regard to DOD business?

Response: Among program participants, 52% planned to expand their DOD business, 26% planned to remain unchanged, 13% planned to reduce, 4% were undecided between remaining unchanged and reducing, and 4% did not answer this question.

Among non-participants, 41% intend to expand DOD business, 41% intend to remain unchanged, 7% intend to reduce, and 11% did not answer this question.

Analysis: These results were a little surprising because the researcher expected the majority of respondents to answer "unchanged" or "reduce" in light of DOD budget reductions and the defense drawdown. Apparently, the majority of individual companies intend to expand their DOD business despite the budget reductions and downsizing of DOD.

6. Question Six

How would you characterize the success of your prior business dealings with DOD?

Response: Among PMPP participants, 61% characterized their DOD business as being "very successful," 30% as being "successful," and 9% as being moderately successful.

Among non-participants, 41% characterized their DOD business as being "very successful," 44% as "successful," and 4% as "limited success." 11% did not answer this question.

Analysis: The responses reveal that more of the participants consider themselves to have been successful or very successful in DOD business dealings than do non-participants. More than one respondent expanded their answer for this question with a list of their recent successful projects. Therefore, a characterization of success could be attributed to the award of one or more major weapon systems or other product or service contracts over the past few years. Success in DOD business dealings could also be attributed to the respondents' positive perception of the buyer-seller relationship. If the majority of business dealings encountered by the firm were non-adversarial in nature, and instead were characterized by open communication and cooperation, the buyer-seller relationship would be positively impacted.

7. Question Seven

If applicable, what would you cite as a major reason(s) for lack of success in business dealings with DOD?

Response: 83% of the mentors either did not answer this question or marked it "not applicable." This is reasonable in light of the fact that question six revealed they all feel at least moderately successful in their DOD business dealings. The remaining 17% (four respondents) provided the following four reasons for lack of success:

1. the loss of two major programs in the 1970's. But this lack of success has been overcome through diversification and continuous improvement, enabling the respondent to "the number one support partner for military and commercial aircraft structures;"
2. bureaucratic micromanagement by Federal agencies, although this is changing due to process based team management and cooperation;
3. reduced budget funding;
4. complexity of acquisition regulations.

Among non-participants, 67% did not answer or marked "not applicable." 11% cited reduced DOD budgets and expenditures. The remaining 22% cited six separate reasons:

1. the requirement to disclose price and cost data for commercial off-the-shelf items;
2. Government rights to technical data;
3. a lack of understanding of commercial businesses by the Defense Contract Audit Agency (DCAA);
4. DOD's focus on price rather than value or quality;

5. DOD not being "onboard" with Total Quality Management (TQM) principles;
6. complex and burdensome acquisition regulations.

Analysis: All of the above comments are commonly cited as complaints regarding Federal acquisition. The reduced DOD budget is a reality of the economic times and Presidential/Congressional decree. Attempts by the Government to streamline acquisition regulations and to implement TQM, while still in progress, have failed to eliminate these barriers to the success of many prime contractors.

8. Question Eight

How familiar is your firm with the Mentor-Protege Program?

Response: Among PMPP participants, 95% stated they were "very" familiar with the program. 4% (one respondent) stated they were "somewhat familiar" with the program.

Among non-participants, 44% stated they were "very familiar" with the program, 33% stated they were "somewhat familiar," and 15% stated they were "not at all familiar" with the program. 7% did not respond to the question.

Analysis: As is to be expected, greater familiarity with the PMPP exists among program participants than among non-participants. Because of the fact that 77% of the non-participants were at least somewhat familiar with the program, non-participation can not be attributed to lack of knowledge alone. The high degree of familiarity among participating and

non-participating large firms can be attributed to the publicization efforts of DOD. The PMPP has been announced twice in the Federal Register and a solicitation for agreements was published in the Commerce Business Daily once. Both of these publications are vital to firms wishing to do business with the Federal Government and the top 100 defense contractors that served as the basis for this survey would be expected to be familiar with the Federal Register and the Commerce Business Daily. The high degree of familiarity can also be attributed to the efforts of a few U. S. Senators and Representatives who have encouraged large firms to participate. No one particular service or product area was more familiar with the program than another. The high degree of familiarity was evenly distributed by size and product.

9. Question Nine

If your firm is a Mentor, to what product/service/system is your mentoring linked?

Response: This question was asked in an attempt to find out if most mentoring is linked to actual major weapon system programs or to general product and service areas. Thirty-three percent of the responding mentors have relationships linked to a major weapon system and 67% have their mentoring linked to general product and service areas. Major programs that can be linked to Mentor-Protege relationships include the U. S. Air Force (USAF) F-16 and F-22 fighter aircraft, the

USAF Joint Primary Aircraft Training System (JPATS), the U. S. Army Apache Helicopter and Tactical Cruise Missile System (TACMS), and the Test Program Set. The remaining responses representing general products and services included: hologram laser technology for special test equipment; electronic counter-measure electronics and cables; gas turbine engine sensors; circuit board stuffing; engine tubes, manifold, and brackets; integrated logistics support services (ILS); engine castings and casting quality assurance; electronic manufacturing; insulation; trucks and tactical armored vehicles; metal composite manufacturing; general construction services; general engineering services; and business development, marketing, and customer relations.

Analysis: As can be seen from the data, the vast majority of mentoring is linked to manufacturing and other technical areas. Only one of the respondents specifically linked a mentoring effort to business development, marketing development, and customer relations development of a protege. This would indicate that mentors are more apt to enter into an agreement that will directly benefit the output of the mentor rather than an agreement focusing on development of a protege's organizational and management capabilities. The vast majority of mentoring is also linked, at this point, to general technical products and services rather than major weapon systems. This seems reasonable because there are many

more contracts in place for general technical products and services than there are for major weapon systems.

10. Question Ten

If some degree of familiarity with the program exists, what are your initial impressions of the program?

Response: Among the PMPP participants, initial impressions were characterized as follows: 65% positive, 13% mixed, 9% negative, 8% unsure, and 4% mostly positive but slightly negative.

Among non-participants, initial impressions were characterized as follows: 44% positive, 15% negative, 15% neither, and 11% both positive and negative. 15% did not answer the question.

Analysis: Initial impressions for both groups was relatively high. A higher percentage of positive initial impressions among program participants is to be expected based on the fact that they have chosen to participate. However, in contrast, it is noteworthy that the 30% of participants that had negative or mixed feelings, or were unsure about their initial impressions, still chose to override those feelings and participate in the program. This can be attributed to the marketing efforts described above and, in particular, the realization among large firms that the program provided an avenue for achieving the mandated 5% SDB subcontracting goal. The fact that 15% of non-participants did not answer the

question would seem to indicate that they did not possess an initial impression of the program, possibly due to a lack of familiarity, or that the initial impression is no longer considered relevant when compared to current impressions (which are addressed later).

11. Question Eleven

If your impressions are negative, can you cite a major reason(s)?

Response: Among PMPP participants, 61% did not state any reasons for a negative initial impression. The remaining 35% provided at least one of the following reasons for a negative initial impression (the frequency of the response is indicated in parenthesis):

1. the PMPP got off to a late start (1);
2. the PMPP appears to be an alternative way of financing SDBs and is competitive only for the right SDB (1);
3. overmanagement by DOD (e.g., excessive reporting requirements) (1);
4. very limited resources to implement the program (e.g., lack of personnel) (1);
5. the PMPP has raised some unreasonable or unrealistic expectations in the minority community and has disappointed proteges (2);
6. there is a lack of information as to how expenditures are applied to SDB goals (1);
7. the lack of dollars to help mentors establish protege programs, especially since program managers are unlikely to agree to reimbursement for developmental costs (2);

8. the approval process is very time consuming and fraught with potential for delays (2);
9. a lack of participation among Federal agencies other than DOD (1);

Among non-participants, 56% did not provide reasons for a negative initial impression. The remaining 44% provided at least one of the following reasons (the frequency of response is provided in parenthesis):

1. excessive administrative effort, paperwork and costs are involved in program implementation (3);
2. limited funding available for the program (2);
3. if cost data is not provided, reimbursement is not provided (1);
4. a lack of minority firms in the marine industry (1);
5. it is difficult to bring in new suppliers when a firm has only one major program (1);
6. bureaucracy and over-regulation by DOD (1);
7. uncertainty of program administration on the part of the Government (1);
8. SDB programs are a waste of time and money (1);

Analysis: The 61% figure corresponds closely with the 65% positive rating in Question 10. Many of the same general types of concerns such as excessive administrative burden and limited funding opportunities are shared by participants and non-participants. One example is an application that has been delayed in getting approved for six months because of confusion and bureaucracy surrounding the reimbursement

process. The application has been otherwise approved, but final approval is still pending.

Only twelve participating firms provided negative initial impressions. Additionally, these twelve firms apparently did not consider their negative impressions to be serious enough to warrant non-participation. This can be attributed to the fact that many of the concerns (e.g., overmanagement, administrative burdens, limited funding) systemic to conducting any type of business with DOD are essentially taken for granted.

It also seems noteworthy that among participants (but not non-participants) there are additional comments that express concerns that the program may not meet the expectations and actual developmental needs of protege firms. Still, these firms choose to participate. This would seem to indicate that either the incentives for participation are strong enough to override these concerns, the firms possess an overwhelming sense of social duty, or the political pressure is too intense to ignore. The specific aspects of participation are addressed later in this study.

12. Question Twelve

If your impressions are positive, can you cite a major reason(s)?

Response: Among PMPP participants, 49% stated that the PMPP provides mentors with an opportunity to upgrade the

capabilities of SDBs so that the SDBs can more effectively compete for future business. Nine percent did not answer the question. Other reasons provided were (the frequency of response is provided in parenthesis):

1. the reimbursement and credit incentives (3);
2. the level of support and enthusiasm for the program demonstrated by Congress, Program Managers, and Contracting Officers (3);
3. the potential to develop long term business relationships and to expand business (3);
4. the PMPP provides for a win-win situation if the mentor understands the full scope of possibilities associated with the program (3);
5. DOD is trying to incentivize contractors committed to supporting SDBs (2);
6. the mentor can get a high quality product at a lesser cost to both the mentor and the government (2);
7. the PMPP helps maintain the industrial base (2);
8. positive feedback from SADBUs (1);
9. the "goodwill" nature of the program (1);

Among non-participants, 30% did not provide an answer. The remaining 70% provided at least one of the responses provided above by PMPP participants. Additionally, one non-participant indicated that the PMPP provided a mentor with the opportunity to improve its image with the customer (DOD).

Analysis: Again, participants and non-participants share common positive impressions regarding the PMPP. There is a strong affinity for the fact that the program is incentive

driven and that it provides an opportunity to develop SDBs while fostering long-term business relationships. It is noteworthy that as was true for the participants, a substantial percentage (40%) of the non-participants' positive initial impressions were linked to the upgrading of proteges' capabilities. This indicates that participants and non-participants agree on one aspect that lies at the foundation of the program: the need to develop SDBs that can effectively compete for subcontract awards. In order to effectively compete, capabilities and skills need to be present within the SDB organization and a substantial percentage of large firms initially viewed the PMPP as a way to develop those capabilities. The fact that the remaining comments, most of which were mentioned at least three times by participants and/or non-participants, are linked to actual design of the PMPP indicates that the large firms achieved many of the aspects for which they lobbied (e.g., incentive driven, long-term business relationships, business expansion, and a win-win situation). Essentially, the initial impression of the PMPP among participants and non-participants is that it at least provides an opportunity for large firms to meet socioeconomic objectives within a program context that they have long desired rather than in the typical mandated and punitive driven fashion to which they have been accustomed.

13. Question Thirteen

Why would you desire to seek a Mentor-Protege relationship?

Response: Respondents were asked to describe the relative degree of importance of cash reimbursements, credit, and social responsibility as reasons for entering into a Mentor-Protege agreement. A rating scale of 1 to 5 was used where 5 meant high importance and 1 meant no importance. The following table indicates the frequency for participants of each score and the mean score for each category:

	5	4	3	2	1	Mean
Cash Reimbursement	9	4	2	2	1	4.0
Credit	7	7	5	0	1	4.1
Social Duty	7	9	0	2	0	4.2

Respondents were free to provide and rate additional reasons. The following additional responses were provided by participants as reasons for seeking a mentor-protege relationship: gratification (knowing that they were doing something that was good for the SDB, the Federal procurement process, and the country), customer request, good business, obtain a qualified supplier, obtain a second source, upgrade the capabilities of a subcontractor, improve the industrial base, and develop a long-term relationship.

Among non-participants, the following responses were obtained:

	5	4	3	2	1	Mean
Cash Reimbursement	7	0	4	5	4	3.1
Credit	13	2	1	1	2	4.2
Social Duty	7	7	3	0	2	3.9

The following additional responses were provided score: technology transfer, develop a qualified supplier, obtain new manufacturers, good business, build revenue. One respondent did not answer the question and one indicated that they would not seek a PMPP relationship due to a lack of resources.

Analysis: Among participants, the responses indicate that credit towards SDB subcontracting goals, cash reimbursement of developmental costs, and social responsibility are statistically equal in their importance as reasons for entering into a mentor-protege relationship. Other reasons were listed as being important for individual firms, but not in quantities that put them at the level of the top three categories.

Among the non-participants, the rating of cash reimbursements is lower than the other two factors and lower than the rating given this incentive by participants. Social duty and the credit incentive are fairly equal and comparable to the ratings given by participating organizations.

If participants and non-participants are viewed as together, five of the six mean scores are grouped around a score of 4.0, a fairly high rating. This would seem to corroborate the findings of the previous question which

indicated a prevailing reason for the strong affinity for the program is based on the fact that it is incentive driven.

14. Question Fourteen

As a mentor or mentor eligible firm, what types of assistance are you providing or would be willing to provide to assist a protege?

Response: The respondents were asked to select as many of the different types of developmental assistance as they felt they would be willing to provide a protege. Participants and non-participants responded with the following percentages to each category (percentages are of those responding):

	<u>Participants</u>	<u>Non-participants</u>
General Business Management	83%	68%
Organizational	70%	55%
Financial	57%	55%
Personnel	48%	36%
Marketing	65%	36%
Business Development	70%	41%
Business Planning	74%	50%
Engineering/Technical	83%	68%
Production/Inventory	61%	55%
Quality Assurance	74%	68%
Other Capability Enhancing	52%	50%
Other Assistance	39%	50%
Progress Payments	49%	46%
Advance Payments	22%	22%
Loans	9%	18%
Investments	9%	18%
Outside Assistance	52%	41%
Loan of Facilities/Personnel	9%	0%
No Answer	0%	19%

Analysis: The majority of participants and non-participants are willing to provide some type of general

business management development assistance and technical assistance. Financial assistance is the least popular type of assistance although progress payments are significantly favored over advance payments, loans, and investment in the protege firm. This can be attributed to the fact that even large firms with annual sales in excess of \$100 million do not want to risk cash outlays when there is no guarantee of a quality return on that investment. Progress payments at least provide for payment of work that has been accomplished.

It is interesting to note that the largest differences in percentages between participants and non-participants lie in three areas: marketing, business development, and business planning. This may suggest that some learning has been gained by participants as to the types of developmental requirements SDBs have that may not be anticipated by non-participants. This suggestion was confirmed during an interview with the Mentor-Protege Program Manager of an active mentor firm. As the relationship was getting started, the mentor realized that the first task had to be to create and develop a formal business plan for the protege that employed the mentoring. At the start of the relationship, the protege did not have a formal business plan. Once the elements of the business plan were understood, it was realized by both the mentor and the protege that the protege's organizational structure needed to be changed to create the business plan and track its metrics. The data confirm that prior to participation, mentor firms do

not realize the requirement that exists for the creation of an organizational structure that allows the mentor and the protege to develop and integrate plans that are essential to the good conduct of business. The data do suggest, however, that this realization does surface after the relationship has been established.

15. Question Fifteen

What aspects of the program do you perceive as undesirable?

Response: Among the PMPP participants, 22% responded that there were no undesirable aspects of the program. The remaining 78% responded with one or more of the following remarks (frequency of remark is indicated in parenthesis):

1. the administrative and bureucratic burdens associated with the program (e.g., burdensome progress reporting requirements, excessive paperwork, significant effort required to provide developmental cost estimates) (5);
2. SADBUs approval process is too slow (3);
3. the proteges need help now, but the time and investment required to participate and receive limited funds is too great (3);
4. the PMPP does not address the needs of large disadvantaged businesses that would like to be included and have the resources to participate (1);
5. lack of PMPP guidance to program managers (1);
6. potential for prime contractors to be "played off" against each other based on financial gifts to SDBs (1);
7. SDBs are chosen for Government business potential (1);

8. confusion and lack of knowledge concerning reimbursement (1);
9. success requires a great deal of mentor resources (1);
10. incentives are too difficult for DOD to manage (1);
11. PMPP "hype" has exceeded possible accomplishments (1);
12. loans and investments as incentives (1);
13. excessive potential for Executive branch interference (1);
14. too early to tell (1);
15. the attraction of "get rich quick" and "use the system" personalities rather than honest businessmen (1);

Among non-participants, 26% said there were no undesirable aspects to the PMPP. The remaining 74% provided one or more of the following responses (frequency of response is indicated in parenthesis):

1. the administrative and bureaucratic burdens associated with the program (e.g., excessive paperwork, reporting requirements, burdensome application process) (6);
2. no effective means for matching mentors and proteges (1);
3. no clear program direction (1);
4. it is difficult to bring in new suppliers in the midst of a program (1);
5. political pressure to participate (1);
6. a protege is limited to one mentor (1);
7. no profit is allowed on costs (1);
8. limited funding availability (1);
9. drain on staff and other resources (1);

10. forcing primes to place a percentage of business with SDBs only provides revenue to SDBs for paperwork which results in higher prices being passed on to the taxpayer (1);
11. concern about punitive actions as a result of mentor withdrawing from canceling an agreement (1);
12. would rather rely on our own successful SDB subcontracting program than deal with the bureaucracy and overregulation of a Government program (1);
13. lack of commitment by Federal agencies, especially at the start of the program (1);
14. time and effort demands not readily available in a downsizing environment (1);
15. potential for protege to become dominated by a single mentor (1);
16. potential for protege to become dependent on a mentor (1);
17. liability of mentor in the event of protege failure to perform (1).

Analysis: Participants and non-participants feel that there are undesirable aspects of the PMPP. Many of these undesirable aspects are shared by both groups, especially complaints concerning burdensome administrative requirements, limited availability of funding, and an excessively complex and prolonged application procedure. As noted in Question Fourteen, loans and investments in the protege were again considered undesirable types of financial assistance. The remaining responses from both groups varied by individual respondent. It is interesting to note that a slightly higher percentage of non-participants than participants indicated there were no undesirable aspects related to the PMFP. This

suggests that undesirable aspects of the program are more readily identified after experience as a mentor has been gained. The majority of the undesirable aspects (e.g., complaints about the incentives, the limited availability of funding, confusion over program processes, program restrictions as to the numbers of mentors per protege, and other aspects of the mentor-protege relationship) deal with the essence of the PMPP rather than with Federal procurement in general.

16. Question Sixteen

What aspects of the program do you perceive as desirable?

Response: Among program participants, 52% felt that the PMPP provided an opportunity for prime contractors to develop SDBs so that SDBs could more effectively compete for subcontracting business. Other responses received are as follows (with the frequency of the response indicated in parenthesis):

1. ability to earn a profit on developmental costs (3);
2. reimbursement of developmental costs (3);
3. lets industry expand and develop its own supplier base rather than relying on Government managed programs that hinder that effort (3);
4. credits towards SDB subcontracting goals (2);
5. the development of long-term business relationships (2);

6. the PMPP represents a change in emphasis from "social welfare programs" to business propositions that rely on economic contributions instead of "handouts (2);"
7. ability to award sole source contracts to proteges (2);
8. provides a structured approach that helps mentors and proteges understand their responsibilities and boundaries (1);
9. the mentor and the SDB can both gain valuable technical and administrative expertise (1).

Among non-participants, 33% felt the PMPP provided an opportunity to develop SDBs so that SDBs could compete more effectively for DOD contracts while also providing an opportunity for mentors to meet SDB subcontracting goals. Nineteen percent of the non-participants did not answer this question. The remaining responses essentially mirrored the above responses of the participants.

Analysis: Participants and non-participants both feel that the most desirable aspect of the PMPP is that it provides the opportunity to develop SDBs that can more effectively compete for subcontract awards. However, the researcher was surprised by the fact that a greater percentage of non-participants than participants (33% versus 19%) linked the development aspect with the earning of credit towards subcontracting goals or cash reimbursement for developmental costs.

Additionally, several of the positive aspects mentioned by the respondents directly relate to the legislative intent of the PMPP, specifically the achievement of the 5% goal, the

development of SDBs capable of meeting available defense contract opportunities, and the fostering of stable long-term business relationships. The positive aspects also relate to specific provisions of the PMPP that are aligned with the legislative intent (e.g., sole-source contract awards).

A fairly significant portion of non-participants (19%) did not answer the question while all participants did answer the question. The researcher attributes this to the fact that, once again, positive aspects of participation are more readily apparent if a firm has been involved in a mentor-protégé relationship.

17. Question Seventeen

What improvements would you like to see incorporated into the program to make it more attractive to your firm?

Response: Twenty-six percent of the PMPP participants did not suggest any improvements. The remaining 74% responded with one or more of the following suggestions (the frequency of the response is indicated in parenthesis):

1. less bureaucracy and a faster approval cycle (3);
2. it is too early to suggest improvements (3);
3. reduce the reporting requirements (2);
4. provide more consistent support from all branches of DOD (2);
5. improve the level of knowledge among Program Managers concerning reimbursement procedures (2);

6. the approval process should be simplified and incorporate less stringent parameters, focusing on subjective evidence of developmental assistance in lieu of objective requirements based on history of other prime contractor Mentor-Protege agreements (2);
7. make the PMPP available to all small businesses (2);
8. encourage participation by major DOD programs (1);
9. make profit more accessible (1);
10. incorporate PMPP into the 8(a) program by encouraging 8(a) contract awardees to have a Mentor-Protege relationship in place (1);
11. increase the level of PMPP funding (1);
12. eliminate the program because it is unnecessary (1);
13. remove SADB from the approval and management process give responsibility to individual agencies (1);
14. eliminate the requirement for a five year term (1);
15. place more emphasis on bringing SDBs into the economic mainstream rather than on improving statistics (1);

Among non-participants, 30% did not provide suggestions for improving the PMPP. Twenty-two percent felt the administrative and paperwork requirements needs to be reduced while 19% felt that cost reimbursements funding needs to be made more accessible. The following suggestions were suggested by one or two firms, as indicated:

1. the application process needs to be simplified and more clearly defined (2);
2. due to inefficient management of the program, OSADB should be relieved of responsibility of the program and responsibility should instead be given to a third party such as a procuring agency or qualified SDB (2);

3. make it easier for mentors to find proteges, perhaps by providing in depth listings of SDBs involved in particular areas of business (2);
4. provide a clearer understanding of what the Government considers to be a successful Mentor-Protege relationship (1);
5. money is better spent on opening new markets to SDBs rather than having them compete in already competitive and well-developed markets (1);
6. offer more attractive incentives such as the ability to earn a profit on developmental costs (1);
7. narrow the scope of SDB programs because there is no value added in the long-run, only additional paperwork and higher costs (1);

Analysis: Participants and non-participants share many of the same ideas for improving the PMPP. Most of the suggestions for improvement were related to the most common undesirable aspects of the program mentioned above: the application process, administrative burden, limited funding accessibility, and bureaucratic over-management of the program. It is these aspects that are considered to be most undesirable by the participants and the most compelling reasons for non-participation by non-participants. It is also noteworthy that among non-participants, the difficulties involved in finding proteges and the lack of understanding as to what a model relationship should look like are additional barriers to participation. The inability of some large firms to identify SDBs to conduct business with indicates a lack of attention or commitment to subcontracting plans and

objectives, especially since many firms are succeeding in identifying SDBs with which to work.

18. Question Eighteen

Would implementation of these improvements cause your firm to seek to participate in the program?

Response: All of the PMPP participants marked "not applicable" for this question because they are already participating.

Among the non-participants, 30% replied "yes", 26% did not answer, 19% replied "possibly", 11% replied that it did not matter because they are planning to participate anyway, 7% replied "not likely", and 7% replied "no". Of interesting note is one of the firms that responded "yes" indicated that they have been trying very hard to find protege firms, including conducting four plant inspections, but as yet have been unable to find "a good match."

Analysis: A significant portion of the non-participants (49%) would at least "possibly" participate in the PMPP if their suggested improvements were implemented. Even the 30% that responded "yes" would represent a significant increase in participation in the program. The data suggest that many non-participants are bordering on a decision to participate but that there is at least one undesirable aspect that is severe enough to cause them not to participate or delay participation until that conflict is resolved.

C. SUMMARY

This chapter has provided the reader with an overview and, where appropriate, an analysis of the perceptions of major defense contractors regarding the PMPP. A significant majority (69%) of current or prospective mentors have a favorable impression of the program. Among non-participants, a favorable impression is held by the majority of firms, although to a lesser degree (44%). Those figures do not take into account the firms that hold both positive and negative impressions of the program. Taken as a group, 62% of all prime contractor respondents reported an overall favorable impression.

Credit towards subcontracting goals, cash reimbursement of developmental costs, and social responsibility are essentially statistically equal in terms of their desirability as incentives and they rate fairly high on the desirability scale used in this study.

The primary reason a large major defense contractor would decide to enter into mentor-protégé relationship is because such a relationship provides for the enhancement of the management and technical skills of SDBs so that they can more effectively compete for DOD subcontracts. The prime contractors also appreciate the potential to develop and expand their supplier base, preserve and expand the industrial base, and develop long-term business relationships.

Participants and non-participants expressed many of the same undesirable aspects of the program, especially concerning the administrative burdens of applying for and participating in the program and the perceived lack of funding available for cost reimbursement. However, funding for the program is available: \$34 million for Fiscal Year 1993. Prime contractors indicated that funding has not been available because Program Managers are either unwilling or unsure of how to provide cost reimbursement. Additionally, many prime contractors seem to be unaware of the removal of the restrictions related to profit, as long as costs are accumulated in indirect expense pools.

Various suggestions were made for improving the program. The only common themes that surfaced in the suggestions for improvement were related to the application process, the administrative burdens associated with the program (e.g., reporting requirements), and the lack of reimbursement available to mentors as a result of either a lack of cooperation or understanding of procedures by program managers.

The next chapter will present the SDB perceptions of the PMPP from both a participant and non-participant viewpoint.

V. SMALL DISADVANTAGED BUSINESS PERCEPTIONS OF THE MENTOR-PROTEGE PROGRAM

A. INTRODUCTION

This chapter will present and analyze the perceptions of SDBs with regard to the PMPP. The information in this chapter was primarily accumulated through the use of surveys mailed to the 65 current or prospective proteges and to 100 randomly selected non-participating SDBs. The SDBs to whom random survey mailings were sent were selected from the 1992 General Dynamics Disadvantaged Directory.

The return rate from current or prospective proteges was 25% (16 respondents). The return rate from randomly selected SDBs was 24% (24 respondents). Given the high rate of failure of small businesses, it is notable that twenty-three of the surveys were returned by the U. S. Post Office due to the businesses no longer being in business or having moved with no forwarding address available.

The questions used in the surveys were designed to provide a brief description of the SDB, past experience with Government contracting, degree of familiarity with the PMPP, and positive and negative perceptions of the PMPP. A copy of the survey can be found in Appendix C. The surveys were

addressed to the President of each SDB and in most instances were completed by the owner of the firm.

B. INTERVIEW/SURVEY QUESTIONS AND ANALYSIS

1. Question One

What is your principal product or service?

Response: The current and prospective proteges are involved in many different types of technically related fields. There is no one dominating area of business. Sixteen different business areas were named as follows with the frequency of the response indicated in parenthesis (some of the proteges had overlapping businesses areas which is why the total number of areas identified is greater than the number of organizations).

1. General Industrial Engineering/Construction (4);
2. Electronics (2);
3. Environmental Engineering Services (2);
4. Data/Telecommunications Integration and Support (1);
5. Automotive Safety Lighting (1);
6. Aircraft Engine Parts (1);
7. Precision Machined Metal Parts (2);
8. Fluid component controls (1);
9. Microwave technology (1);
10. Information Systems support/technical services (1);
11. Laser research and development (1);

12. Missiles and Space Vehicle parts (1);
13. Computer programming and integration (1);
14. Hardware/software sales (1).

Among non-participating SDBs, the following business areas were represented:

1. Precision machined parts/tooling	21%
2. Electrical systems/supplies	21%
3. Manufacture of nuts/bolts/screws	13%
4. Electronics	13%
5. General engineering services	8%
6. Gas Turbine engine support	4%
7. Composite airframe components	4%
8. Model/Prototype fabrication	4%
9. Analytical Chemistry	4%
10. Metal fabrication	4%
11. Plastic fabrication	4%

Analysis: All of the responding proteges and randomly selected non-participating SDBs are involved in technically related products or services. This corresponds to the same relationship that was discovered among the mentors and non-participating large firms. Each group of SDBs is also heavily dominated by electronics suppliers/manufacturers, as was true for both groups of large firms. The difference between the large firms and the SDBs is that the SDBs' products and/or

services are more component specific (e.g., nuts, bolts, airframe components) and represent the types of products that require make or buy decisions on the part of a prime contractor.

2. Question Two

What is the approximate number of employees in your firm?

Response:

	<u>Proteges</u>	<u>Non-participants</u>
1-10	19%	50%
11-25	25%	13%
26-50	13%	13%
51-250	31%	13%
251-500	13%	13%

Analysis: The data indicate that, among proteges, smaller firms are under-represented, with the 51-250 employee group having the highest rate of participation. Among the randomly selected non-participating SDBs, 76% have 50 or less employees, yet among participating organizations this size represents only 57%. This suggests that mentors are seeking the largest possible SDBs to be proteges. This could be attributed to a perception among mentors that only larger organizations will have the manpower resources that are required to devote to a mentor-protege relationship. It is interesting to recall that the vast majority of participating mentors also have an employee population that is high.

3. Question Three

What is the approximate annual sales volume of your firm?

Response:

	<u>Proteges</u>	<u>Non-participants</u>
under \$2M	19%	63%
\$2M - \$5M	19%	13%
\$5.1M - \$10M	31%	13%
\$10.1M - \$25M	13%	13%
\$25.1M - \$100M	19%	0%

Analysis: The data indicate that firms selected as proteges report annual sales figures on the high end of the spectrum. Approximately 82% of the proteges have annual sales in excess of \$2 million per year whereas only approximately 39% of the randomly selected non-participating SDBs claim that much. In fact, the majority of non-participants report annual sales less than \$2 million per year. Recalling the fact that the vast majority of mentors reported annual sales in excess of \$100 million per year seems to indicate that PMPP participation is skewed to firms with higher annual sales. This could be attributed to a perception that program participation requires a great deal of capital resources and that firms with high annual sales may be in more of a position to devote capital resources to the program than firms that do not have high annual sales figures.

4. Question Four

What is your experience as a Government prime contractor and/or as a subcontractor to a DOD prime?

Response: Among the current and prospective proteges, 44% described their experience as a prime contractor as "major", 19% as "significant", 19% as "minor", and 19% as "none". As for their subcontracting experience, 31% described it as "major", 38% as "significant", 24% as "minor", and 6% as "none".

Among non-participating SDBs, 13% described their experience as a prime contractor as "major", 50% as "minor", and 38% as "none". Subcontracting experience was described as 13% "major", 38% as "significant", 25% as "minor", and 25% as "none".

Analysis: The experience level as prime contractors and subcontractors was much greater at the protege level than at the non-participant level. Among the proteges, 63% had at least "significant" experience as a Government prime contractor and 69% had at least "significant" experience as a Government subcontractor. However, among the randomly selected SDBs, only 13% had "significant" experience as a Government prime contractor (none reported "major" experience) and 51% has described their experience as a Government subcontractor as at least "significant." This would seem to indicate that mentors are selecting proteges that already have prime contracting and/or subcontracting experience unless the

experience has come about as a result of the mentor-protege relationship, a distinction that unfortunately was not made in the surveys. This also indicates that being listed in a large firm's Small and Disadvantaged Business Directory is not a guarantee of frequent business. The researcher also believes that the data suggest that once a prime contractor identifies a SDB as being a qualified and reliable supplier, that prime contractor will be less apt to take its business elsewhere the next time a similar requirement arises.

5. Question Five

What are your future intentions with regard to DOD business?

Response: Among the proteges, 75% intend to expand their DOD business and 25% intend for their level of DOD business to remain unchanged.

Among the non-participants, 64% intend to expand their DOD business and 38% intend for their level of DOD business to remain unchanged. None of the respondents indicated that they intend to reduce the level of their business dealings with DOD.

Analysis: As was true for the mentor and mentor eligible contractors in the previous chapter, the majority of SDBs intend to expand their DOD business. This is interesting in light of DOD budget cuts and downsizing. These data also differ from the responses provided in Andrew Huff's 1991 study

which at that time revealed 13% of SDBs intended to reduce business with DOD and 13% did not intend to seek DOD business because of expected reductions in defense spending and the difficulty in dealing with the detailed specification requirements and lack of fair and open competition for Government work [Ref. 2:p. 73]. The defense spending reductions are even more apparent today, yet not one respondent intends to reduce its level of business with DOD. The researcher believes this does not necessarily translate to expectations of future business volume.

6. Question Six

How would you characterize the success of your prior business dealings with DOD?

Response: Proteges characterized their business dealings as follows:

	<u>Proteges</u>	<u>Non-Participating SDBs</u>
Very Successful	13%	13%
Successful	69%	25%
Moderate Success	13%	13%
Limited Success	6%	38%
Unsuccessful	0%	0%

Analysis: The responses reveal that more of the proteges consider themselves to have been successful or very successful in DOD business dealings than do non-participants. It is noteworthy to recall that more of the participating mentors

also considered themselves to be successful than did non-participating firms. Again, this can be attributed to the past level of business dealings with DOD, which seems to be significant considering the annual sales volume of most of the proteges. Another contributing factor is the proteges' perception of the buyer-seller relationship. It has already been shown that the proteges have more experience as Government contractors and subcontractors than do the randomly selected SDBs and therefore have had to deal with the intricacies of the buyer-seller relationship in Government procurement. A non-adversarial buyer-seller relationship helps foster a positive perception of Government business dealings.

7. Question Seven

If applicable, what would you cite as a major reason(s) for lack of success in business dealings with DOD?

Response: Among the proteges, 25% did not answer the question, 19% replied "none", and the remaining 56% replied with one or more of the following responses (each response was provided once):

1. the perception that minority businesses are not as capable as white firms;
2. a lack of bid opportunities for SDB contractors;
3. the "up and down cycle" of DOD requirements provides for an unstable work flow;

4. burdensome administrative requirements and repetitive paperwork;
5. a lack of understanding of Federal/DOD requirements;
6. DOD emphasis on price over quality;
7. no experience in dealing with the bureaucracy because most experience is as a subcontractor for spare parts;
8. the \$5 million limit on SDB contract awards;
9. a lack of experience in DOD contacting;
10. Federal and DOD acquisition regulations, DCAA audits, and Cost Accounting Standards are barriers;
11. a lack of Small Business and SDB set-asides for "truly" small businesses (1-50 people and/or less than \$1 million to \$2 million annual revenues). For example, SIC code 3761 (missiles and space vehicles) has an SDB set-aside size standard of 1,000 or less employees which is "ridiculous".

Among the randomly selected SDBs, 75% did not answer the question. The remaining 25% cited "not being in the right place at the right time", time delays in getting paid, and a lack of knowledge concerning DOD acquisition procedures and regulations.

Analysis: Many of the comments provided by the proteges are often- heard criticisms of the Federal procurement process (e.g., up and down cycles, administrative burdens, emphasis on price over quality, regulations, standards, audits, payment delays). A comparison between proteges and non-participants is not possible due to the low response rate to this question by non-participants. However, further analysis of the proteges' responses reveals that the principal nature for a

perceived lack of success centers around a lack of experience in Government contracting. This lack of experience can be attributed to a shortage of bid opportunities, no experience in dealing directly with the Government as a result of there being no privity between the Government and a subcontractor in existing subcontracts, or the dominance of larger SDBs that have the human and financial resources to outbid smaller SDBs.

8. Question Eight

How familiar is your firm with the Mentor-Protege Program?

Response: Among current proteges, 94% considered themselves to be "very familiar" with the PMPP. Only 6% considered themselves to be "somewhat familiar" with the program.

Among non-participating SDBs, 50% reported being "not at all familiar" with the PMPP, 25% reported being "somewhat familiar", and 25% reported being "very familiar."

Analysis: As expected, a greater degree of familiarity exists among PMPP participants. However, a 50% unfamiliarity rate among non-participating SDBs seems excessive. A rate this high would seem to constitute not only a barrier to program participation, but also to program evaluation. The researcher does not believe the program can be adequately evaluated unless most SDBs are familiar with the program. Any evaluation that takes place without SDB familiarity ignores the potentially valuable input an informed SDB could provide.

Although it is the mentor that is responsible for initiating mentor-protege relationships, it seems that SDBs should have a vested interest in knowing about a program that can affect their future. The researcher initially expected to find that the vast majority of SDBs to be familiar with the PMPP, especially since this program can have as much effect on SDB business as the 8(a) program which, with over 3,500 participants, obviously has been much more publicized than the PMPP. Of course, the 8(a) program has existed for a much longer period of time than the PMPP, but after two years it seems PMPP familiarity among non-participating SDBs should be greater.

9. Question Nine

Is your firm a protege?

Response: Among the participating SDBs, 88% are currently proteges and 12% have applications pending. Among the randomly selected SDBs, 100% are not proteges and do not have applications pending.

Analysis: The 100% non-participating rate among the randomly selected SDBs does not imply anything because that was intentional on the part of the researcher. If the random number generator had selected a SDB that was a protege, that selection would have been ignored and other random selection would have been done. However, that did not happen. The closest the researcher came to that situation was that one of

the randomly selected SDBs indicated that they had put forth a concentrated effort to find a prime contractor that would be willing to enter into a mentor-protégé relationship with them, but that effort had failed due to a lack of demand among prime contractors for services related subcontractors. The fact that the random selection process did not result in the selection of a protégé led the researcher to compare OSADBU's list of current protégés with the 1992 SDB directory provided by a large major defense contractor. The results were interesting: of the 42 active protégés, only three (7%) appeared in the directory; of the 24 protégés that have approved letters of intent, only four (17%) appeared in the directory; and of the the eight SDBs whose prospective mentors have applications pending, only one (13%) appears in the directory. Two of the eight matches that occurred were for protégés of the firm that provided the directory. The directory used contains 666 SDBs located throughout the country. Even though the directory is particular to a specific large firm, the researcher expected such a directory to be fairly standard in content for most major firms. Apparently that is not the case, or the number of corresponding matches would have been higher.

10. Question Ten

If your firm is a protégé, to what product/service/system is your PMPP agreement linked?

Response: This question applied only to the proteges. One of the proteges responded that no agreement had been reached yet with the mentor for a specific product (the protege specializes in microwave diodes and components). The remaining proteges have agreements for the following products, services or systems (the number of proteges providing the product is indicated in parenthesis):

1. network management, integration and support services (1);
2. general construction (2);
3. automotive safety lighting for the FMTV program (1);
4. parts for aircraft engines (1);
5. metal parts and assemblies for warheads (1);
6. electronic fabrication and engineering for the F/A-18 E/F aircraft (1);
7. environmental services (2);
8. integrated logistics and technical documentation support services (1);
9. engineering services, computer programming services, computer integrated systems design, and missiles and space vehicles in the same agreement (1);
10. hypersonic flow diagnostics support (1);
11. engineering, manufacturing and value added resource services, e.g. hardware/software sales (1).

Analysis: It is interesting to note that almost all of the above agreements are for some type of technically related service. Additionally, there is a strong correlation between these responses and the responses provided by mentors to

Questions One and Nine of Chapter IV. Each one of these responses are linked to either major weapon systems or general products/services in which the mentors claimed to be involved. The SDB mentioned above that has been unsuccessful in locating a mentor is involved in the less technically oriented areas of facilities management, base operating services, and logistics support services. Only one of the above cited agreements is for logistics support services. The correlation of the data suggests that large firms are seeking proteges that can satisfy technical requirements and, as a result, participation of non-technically oriented SDBs will be limited.

11. Question Eleven

If some degree of familiarity with the program exists, what are your initial impressions of the program?

Response: Among current proteges, 69% reported positive initial impressions, 25% reported negative initial impressions, and 6% reported both positive and negative initial impressions.

Among non-participants, 63% did not answer the question, 13% reported positive initial impressions, and 25% reported negative initial impressions.

Analysis: The vast majority of current proteges (75%) reported positive initial impressions (including the small percentage that reported mixed initial impressions). This

exceeds the fairly high percentage (69%) of participating mentors that reported positive initial impressions. This can be attributed to the fact that the proteges recognize potential benefits of PMPP participation and see the program as providing an opportunity to compete in areas where they were, for the most part, completely shut out. A higher percentage of positive initial impressions among program participants is to be expected based on the fact they have chosen to participate. However, it is noteworthy to mention that the percentage of proteges that reported negative and mixed initial impressions is statistically equal to the percentage of mentors that reported negative initial impressions: 31% and 30%, respectively. However, those negative impressions did not provide sufficient reason for non-participation.

This can be attributed to benefits the SDB foresees or to marketing efforts by the mentor that convince a SDB to enter into a mentor-protege relationship.

The fact that 63% of non-participating SDBs did not answer this question is attributed primarily to the lack of familiarity with the program that exists among non-participating SDBs.

12. Question Twelve

If your impressions are negative, can you cite a major reason(s)?

Response: Sixty-nine percent of the proteges did not answer this question. The 31% that did answer the question provided the following responses:

1. lack of funding for primes which in turn reduces the commitment and motivation of the mentor (2);
2. bureaucracy and a burdensome application/agreement process (1);
3. the PMPP is not funded yet by DOD or Congress (1);
4. the non-existence of any active PMPP contracts (1);
5. the PMPP benefits a mentor more than a protege because there is no guarantee of a subcontract award. The mentor is more apt to award a subcontract to its protege only if a current contract and teaming arrangement already exists with the protege. Meanwhile, the mentor can obtain credit and/or reimbursement for developmental costs (1).

Among non-participants, 50% did not answer the question. The responses of the remaining 50% can be characterized as follows:

1. the PMPP is focused too heavily upon manufacturing and research and development and does not provide opportunities for SDBs involved in service related areas (4);
2. the PMPP does not provide a cash flow for SDBs that is required for vital business areas such as inventory financing and operating capital (3);
3. there is no requirement for a mentor to send work to a protege; in order to be approved as a mentor, the mentor need only provide an estimate of the dollar value of work to be subcontracted to the protege (3).

Analysis: Analysis of the responses for this question is difficult due to high response rates by both groups. As was

true with a similar percentage of mentors, the majority of proteges did not answer this question. This can be attributed to either an absence of negative initial impressions or that whatever negative impressions originally existed have since been overcome.

The researcher found the responses to be quite interesting. Because of the inaccuracy of some of the cited reasons, it is apparent that the PMPP suffers from misinformation. Funding for the program is available. The funding level for Fiscal Year 1993 is \$45 million and, despite budget reductions, contact with a House Armed Services Committee staffer indicated that Fiscal Year 1994 funding for the program is not considered to be in jeopardy. A suggested reason for the funding perception is that DOD has not successfully coordinated with Service departments and program managers regarding the release of reimbursement funds.

There are active contracts between mentors and proteges that were awarded as a result of the PMPP agreement. One example of such an agreement was provided during an interview with a representative of a current mentor. The agreement is fully reimbursable and provides for reimbursement to the mentor of \$3.8 million by a program manager. Although the mentor considered the protege to be a "supplier in good standing" prior to the PMPP, a teaming arrangement did not exist. Prior to becoming a protege, the SDB had performed on five subcontracts for the future mentor worth \$771,345 over a

two year period. Under the PMPP, the protege received approximately \$250,000 worth of subcontracts in 1992 and \$2.2 million in 1993. The representative indicated that the mentor's primary goal is developing an SDB, not receiving credit for SDB subcontracting goals. It should be noted that an example of an agreement does not resolve the concern among at least some proteges that relationships may not necessarily generate contracts.

There are two common concerns cited by proteges: a perceived funding problem and the non-guarantee of subcontract work. The funding problem was also a primary concern that was mentioned by mentors in Chapter IV. In contrast, however, the responses of ten of the non-participating SDBs focused on two specific areas: the lack of opportunity for participation by proteges in non-technical, service related fields; and the absence of a requirement for mentors to award subcontracts to the protege which results in the protege not receiving vital positive cash flow. From the perspective of the SDB, these concerns seem to represent serious barriers to participation.

13. Question Thirteen

If your impressions are positive, can you cite a major reason(s)?

Response: This question was not answered by 31% of the current proteges and 88% of the randomly selected SDBs. Positive impressions were similar from both groups:

1. the PMPP makes it easier for a SDB to gain practical, real world experience (3);
2. mentors possess detailed and sophisticated systems in such areas as cost estimating, financial management, program management, and cost accounting that can be used to improve the protege's systems (2);
3. the PMPP provides a SDB with a chance to prove its capabilities to a prime (2);
4. the PMPP can provide an SDB with an opportunity to enter a business area that was previously beyond its capability (2);
5. the potential benefits for a protege are "unbelievable" (this was said sarcastically - e.g., award of subcontracts, increased professional and technical abilities) (1);
6. the PMPP provides an avenue to overcome stringent requirements of the 8(a) program, which one SDB called a "joke." Specifically mentioned by one protege was: the 8(a) requirement for an SDB to be in business for two years prior to being certified as an 8(a) participant; the requirement for an SDB to prove its ability to raise capital when even \$100,000 is out of reach for most SDBs; and the requirement to possess a SIC code. The question raised was "how can an SDB earn a SIC code when it does not have the work to earn it?" (1);
7. the PMPP provides for the free flow of information between mentor and protege (1);
8. the PMPP provides an opportunity for SDBs to expand their contacts with major firms (1);
9. the PMPP offers mentors a chance to assist SDBs in developing their professional skills (1).

Analysis: The low rate of response by non-participants, presumably due to the lack of familiarity, again makes it difficult to analyze their perceptions as a group. However the remarks by those that did respond corresponded with remarks provided by proteges. Most of the positive responses

did center on a common theme: the development of a SDB's skills and capabilities resulting in the opportunity to more effectively compete for subcontract work. This is a virtual echo of the most commonly cited positive initial impression of the mentors.

14. Question Fourteen

Why would you desire to seek a Mentor-Protégé relationship?

Response: The current protégés were asked to describe the relative degree of importance of business expansion, modernization, stabilization of work flow, and cost reduction as reasons for entering into a Mentor-Protégé relationship. A rating of 1 to 5 was used where 5 meant high importance and 1 meant no importance. The following table indicates the frequency for protégés of each score and the mean score for each category:

	5	4	3	2	1	Mean
Business Expansion	10	3	2	1	0	4.4
Modernization	4	6	4	1	0	3.9
Stabilize Work	6	4	0	5	1	3.6

Reduction of costs is not included in the table because only five respondents rated it which negates the validity of the mean score that would result (for analysis purposes, "reduction of costs" will be treated as a additional response). Respondents were free to provide and rate

additional reasons. The following additional responses were provided by proteges as reasons for seeking a mentor-protege relationship: reduction of costs, technology transfer, improve efficiency, opportunity to bid on more complex projects, the opportunity to receive training, the opportunity to provide and receive technical support, the opportunity to eliminate competition by becoming more advanced, the development of long term business relationships, the opportunity to be recognized for accomplishments, and to learn and develop proper ethical standards.

Non-participating SDBs provided approximately the same relative weightings for the reasons listed above and added two additional reasons: cash flow and networking.

Analysis: The opportunity to expand business is the most dominant reason proteges have agreed to participate in the PMPP. The emphasis on business expansion suggests that most proteges are relatively confident of their internal operations and instead seek to use the PMPP as a tool for carrying out a strategy of future growth. The proteges want to earn a respectable reputation for quality and professionalism that will result in increased business opportunities.

The opportunities for modernization and stabilization of work flow are approximately equally weighted and are of some importance. They point to a SDB's recognition of internal deficiencies that should be corrected. The list of other reasons is extensive yet peculiar to individual protege firms.

However, rather than classify them as a set of unique themes, many seem related to the theme of increasing internal capabilities (e.g., increased efficiency, training, technical support, technology transfer, ethical standards) in contrast to external opportunities such as business expansion and networking opportunities.

15. Question Fifteen

In what areas would your firm seek developmental assistance from a mentor?

Response: The respondents were asked to select as many of the different types of developmental assistance as they felt they would be want to take advantage of as proteges. Participants and non-participants responded with the following percentages to each category (reflected as a percent of those responding):

	<u>Participants</u>	<u>Non-participants</u>
General Business Management	31%	33%
Organizational	38%	0%
Financial	50%	67%
Personnel	38%	33%
Marketing	56%	100%
Business Development	56%	100%
Business Planning	56%	33%
Engineering/Technical	69%	33%
Production/Inventory	31%	0%
Quality Assurance	56%	67%
Other Capability Enhancing	50%	0%
Other Assistance	19%	0%
Progress Payments	31%	33%
Advance Payments	38%	33%
Loans	31%	100%
Investments	25%	67%
Outside Assistance	44%	67%
No Answer	0%	63%

Analysis: The data indicate that proteges are more willing to take advantage of most of the various types of assistance that can be provided by a mentor. The proteges feel that they need help in general management areas and in engineering/technical areas. They are also willing to accept almost any type of financial assistance except for investments by the mentor in the protege firm. When contacted for follow-up questions, many of the proteges indicated they felt uncomfortable with the idea of mentors investing in the SDB in exchange for ownership interest because a lost feeling of independence would occur. The other types of financial assistance are popular because most SDBs do not have the capital resources to sustain a positive cash flow. Cash flow problems immediately disrupt operations and often force a SDB to forego business they would otherwise seek.

The non-participants are interested in some areas more than others. Assistance in marketing and business planning would be desired by all of the responding non-participants. It is interesting to note that although 100% of non-participating SDBs would desire marketing and business development assistance, only 33% would desire business planning assistance. This seems contradictory because business planning and business development seem to be functions that should be closely integrated. Loans would also be desired by all as a form of financial assistance. A lack

of familiarity with the program may be the reason some of the areas were not selected by any of the non-participants.

A comparison with the responses provided to this question by large firms in the previous chapter is also warranted. The large percentage gaps that existed between the mentors and the non-participating large firms in the areas of marketing, business development, and business planning also exist between the proteges and the randomly selected non-participating SDBs. However, the situation is somewhat reversed in that all of the non-participating SDBs realize they need assistance in marketing and business development. Among mentors, this did not become apparent until after a relationship had been initiated and a development program undertaken. Business planning, however, seemed to be an area whose importance grew for SDBs after the relationship had started. Other areas that SDBs seem to learn the importance of during the developmental programs are production/inventory processes.

16. Question Sixteen

What aspects of the program do you perceive as undesirable?

Response: Among the protege group, 44% stated that they did not perceive any aspects of the program as being undesirable, at least not as of yet. The remaining 56% cited the following undesirable aspects as indicated in parenthesis:

1. excessive and burdensome paperwork (1);
2. protege being limited to one mentor (1);
3. the ability of "fake" SDBs (those that are not 100% minority owned) to participate (1);
4. the possibility of entering into a relationship with an unmotivated mentor that only pays "lip service" to its protege while looking good for the politicians and OSADBU (1);
5. a lack of funding for primes (1);
6. the program success criteria (1);
7. the "harem rule" where a mentor can have as many proteges as it wants while a protege can have only one mentor; once a protege "marries" a mentor, other prime contractors do not want to deal with that protege (1);
8. a lack of DOD commitment to fund the program and for Program Managers to encourage Mentor-Protege agreements among their prime contractors (1);
9. the slow OSADBU application response time (1);
10. the mentor can still do business as usual, e.g. solicit competition for subcontractors instead of awarding to the protege (2);

Among the randomly selected SDBs, 50% did not answer the question. The remaining 50% provided four responses with the indicated frequency:

1. the attitudes large businesses possess regarding SDBs (e.g., SDBs are less capable, less motivated, more interested in social welfare) (4);
2. a system should exist for SDBs to solicit mentorship rather than forcing SDBs to play a passive role and to rely on searches and initiatives of large businesses (4);
3. dealing with a large business on a frequent basis will hamper the decision-making process in the protege firm (1);

4. the business cycles of the mentor can become critical to the growth/survival of the protege (1);
5. the limit of one mentor per protege (2).

Analysis: Non-participants seem to be more concerned with the mentor-protege relationship itself - large business attitudes, meddling by large businesses, and the lack of opportunity to actively initiate a relationship, for example. The proteges, having experienced the program, for the most part seem more concerned about the PMPP elements - rules and procedures, paperwork, funding problems, and no guarantee of subcontract work. While current proteges did cite the possibility of problems with mentors, most seem to be more concerned with areas that extend beyond the mentor and into areas that are associated with DOD - commitment to the program, bureaucracy, and funding problems, for example.

17. Question Seventeen

What aspects of the program do you perceive as desirable?

Response: Thirteen percent of the proteges did not answer this question. The remaining 87% provided one or more of the following responses:

1. all aspects of the program (4);
2. the potential for growth and development through cooperation (4);
3. sole source contracts can be awarded to proteges (2);
4. it assists proteges in their effort to compete more effectively (2);

5. the bilateral termination policy (1);
6. proteges can be taught the mentors' more sophisticated business management systems (1);
7. the opportunity to develop while performing complex and challenging work (1);
8. the mentor kept a protege in business by providing advance payments when banks and the SBA would not help (1).

The question was not answered by 63% of the non-participating SDBs. The remaining 37% provided one or more of the following responses:

1. the potential for a protege to gain a larger percentage of the market share (3);
2. the potential for proteges to gain experience while being provided developmental assistance (3);
3. the opportunity for proteges to meet and work with others outside of its business area (3);

Analysis: A significant portion (5 of 11) of the desirable aspects cited specifically focus on some aspect of protege development. Proteges and non-participating SDBs recognize the potential the PMPP has to develop SDBs in one or more areas so that they can more effectively compete for Government business. This corresponds strongly with the responses of the large firms to this same question who also felt that the most desirable aspect of the PMPP is that it provides the opportunity to develop SDBs that can more effectively compete for subcontract awards. However, the mentors tended to link the development aspect with the earning

of credit towards subcontracting goals or cash reimbursement for developmental costs. The proteges, however, did not mention the incentives that are provided to mentors. The researcher attributes this to the fact that the incentives are essentially invisible to the protege. The protege is not interested in how the mentor is being rewarded, but rather in the benefits that are provided to the protege.

Additionally, as was true of the mentors, several of the positive aspects mentioned by the respondents directly relate to the legislative intent of the PMPP, specifically the development of SDBs capable of meeting available defense contract opportunities and the fostering of stable long-term business relationships. The positive aspects also relate to specific provisions of the PMPP that are aligned with the legislative intent (e.g., sole-source contract awards).

Again, the vast majority of non-participants did not answer this question. The researcher attributes this to the fact that (1) positive aspects of participation are more readily apparent if a firm has been involved in a mentor-protege relationship and (2) a significant portion of non-participating SDBs are not familiar with the program.

18. Question Eighteen

What improvements would you like to see incorporated into the program to make it more attractive to your firm?

Response: Among the proteges, 31% did not answer the question and 16% specifically cited "none". The remaining 53% provided one or more of the following responses:

1. the application and approval process needs to be more expedient (2);
2. the criteria for a SDB should be that it is 100% minority owned and controlled. The present 51% criteria allows for the existence of "minority fronts"-companies that are really not controlled by a minority (1);
3. the PMPP allows for too much mentor autonomy. The Government needs to proactively check with proteges to see how they are being treated by their mentors. Until a mentor is forced to meet his responsibilities under the agreement, the developmental programs of many mentors will remain only on paper (1);
4. raise PMPP funding (1);
5. improve DOD's commitment to the program (1);
6. proteges need to be given more of an opportunity to bid for non-mentor related projects. Other large businesses shy away from SDBs that have a mentor-protege relationship with a different prime contractor (1);

Among the non-participating SDBs, 63% did not answer the question. The remaining 37% provided one or more of the following responses:

1. there needs to be an effective method for interested SDBs to find potential mentors (3);
2. more emphasis on long-term contracts and financing rather than on short-term, individual contract awards (3);
3. before the PMPP can be successful, the communication process between large companies and SDBs needs to be

improved, with a focus on joint cooperation and learning (2).

Analysis: Among the proteges, it is unknown how many of the 31% did not answer because they did not think any improvements were necessary or because they could not think of any improvements to suggest. The improvements suggested by the proteges focus on elements within the PMPP that they find undesirable (e.g., the application/approval process, funding problems, and commitment by mentors/DOD). These responses corresponded with those of mentors who also felt that the PMPP could be improved by the elimination or modification of program specific requirements and an increase in funding and commitment on the part of DOD.

Although the majority of non-participants did not answer the question, the ones that did seemed to focus on aspects of the program that present barriers to participation (e.g., no protege initiation of relationships). In contrast, the majority of non-participating mentors focused on the administrative burdens associated with the program, which seemed to indicate that large firms are more apt to dismiss the program because of traditional complaints regarding the Federal procurement process whereas SDBs cite problematic areas directly associated with the program. In fairness to the mentors, there were a few whose responses did indicate they possessed an understanding of PMPP unique problems that could present barriers to participation for some firms.

19. Question Nineteen

Would implementation of these improvements cause your firm to seek to participate in the program?

Response: All of the proteges either did not answer this question or answered "not applicable." As for the non-participating SDBs, 63% did not answer the question, 25% answered "yes," and 13% answered "possibly."

Analysis: The fact that proteges did not answer this question or answered "not applicable" is attributed to the fact that they are already participating in the PMPP, so implementation of their suggested improvements is irrelevant to them. The large percentage of non-participating SDBs that did not answer the question simply follows the pattern established by the last several questions. However, it is noteworthy that the 38% of non-participants that answered this question as "yes" or "possibly" is approximately equal to the percentages that have answered most of the latter questions of this chapter. The ones that answered the questions possessed some degree of familiarity with the program and have indicated a desire to participate if given the opportunity. While the large firms had a higher overall positive response to this question, it should be noted that the majority of mentors and proteges would desire to participate if suggested improvements were implemented.

C. SUMMARY

This chapter reported and analyzed the perceptions of SDBs regarding the Pilot Mentor-Protege Program. A significant majority of current proteges have a favorable impression of the program and the assistance it offers, whereas a significant majority of SDBs that are not involved in the program either do not know enough about the program to comment or have negative impressions of the program. The 50% non-familiarity rate among non-participating SDBs serves as a barrier not only to program participation, but also to program evaluation. As for increasing the awareness of the program, OSADBU states that they do not have the resources to market the program beyond what has already been done. First there was the initial request for public comment published in the Federal Register in May 1991. Final policy was published in the Federal Register in August 1991. Finally, a solicitation for mentor-protege agreements published in Commerce Business Daily was closed on May 17, 1993. Large and small firms that are interested in doing business with the Government should know that the Federal Register and the Commerce Business Daily are vital sources of information. But the high rate of lack of awareness suggests that these mechanisms are not reaching substantial numbers of SDBs.

The SDBs that are familiar with the program are generally impressed with the different types of assistance available to them under the program. The most cited reasons for wanting to

enter into a mentor-protege relationship was to expand the business opportunities of SDBs and to improve the operating capabilities of SDBs. The majority of SDBs intend to expand their DOD business in the face of reduced DOD budgets.

The enthusiasm that exists for the PMPP among SDBs is tempered by concerns regarding commitment, funding, and bureaucracy. The decision to establish a Mentor-Protege program rests with the large businesses. A SDB that happens to be familiar with the PMPP (a challenge itself, as noted above) does not have an effective avenue for seeking prospective mentors. A SDB that wants to be a protege essentially must hope a prospective mentor wants to develop a SDB and/or receive credit for subcontracting goals and that prospective mentor has that SDB in its supplier database.

If an SDB is chosen as a protege, it runs the risk of having a mentor that is not truly committed to the program and therefore is not motivated to provide quality mentoring leading to actual award of subcontracts. While these risks were not presented in large numbers, there is evidence to suggest that they are valid concerns.

The next chapter will present the conclusions and recommendations regarding the PMPP that resulted from this research.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

1. Conclusion One

Interest and participation in the Pilot Mentor-Protege Program is increasing. Although the program became effective October 1, 1991, the program was slow in starting because Congress did not provide specific Fiscal Year 1992 funds for cash reimbursement until December 1991. This was followed by a proposed rescission of the funds as a budget cutting effort. Although the rescission was not carried out, full program implementation was delayed and participation was essentially limited to mentors seeking credit towards subcontracting goals. By March 1992, OSADBU had approved only eight agreements and had 12 applications in process. As of February 1993, the PMPP participants consisted of 45 mentors and 65 proteges. In less than one year participation has increased 450% and a significant majority of non-participating large businesses contacted by the researcher indicated they plan to participate or would participate if certain improvements to the PMPP were implemented. The most recent tally, just before this thesis was submitted for publishing, totaled 50 current/prospective mentors and 74 current/prospective proteges, a 12% increase over four months. There are SDBs

that want to participate and have not been able to identify an interested mentor.

2. Conclusion Two

Mentor firms are the most critical elements of the Pilot Mentor-Protege Program. It is the prospective mentor that seeks out a prospective protege, submits the application, and prepares the agreement. If the program is to succeed, the mentor must possess a full understanding of the program and be committed to the development of the protege. The only way for the approval authority to determine if a mentor possesses this understanding is for the application to contain detailed information on the company's ability to provide developmental assistance and how that assistance will potentially increase subcontracting opportunities for the protege firm. The importance of the mentor also necessitates a limit of one mentor per protege, contrary to the wishes of many proteges/SDBs. If a protege is authorized to have more than one mentor, a great potential exists for lack of commitment on either side. Multiple mentors would overwhelm a protege if the mentors were putting forth a full developmental effort. Additionally, many mentors have different philosophies and would place different priorities in different areas. The proteges developmental progress would suffer and, if unable to deliver a quality product, the mentor would become disenchanted with the entire program.

3. Conclusion Three

The program's purpose and success criteria revolve too much around the 5% SDB subcontracting goal and statistical data regarding increases in the dollar value and numbers of contract and subcontract awards to proteges. Only two of the eight criteria for success discussed in Chapter III specifically mention development of the protege. While the program came about because prime contractors were not meeting their SDB subcontracting goals, the primary reason for this (according to the mentors) was a lack of qualified SDBs in the supplier database. In order to increase the numbers of qualified SDBs, a focus on development seems more appropriate as criteria for successful implementation.

4. Conclusion Four

The DOD policy statement encourages mentor firms to identify and select protege firms that are defined as emerging SDB concerns. The research has revealed that SDBs selected as proteges have significantly more prior experience in Government contracting than the non-protege SDBs that were contacted at random. This suggests that mentors are selecting proteges from their qualified supplier database, instead of from emerging SDBs.

5. Conclusion Five

Another aspect of restricted program participation is that approximately fifty-percent of the non-participating SDB

population is not familiar with the program. This would indicate that the PMPP is not getting advertised to the extent that it should. Related to this issue is the fact that no mechanism exists for protege initiation of a relationship. If protege awareness increases, the importance of this problem will be heightened.

6. Conclusion Six

The research indicates that the program incentives - credit toward subcontracting goals, cash reimbursement for assistance provided, or a combination of credit and cash reimbursement - may not be attractive enough to a significant portion of large contractors. Of the incentives currently available, credit towards subcontracting goals is considered by mentors to be the most attractive. Mentors would like to have the opportunity to earn a profit on direct developmental costs that they incur under the PMPP.

7. Conclusion Seven

Another impairment to greater participation is the difficulty associated with getting reimbursement agreements negotiated with Program Managers and with getting the cash reimbursement to the mentor. This has resulted in an impression that the program is not funded to handle cash reimbursements when in fact \$45 million was appropriated for Fiscal Year 1993.

8. Conclusion Eight

Mentors and prospective mentors are less enthusiastic about providing financial assistance to proteges than they are about the other forms of assistance. Progress payments are viewed favorably, but advance payments and loans are not. In contrast, proteges are quite interested in all forms of mentor-provided financial assistance except for investments in the protege firms. The proteges do not want to relinquish any independence as a result of shared ownership.

9. Conclusion Nine

The quality of relationships is not effectively being monitored. While mentors are required to submit progress reports, the proteges have no mechanism to assure that their expectations (e.g., enhancement of capabilities or that subcontracts will be awarded as a result of the relationship) are being met. The only option available to them if they feel unsatisfied is voluntary withdrawal from the relationship.

10. Conclusion Ten

The PMPP presents classic organizational management issues that need to be confronted. The technology transfer part of the mentor-protege relationship is straightforward; this contrasts with the challenge of cultural bridges that must be crossed and the preconceived notions and attitudes that large businesses and SDBs may have about one another when they enter into the relationship. Large businesses often

assume that there are no qualified SDBs in an industry in which they are looking for subcontractors. Large businesses also often assume that the capabilities, skills, and motivation of SDBs are not at a desired level. Many large contractors see SDBs as political franchises who have had to fight to survive and have used the political process (e.g. the 8(a) program) to do so. In contrast, many proteges view major contractors as solely bureaucratic entities that do not perform adequate assessments of risk when considering a SDB for a subcontract award. The proteges also feel that large businesses are not willing to assume any of the risk associated with dealing with an emerging SDB.

11. Conclusion Eleven

The expectations of mentors and proteges regarding the content of assistance to be provided during a relationship were similar in some instances and different in others. Generally, interest in most types of managerial and engineering/technical assistance was strong. Financial assistance was the mentors' least favorite type of assistance while, in contrast, it was generally considered important to proteges. Additionally, mentors and proteges discover that areas they had not previously anticipated needing to provide or accept assistance in do, in fact, require developmental assistance (e.g., business planning, business development, marketing). Proteges expect to be provided developmental

assistance that will help them expand their business opportunities while mentors provide choose to participate for an equally strong combination of reasons - cash reimbursement of developmental costs, credit towards subcontracting goals, and a sense of social duty.

B. RECOMMENDATIONS

1. Recommendation One

It is recommended that the application process and contents not be altered as a result of complaints from industry. A full understanding of the scope of the program on the part of the mentor is required if a relationship is going to succeed. The researcher believes that the detailed and admittedly complex application is necessary for program success.

2. Recommendation Two

Because of the importance of the mentor in determining whether a relationship is going to be successful, it is also recommended that the current restriction of each protege being limited to one mentor be continued. However, if the criteria for success are to focus more on increasing the numbers of subcontracts being awarded to SDBs rather than on the development of SDBs, then providing proteges with an opportunity to work with multiple mentors may be justifiable.

3. Recommendation Three

More focus should be placed on the non-statistical related success criteria promulgated by DOD: (a) an increase in industry categories where SDBs have not traditionally participated; (b) the involvement of emerging SDBs; and (c) the development of protege firms into competitive suppliers and subcontractors who are justifiably confident about their capabilities. This type of qualitative focus is especially critical since overall subcontract awards will probably continue to decrease with available contracting dollars. Encouragement for emerging SDB participation needs to be presented by more than the DOD policy statement. OSADBU and/or Program Managers need to apply stronger pressure or an additional incentive needs to be offered to make sure emerging SDBs are included in the program. Political pressure from Congress would also help. Many mentors firms admitted they are participating in the program as a result of political pressure. However, there is a fairly fine distinction between "forceful encouragement" and "requirement." That is another reason an "emerging SDB incentive" should be implemented. The program is voluntary and incentive driven. Forcing emerging SDBs on mentors would result in less participation because any successful business must focus on risk reduction, not risk escalation.

4. Recommendation Four

Although mentors are responsible for finding SDBs, emerging SDBs could be better represented if they (1) are aware of the program and (2) have an avenue they can pursue to "sell" themselves to prospective mentors.

Every SBA Business Development Specialist needs to be well informed about the PMPP and should ensure each 8(a) firm is counseled about the advantages and disadvantages of participation.

How can emerging SDBs market themselves to potential mentors? They need to be aware of who the major defense (and Government) contractors are. They need to proactively seek audiences with these firms and present business plans and capabilities that a mentor would consider to be promising or have potential. Mechanisms for using existing forums or arenas for prospective mentor-protege interactions need to be explored. The SBA, Procurement and Technical Assistance Centers, and Minority Business Development and Enterprise offices are examples of organizations that can provide counseling in this area. Most of all, SDBs need to display motivation and a willingness to cooperate with a mentor. They can best do this by displaying a keen interest in mentoring and by actively participating in the development of a program plan.

5. Recommendation Five

The data indicate that credit towards subcontracting goals and cash reimbursement for developmental costs are highly rated as incentives among mentors. An additional incentive would be the ability to earn a fee, or profit, on the developmental assistance provided. As it stands now, profit is only allowed when authorized by the Program Manager and it has to be result from costs that can be applied to indirect cost pools such as General and Administrative expense or overhead categories. The researcher believes that while the PMPP is not designed to be a profit making venture, the idea of some type of profit associated with direct reimbursable costs should be explored. If profit was tied to a separately negotiated Cost-Plus-Award-Fee (CPAF) type contract, a mentor could be rewarded comensurate with the progress of the protege. This would also allow for more emphasis on the qualitative factors recommended above. Although a CPAF type arrangement would require extensive follow-up by the Program Manager and Administrative Contracting Officer, the data suggest that such incentives may be necessary to gain the participation of large contractors who are not currently participating in the PMPP.

6. Recommendation Six

A more cooperative effort needs to be implemented by OSADBU and the Program Managers. The delays in application

approval and cash reimbursement, whether they are due to a lack of communication or understanding of procedures, need to be addressed. This problem has tarnished the program's image and as word spreads among large contractors concerning this problem, the PMPP will suffer. If the program is to be fully embraced by industry, the Federal Government must do a better job of ensuring that the Federal agencies involved with the program understand it and are committed to it.

7. Recommendation Seven

Prospective mentors, when considering the aspects of participation and non-participation, need to realize that proteges are keenly interested in financial assistance that provides them with the positive cash flow necessary to meet improvement goals. Failure to display a willingness to provide financial assistance will serve to restrict SDB participation and cause the program to suffer. The data suggest that mentors are agreeable to some types of financial assistance, especially the payment of progress payments.

8. Recommendation Eight

In order for a mentor-protege relationship to succeed, mentors and proteges need to be aware of the cultural changes and shocks that a protege may encounter as it transitions to the arena of Government procurement. The SDB needs to be aware that at some point it will have to seek commercial business because it can not be dependent on DOD or the mentor.

Other examples of culture shock include the requirements for stringent accounting and estimating systems that are subjected to frequent auditing and the emphasis in Government procurement on ethics. It is therefore recommended that the agreement that is submitted for approval address these organizational management issues and OSADBU should ensure that they are addressed in every developmental plan. The PMPP is, in many ways, about building a new business. Any approach should start with joint preparation of a detailed, total program plan that includes the production of a business plan as a contract deliverable. The fact that proteges favor some types of managerial assistance over others (e.g., marketing and business plan development over organizational management assistance) indicates that they do not seem to be as aware of the basic value or necessity of a comprehensive managerial review and development program. In contrast, mentors indicated a strong preference to provide all the different types of managerial assistance possible.

The organizational structure of the protege must be reviewed and, if appropriate, redefined. Many proteges will be very reluctant to have a mentor probing this deeply into its structure and culture, but if the mentor can keep the protege focused on improvement goals it can, and has, been accomplished.

9. Recommendation Nine

The PMPP has demonstrated great potential for developing SDBs and affording them the opportunity to compete in areas that have been traditionally inaccessible due to the requirements for significant capital resources and technical and management skills. The majority of proteges contacted feel the program has helped them immensely. While the relationships in place may not yet reflect the ideal relationship, there are many success stories. As the key players become more informed about the program and understand its scope, the number of successes will increase. It is recommended that the program be renewed upon expiration so that it can continue to be used as a method that enables the United States to take full advantage of the talents and capabilities of all of its citizens.

10. Recommendation Ten

The researcher concurs with the suggestion made during an interview with an active mentor's representative that the PMPP should not only be continued, it should eventually be expanded to provide a mechanism for shared learning to increase the capabilities of all organizations to move closer to the ideal. The problem, as the non-participating mentors suggested, is in developing a model of what constitutes the ideal model of a successful relationship. A national management effort would require some type of National Mentor-

Protege Headquarters. The effort could be managed by a team that has successfully proven itself in the PMPP. A by-product of a national effort could be the establishment of a national resource center for defense conversion that would include Mentor-Protege Program instruction with the involvement of HBCUs. Considering the current emphasis on defense and economic conversion, special incentives could be provided to businesses willing to create jobs in locations where the local economy was dependent upon defense related industries. The PMPP has the potential to (1) develop businesses that can use their new found capabilities to create innovations and opportunities in the commercial marketplace, and (2) achieve a long-term outcome of a larger program of national risk reduction to improve the national manufacturing base.

C. RESEARCH QUESTIONS

The primary research question for this study was: How effective has the Pilot Mentor-Protege Program been and what modifications could be made to improve participation?

The PMPP suffered from early implementation problems and is really just starting to progress beyond the infancy stage. At this point in time the researcher characterizes the effectiveness as "moderately effective." The responses from proteges contacted for this study indicate a generally favorable impression of the program. In citing desirable aspects of the program, the majority of responses centered

around satisfaction with the developmental assistance proteges are receiving (e.g., progress payments, marketing training, business planning training). Data provided by OSADBU indicates that there are a number of active agreements and that number is increasing despite decreases in available DOD contracting dollars. Were it not for instances of cash reimbursement delays and the varying degree of commitment displayed by mentors and program managers, the program could definitely be rated as "effective." As described in the recommendations, some modifications could be made to improve both participation and quality of outcomes. These include, for example, the ability for mentors to earn a profit on direct developmental costs, improved monitoring of the quality of mentoring taking place, and the implementation of mechanisms a protege can use to seek out a mentor-protege relationship.

The following subsidiary research questions were germane to the research effort:

What is the Pilot Mentor-Protege Program?

The Pilot Mentor-Protege Program is a voluntary program that provides incentives, instead of punishments, for major defense contractors to do more business with SDBs while taking an active role in the development of those SDBs. While this is the definition, it is noteworthy that in many cases mentors are not satisfied with the extent of incentives and there is

yet to be a significant impact on increased dollar amounts of contracts awarded to SDBs (as expressed by protege comments).

To what extent are firms familiar with the PMPP?

The degree of familiarity varies with the category of firm. This study presented four categories of firms:

1. participating large contractors (mentors/prospective mentors);
2. non-participating major defense contractors;
3. participating SDBs (proteges/prospective proteges);
4. non-participating SDBs

Obviously, the participating firms are familiar with the program. The vast majority (77% of those responding) of non-participating major defense contractors described themselves as being at least somewhat familiar with the PMPP. In contrast, a significant portion (50% of those responding) of non-participating SDBs are not at all familiar with the PMPP.

Do firms believe the program is worthwhile?

The majority of participating firms and non-participating firms that are familiar with the PMPP feel the program is worthwhile because of the advantages it offers.

What are the advantages and disadvantages of a mentor-protege relationship?

Advantages of the PMPP for mentors include the opportunity: to develop qualified SDB suppliers; to develop and build long-term relationships with SDBs; for mentors to

earn credit against otherwise difficult to achieve subcontracting goals; for mentors to be involved in a program that is incentive driven rather than penalty driven.

Benefits for proteges include: the potential for improving general business management and planning skills, marketing skills, and engineering/technical skills; the award of noncompetitive subcontracts from a mentor; the provision of financial assistance by a mentor; and the opportunity to use newly acquired skills to more effectively compete in a commercial marketplace affected by defense conversion.

A general advantage is the opportunity to expand, or at least improve, the industrial base which is a national concern as the country undergoes the defense conversion process.

A disadvantage for mentors is the potential for a protege to lack the commitment necessary to make a relationship succeed. There is also the disadvantage that a protege may choose to withdraw from an agreement, possibly leaving a mentor in a precarious position. Some mentors consider it a disadvantage that they are not permitted to earn profit on costs that are separately priced contract line items in a DOD contract (that is, other than costs included in indirect cost pools).

Disadvantages for proteges also include the potential for mentors to withdraw from the relationship or terminate the agreement for cause, with no right of appeal beyond having thirty days to respond to the mentor's notice of termination.

There is the potential for other major defense contractors to avoid subcontracting to SDBs involved in a mentor-protége relationship because of fears surrounding technology transfer and proprietary data concerns. Prospective protégés also lack the opportunity to initiate relationships. A lack of attention on quality factors puts a protégé at risk of being involved in a relationship where the mentor is not putting forth the effort required to ensure a successful program of development.

What are the aspects of participation and non-participation among mentor and protégé participants and non-participants?

Many of the aspects of participation and non-participation are included in a weighing of the advantages and disadvantages mentioned above. Additionally, as in any business decision, the potential participants must decide whether there is a significant chance for a return on investment. Return on investment in the PMPP is not measured in profit, but in the development of SDB capabilities and the attainment of subcontracting goals. However, this "return" is not necessarily the major incentive for mentors although it is for protégés.

Another aspect of participation is that participants must be willing to deal with a high degree of bureaucracy and a lack of coordination among major Government players. Examples of this lack of coordination include problems negotiating

reimbursable agreements with program managers and in getting the reimbursements to the mentors.

The primary aspect of participation among major defense contractors is two-fold: the opportunity to develop SDBs in return for cash reimbursements and credit against subcontracting goals; and a feeling of social duty. The primary aspect of participation among proteges is the potential for business expansion.

Aspects of non-participation among major defense contractors are: excessive administrative effort and bureaucracy; a perception that funding for the program is limited; the absence of minority firms in certain industries; and the difficulties associated with changes in the middle of a weapons program. Aspects of non-participation among SDBs revolve primarily around unfamiliarity with the program and the inability of interested SDBs to find mentors that can use their services. Many SDBs are involved in non-engineering service related areas and existing mentor-protege relationships do not involve very many of those type of SDBs.

What are the barriers that preclude participation?

The only barrier the researcher could identify that precludes participation of major defense contractors is meeting the eligibility requirements to participate. This should not be a significant barrier because major defense contractors should have at least one active approved subcontracting plan negotiated with DOD and should be eligible

for the award of Federal contracts unless they have been suspended or debarred. Another barrier for large defense contractors would be the submission of an inadequate application and/or agreement that did not address the developmental needs of the protege firm and the developmental plan to meet those needs. Because the barriers are not prohibitive, the low rate of participation can be largely attributed to the disadvantages and lack of sufficient advantages, as perceived by potential participants.

The most significant barrier for SDBs is the lack of familiarity regarding, or even a total lack of awareness of, the PMPP. If more SDBs were aware of the program, many of them would seek out prospective mentors and market their capabilities in hopes of being selected as a protege.

Another barrier for SDB participation is the inability for a SDB to initiate a relationship with a large firm. The data suggest that many proteges are interested in participating, but have been unable to find a mentor or convince a mentor to accept them as a protege. This is especially true if the SDB is involved in non-technical general support services. This leads to the next barrier to entry for many SDBs- the nature of the business in which they are engaged. The data suggest that large firms are more apt to select proteges that can contribute to the technically related areas of business in which the large firms are engaged.

Finally, barriers for SDBs include not only meeting eligibility requirements, but also mentor reliance on a SDB's self-certification that it meets the eligibility requirements of being an SDB. Truly qualified SDBs may be denied a chance to participate because a SDB that is actually not qualified was selected by an unsuspecting mentor. There has been at least one case of a "fake" SDB being selected as a protege although the mentor discovered the fraud in time to convince the protege to withdraw and to avoid public attention.

What improvements can be made to the program that will foster greater participation?

A simplified application process would foster greater attempts at participation but the researcher has already argued that the application process should not be significantly altered. If the application process were changed and OSADBU concurrently softened its evaluation criteria, greater participation would probably result. But that does not mean that successful relationships would result. In fact, the researcher argues that less successful relationships would result because of a potential drop in clear commitment to specific aspects of the developmental relationship as currently outlined in the application.

An area for improvement should definitely be the level of coordination among the key Government players: OSADBU, DOD Departments, and program managers.

Greater participation would also be the result of amending the legislation to include all small businesses. As long as the legislative intent is the development of SDBs, this type of amendment will not be adopted.

Another improvement that would foster greater participation is a strengthening of the incentives offered for mentor participation. The earning of a nominal amount of profit, even if presented as an "award fee," would greatly foster increased participation. If a firm can increase the bottom line of its financial statement, it will usually do so.

The final major improvement suggested lies in the area of program education. Greater participation would result if more SDBs were aware of the program. Although it is the mentors' responsibility to establish relationships, pro-active SDBs could find innovative ways to market themselves to potential mentors, particularly if forums for interaction between prospective partners were developed. Organizations such as the SBA and PTACs could help efforts in this area immensely. Education could also be gained through the use of a national learning center as described in the recommendations.

D. AREAS FOR FURTHER RESEARCH

The following areas are recommended for further research:

1. an analysis of a particular company's implementation of a Mentor-Protege relationship;

2. an in-depth study of organizational change and conflict in a Mentor-Protege relationship;
3. a final evaluation of the Pilot Mentor-Protege Program at the conclusion of the pilot period;
4. other strategies that can be used to improve SDB participation in Government procurement;
5. other incentives that can be offered in the Mentor-Protege Program.

APPENDIX A

DOD POLICY FOR THE PILOT MENTOR-PROTEGE PROGRAM

I Purpose

A. This policy implements the Pilot Mentor-Protege Program (hereinafter referred to as the "Program") established under Section 831 of P.L. 101-510, The National Defense Authorization Act for Fiscal Year 1991 as amended. The purpose of the Program is to:

1) provide incentives to major DoD contractors, performing under at least one active approved subcontracting plan negotiated with DoD or other Federal agencies, to assist small disadvantaged businesses (SDBs) in enhancing their capabilities to satisfy DoD and other contract and subcontract requirements;

2) increase the overall participation of SDBs as subcontractors and suppliers under DoD contracts, other Federal agency contracts and commercial contracts; and

3) foster the establishment of long-term business relationships between SDBs and such contractors.

B. Under the Program, eligible companies approved as mentor firms will enter into mentor-protege agreements with eligible SDBs as protege firms to provide appropriate developmental assistance to enhance the capabilities of SDBs to perform as subcontractors and suppliers. According to the law, the Department of Defense may, provide the mentor firm with either cost reimbursement, credit against SDB subcontracting goals established under contracts with DoD or other Federal agencies, or a combination of credit and reimbursement.

C. DoD will measure the overall success of the Program by the extent to which the Program results in:

1) an increase in the dollar value of subcontracts awarded to SDBs by mentor firms under DoD contracts;

2) an increase in the dollar value of contract and subcontract awards to protege firms (under DoD contracts, contracts awarded by other Federal agencies and under commercial contracts) since the date of their entry into the Program;

3) an increase in the number and dollar value of subcontractors awarded to a protege firm (or former protege firm) by its mentor firm (or former mentor firm);

4) an improvement in the participation of SDBs in DoD, other Federal agencies, and commercial contracting opportunities that can be attributed to the development of SDBs as protege firms under the Program;

5) an increase in subcontracting with SDB concerns in industry categories where SDBs have not traditionally participated within the mentor firm's vendor base;

6) the involvement of emerging SDBs in the Program;

7) an expanded relationship between mentor firms and protege firms to include non-DoD programs; and

8) the development of protege firms that are competitive as subcontractors and suppliers to DoD or in other Federal agencies or commercial markets.

D. This policy sets forth the procedures for participation in the Program applicable to companies that are interested in receiving:

1) A separate contract - company is interested in reimbursement through a separate contract with DoD or, a combination of reimbursement through a separate contract with DoD and credit against SDB subcontract goals for any unreimbursed costs incurred under the Program.

2) Program Manager funded reimbursement - company has identified a DoD program manager willing to fund the Program and the company is interested in reimbursement through a separately, priced cost reimbursement contract line item added to a DoD contract, with credit against SDB subcontracting goals for any unreimbursed costs.

3) Indirect reimbursement and credit - company is interested in receiving reimbursement for indirect costs incurred under the Program as well as credit against SDB subcontract goals for these indirect costs.

4) Credit only - company is interested in receiving credit only against SDB subcontracting goals for costs incurred under the Program.

II General Procedures

A. At any time between October 1, 1991 and September 30, 1994, companies interested in becoming mentor firms that want to: 1) take credit only for costs incurred for providing developmental assistance to one or more protege firms or 2) receive credit and reimbursement

of indirect costs incurred under the Program, must apply to the Department of Defense for participation in the Program pursuant to the application process in VI (A) below.

B. At any time between October 1, 1991 and September 30, 1994, companies interested in becoming mentor firms that are able to identify funding from a DoD contract program manager(s) to provide developmental assistance to one or more protege firms must apply to the Department of Defense for participation in the Program, pursuant to the application process in VI (D) below.

C. Once funding is made available by DoD, companies that are interested in becoming mentor firms that want to receive reimbursement only or a combination of reimbursement and credit for providing developmental assistance to one or more protege firms via a separate contract awarded for that purpose, will be solicited for participation in the Program through a program solicitation. The Program solicitation will be issued by DoD and will contain among other things, the statement of work and the evaluation factors upon which award will be based. Companies seeking reimbursement only, or a combination of reimbursement and credit, must respond to the solicitation and will be evaluated on the quality of the proposed developmental assistance program for each protege, in accordance with the evaluation factors contained in the solicitation. Separate contracts will be awarded by DoD to approved mentor firms, to provide the proposed developmental assistance to one or more identified protege firms.

III Program Duration

Activities under the Program may only occur during the following periods:

a) from October 1, 1991 until September 30, 1994, companies may apply for participation in the Program as mentor firms pursuant to Section II, and once approved, may enter into mentor-protege agreements, pursuant to Section VII;

b) from October 1, 1991 until September 30, 1996, mentor firms's costs of providing developmental assistance to its protege firms may be reimbursed only if:

i. such costs are incurred after a separate contract is entered into between DoD and the mentor firm or,

ii. the funding for such costs have been identified by a DoD program manager and such costs are incurred pursuant to the execution

of a separately priced contract line item added to a DoD contract(s) or,

iii. such costs are included in indirect expense pools;

c) from October 1, 1991 until September 30, 1999, mentor firms may receive credit toward the attainment of such firm's goals for subcontract awards to SDBs for unreimbursed costs incurred in providing developmental assistance to its protege firms, only if such costs are incurred pursuant to an approved mentor-protege agreement.

IV Eligibility Requirements for a Protege Firm

A. An entity may qualify as a protege firm if it is:

1) A SDB concern as defined by Section 8(d)(3)(C) of the Small Business Act (15 U.S.C. 637(D)(3)(C) which is: a) eligible for the award of Federal contracts and b) a small business according to the SBA size standard in the Standard Industrial Code (SIC) which represents the contemplated supplies or services to be provided by the protege firm to the mentor firm;

2) A business entity that meets the criteria in 1 above and is owned and controlled by either an Indian tribe as defined by Section 8(a)(13) of the Small Business Act (15 U.S.C. 637(a)(13) or a Native Hawaiian Organization as defined by Section 8(a)(15) of the Small Business Act (15 U.S.C. 637(a)(13));

3) A qualified organization employing the severely disabled as defined in P.L. 102-172 Section 8064A.

B. A protege firm may self-certify to a mentor firm that it meets the eligibility requirements in either A (1), (2), or (3) above. Mentor firms may rely in good faith on a written representation that the entity meets the requirements in either A (1), (2), or (3) above.

C. A protege firm may only have one active mentor-protege agreement.

V Selection of Protege Firms

A. Mentor firms will be solely responsible for selecting protege firms. Mentor firms are encouraged to identify and select protege firms that are defined as emerging SDB concerns.

B. The selection of protege firms by mentor firms may not be protested, except as in C below.

C. In the event of a protest regarding the size or disadvantaged status of an entity selected to be a protege firm as defined in either A, 1, or 2, above, the mentor firm shall refer the protest to the SBA to resolve in accordance with 13 CFR Part 121 (with respect to size) or 13 CFR Part 124 (with respect to disadvantaged status).

D. For purposes of the Small Business Act, a protege firm may not be considered an affiliate of a mentor firm solely on the basis that the protege firm is receiving assistance referred to in VII, F from a mentor firm under the program.

E. If at any time the protege firm is determined by the Small Business Administration not to be a small disadvantaged business concern, assistance furnished such business concern by the mentor firm after the date of the determination, may not be considered assistance furnished under the program.

VI Approval Process for Companies to Participate in the Program as Mentor Firms

A. On or after October 1, 1991, a company interested in becoming a mentor firm and is seeking: 1) credit only against SDB subcontracting goals for costs incurred under the Program or 2) reimbursement of developmental assistance costs via inclusion of program costs in indirect expense pools and credit for such costs, must submit a request to the DoD, USD(A) OSADBU to be approved as a mentor firm under the Program. The request will be evaluated on the extent to which the company's proposal addresses the items listed in B and C below. To the maximum extent possible, the request should be limited to not more than 10 pages, single spaced. A company may identify more than one protege in its request for approval under the Program. The information required in B and C below must be submitted to be considered for approval as a mentor firm, and may cover one or more proposed mentor-protege relationships.

B. A company must indicate whether it is interested in participating in the Program pursuant to I, D, either 2, 3, or 4, and submit the following information:

1) A statement that the company is currently performing under at least one active approved subcontracting plan negotiated with DoD or another Federal agency pursuant to FAR 19.702, and that the company is currently eligible for the award of Federal contracts.

2) The number of proposed mentor-protege relationships covered by the request for approval as a mentor firm.

3) A summary of the company's historical and recent activities and accomplishments under their SDB program.

4) The total dollar amount of DoD contracts and subcontracts received by the company during the two preceding fiscal years (show prime contracts and subcontracts separately per year).

5) The total dollar amount of all other Federal agency contracts and subcontracts received by the company during the two preceding fiscal years (show prime contracts and subcontracts separately per year).

6) The total dollar amount of subcontracts awarded by the company under DoD contracts during the two preceding fiscal years.

7) The total dollar amount of subcontracts awarded by the company under all other Federal agency contracts during the two preceding fiscal years.

8) The total dollar amount and percentage of subcontract awards made to all SDB firms under DoD contracts and other Federal agency contracts during the two preceding fiscal years (show DoD subcontract awards and other Federal agency subcontract awards separately). If presently required to submit a SF 295, provide copies of the two preceding year's end report.

9) The number and total dollar amount of subcontract awards made to the identified protege firm(s) during the two preceding fiscal years (if any). Show DoD subcontract awards and other Federal agency subcontract awards separately.

C. In addition to the information required by B above, companies must submit the following information for each proposed mentor-protege relationship:

1) Information on the company's ability to provide developmental assistance to the identified protege firm and how that assistance will potentially increase subcontracting opportunities for the protege firm, including subcontracting opportunities in industry categories where SDBs are not dominant in the company's vendor base.

2) A letter of intent indicating that both the mentor firm and the protege firm will negotiate a mentor-protege agreement. The letter of intent must be signed by both parties and contain the following information:

a) The name, address and phone number of both parties.

b) The protege firm's business classification, based upon the SIC code(s) which represents the contemplated supplies or services to be provided by the protege firm to the mentor firm.

c) A statement that the protege firm meets the eligibility criteria in either IV A (1), (2), or (3).

d) A preliminary assessment of the developmental needs of the protege firm and the proposed developmental assistance the mentor firm envisions providing the protege firm to address those needs and enhance the protege firm's ability to perform successfully under contracts or subcontracts with DoD, other Federal agencies and commercial contracts.

e) An estimate of the dollar amount and type of subcontracts that will be awarded by the mentor firm to the protege firm, and the period of time over which they will be awarded.

f) Information as to whether the protege firm's development will be concentrated on a single major system(s), a service or supply program, research and development programs, initial production, mature systems, or in the mentor firm's overall contract base.

3) An estimate of the cost of the developmental assistance program and the period of time over which the assistance will be provided.

D. A company that has identified Program funds to be made available through a DoD program manager(s), must provide: 1) the information in B and C above to both the USD(A) OSADBU and the appropriate program manager(s) and 2) the USD(A) OSADBU with a letter signed by the appropriate program manager indicating the amount of funding that has been identified for the developmental assistance program.

E. Companies seeking credit only for the cost of developmental assistance, reimbursement of program costs via their inclusion in indirect expense pools and credit for such costs, or reimbursement with funds made available by a DoD program manager, shall submit four copies of the information specified in B and C above to: DoD, USD(A)/OSADBU, Room 2A340, The Pentagon, Washington, D.C. 20301-3061, Attn: Pilot Mentor-Protégé Program Manager. Upon receipt of this information, OSADBU will review and evaluate each request and, to the maximum extent possible, within 30 days advise each applicant of approval or rejection of its request to become a mentor firm.

F. Companies interested in reimbursement of costs of a developmental assistance program through a separate contract awarded for that purpose will be solicited to provide the information in B and C above as well as any other information specified in the program solicitation.

G. A company approved as a mentor firm for credit only, for reimbursement through funds made available by a DoD program manager, or for reimbursement via inclusion of program costs in indirect expense pools and credit for such costs, may proceed with the negotiation of the mentor-protege agreement with the identified protege firm(s).

H. Companies that apply for participation in the program pursuant to E above and are not approved, will be provided the reasons therefor and will also be provided an opportunity to submit additional information for reconsideration.

I. A company may not be approved for participation in the Program as a mentor firm if at the time of requesting participation in the Program it is currently debarred or suspended from contracting with the Federal Government pursuant to FAR Part 9.4.

J. If the mentor firm is suspended or debarred while performing under an approved mentor-protege agreement, the mentor firm:

- 1) may continue to provide assistance to its protege firms pursuant to approved mentor-protege agreements entered into prior to the imposition of such suspension or debarment;

- 2) may not be reimbursed or take credit for any costs of providing developmental assistance to its protege firm, incurred more than 30 days after the imposition of such suspension or debarment; and

- 3) shall promptly give notice of its suspension or debarment to its protege firm and OSADBU.

VII Mentor-Protege Agreements

A. Subsequent to approval as a mentor firm pursuant to VI above, a signed mentor-protege agreement for each mentor-protege relationship identified under VI (B) (2), must be submitted to USD(A) OSADBU and approved before developmental assistance costs may be incurred. To the maximum extent possible, such mentor-protege agreements will be approved with 5 business days of receipt.

B. Each signed mentor-protege agreement submitted for approval under the Program shall include:

1) The name, address and telephone number of the mentor firm and the protege firm and a point of contact within the mentor firm who will administer the developmental assistance program;

2) The SIC code which represents the contemplated supplies or services to be provided by the protege firm to the mentor firm and a statement that at the time the agreement is submitted for approval, the protege firm if, a SDB concern, does not exceed the size standard for the appropriate SIC code.

3) A developmental program for the protege firm specifying the type of assistance identified in (F) below that will be provided. The developmental program shall also include the following:

a) Factors to assess the protege firm's developmental progress under the Program including milestones for providing the identified assistance; and

b) The anticipated number, dollar value and type of subcontracts to be awarded the protege firm consistent with the nature of mentor firm's business and the period of time over which they will be awarded.

4) An initial program participation term for the protege firm which shall not exceed five years and may be renewed for four years.

5) Procedures for the mentor firm to notify the protege firm in writing at least 30 days in advance of the mentor firm's intent to voluntarily withdraw its' participation in the Program. Mentor firms may only voluntarily terminate the mentor-protege agreement(s) if they no longer want to be a participant in the Program as a mentor firm. Otherwise, a mentor firm must terminate a mentor-protege agreement for cause.

6) Procedures for a protege firm to notify the mentor firm in writing at least 30 days in advance of the protege firm's intent to voluntarily terminate the mentor-protege agreement.

7) Procedures for the mentor firm to terminate the mentor-protege agreement for cause which provide:

a) The protege firm shall be furnished a written notice of the proposed termination, stating the specific reasons for

such action, at least 30 days in advance of the effective date of such proposed termination.

b) The protege firm shall have 30 days to respond to such notice of proposed termination, and may rebut any findings believed to be erroneous and offer a remedial program.

c) Upon prompt consideration of the protege firm's response, the mentor firm shall either withdraw the notice of proposed termination and continue the protege firm's participation, or issue the notice of termination.

d) The decision of the mentor firm regarding termination for cause, conforming with the requirements of this section, shall be final and is not reviewable by DoD.

8) Additional terms and conditions as maybe agreed upon by both parties.

C. A copy of any termination notices shall be sent by the mentor firm to the DoD, USD(A), OSADBU, and where funding is made available through a DoD program manager, also provide a copy to the program manager and to the appropriate PCO or ACO.

D. Termination of a mentor-protege agreement shall not impair the obligations of the mentor firm to perform pursuant to the contractual obligations under Government contracts and subcontracts. Termination of all or part of the mentor-protege agreement shall not impair the obligations of the protege firm to perform pursuant to the contractual obligations under any contract awarded to the protege firm by the mentor firm.

E. Only developmental assistance provided after the DoD approval of the mentor-protege agreement may be reimbursed.

F. The mentor-protege agreement may provide for the mentor firm to furnish any or all of the types of developmental assistance as follows:

1) Assistance by mentor firm personnel in:

a) general business management including organizational management, financial management and personnel management, marketing, business development and overall business planning;

b) engineering and technical matters such as production inventory control, quality assurance; and

c) any other assistance designed to develop the capabilities of the protege firm under the developmental program.

2) Award of subcontracts under DoD contracts or other contracts on a noncompetitive basis.

3) Payment of progress payments for the performance of subcontracts by a protege firm in amounts as provided for in the subcontract; but in no event may any such progress payment exceed 100% of the costs incurred by the protege firm for the performance of the subcontract. Provision of progress payments by a mentor firm to a protege firm at a rate other than the customary rate for small disadvantaged businesses shall be implemented in accordance with FAR 32.504(c).

4) Advance Payments under such subcontracts. Advance payments must be administered by the mentor firm in accordance with FAR 32.4.

5) Loans.

6) Investment(s) in the protege firm in exchange for an ownership interest in the protege firm, not to exceed 10% of the total ownership interest. Investments may include but not be limited to cash, stock, contributions in kind, etc.

7) Assistance obtained by the mentor firm for the protege firm from one or more of the following:

a) Small Business Development Centers (SBDC) established pursuant to Section 21 of the Small Business Act (15 U.S.C. 648).

b) Entities providing procurement technical assistance pursuant to Chapter 142 of Title 10 U.S.C. (Procurement Technical Assistance Centers).

c) Historically Black Colleges and Universities as defined by 334 CFR Part 608.2.

d) Minority Institutions of Higher Education.

G. A mentor firm may not require a SDB concern to enter into a mentor-protege agreement as a condition for being awarded a contract by the mentor firm including a subcontract under a DoD contract awarded to the mentor firm.

VIII Reimbursement Procedures

A. A mentor firm may only be reimbursed for the cost of developmental assistance incurred by the mentor firm and provided to a protege firm under VII (F) (1) and (7), and pursuant to an approved mentor-protege agreement. Reimbursement shall only be made through: 1) a separate contract entered into between the DoD and the mentor firm awarded for the purpose of providing developmental assistance to one or more protege firms, 2) a separately priced contract line item in a DoD contract or 3) inclusion of program costs in indirect expense pools. No other means for the reimbursement of the costs of developmental assistance provided under VII (F) (1) and (7) are authorized under the Program.

B. Costs reimbursed via inclusion in indirect expense pools may only be reimbursed to the extent that they are otherwise reasonable, allocable, and allowable.

C. Assistance provided in the form of progress payments in excess of the customary progress payment rate for SDBs, shall only be reimbursed if implemented in accordance with FAR 32.504(c).

D. Assistance provided in the form of advance payments shall only be reimbursed if they have been provided to a protege firm under subcontract terms and conditions similar to FAR 52.232-12. Reimbursement of any advance payments shall be made pursuant to the inclusion of DFAR 252.232-7008, "Reimbursement of Advance Payments - DoD Pilot Mentor-Protege Program (October, 1991)" in appropriate contracts. In requesting reimbursement, the mentor firm agrees that the risk of any financial loss due to the failure or inability of protege firm to repay any unliquidated advance payments shall be the sole responsibility of the mentor firm.

E. No other forms of developmental assistance are authorized for reimbursement under the Program.

IX Credit for Unreimbursed Developmental Assistance Costs

A. Except as provided in F below, developmental assistance costs incurred by a mentor firm for providing such assistance to a protege firm pursuant to an approved mentor-protege agreement, which have been charged to, but not reimbursed through, a separate contract entered into between DoD and the mentor firm, or through a separately priced contract line item added to a DoD contract, shall be recognized for credit in lieu of subcontract awards for determining the performance of such mentor firm in attaining a SDB subcontracting goal(s) established under any contract containing a subcontracting plan pursuant to FAR 52.219-9.

B. For crediting purposes only, costs which have been reimbursed via inclusion in indirect expense pools shall be recognized for credit in lieu of subcontract awards and considered as if they were unreimbursed developmental assistance costs as in A above. However, costs that have not been reimbursed because they are not reasonable, allocable or allowable under VIII, B, shall not be recognized for crediting purposes.

C. Other costs that are not eligible for reimbursement pursuant to VIII, A, may be recognized for credit only if requested, identified and incorporated in an approved mentor-protege agreement. Such costs are not eligible for reimbursement.

D. The amount of credit a mentor firm may receive for any such unreimbursed developmental assistance costs shall be equal to:

- 1) Four times the total amount of such costs attributable to assistance provided by SBDCs, HBCUs, MIs, and PTACs.

- 2) Three times the total amount of such costs attributable to assistance furnished by the mentor's employees.

- 3) Two times the total amount of other such costs incurred by the mentor in carrying out the developmental assistance program.

E. A mentor firm shall receive credit toward the attainment of a SDB subcontracting goal(s) for each subcontract awarded for a product or a service by the mentor firm to a business concern that, except for its size would be a small business concern owned and controlled by socially and economically disadvantaged individuals, but only if:

- 1) the size of such business concern is not more than two times the appropriate size standard;

- 2) the business concern formerly had a mentor-protege agreement with such mentor firm that was not terminated for cause; and

- 3) the credit is taken not later than October 1, 1999.

F. Amounts credited toward the SDB goal(s) for unreimbursed costs under the program shall be separately identified from the amounts credited toward the goal resulting from the award of actual subcontracts to protege firms. The combination of the two shall equal the mentor firm's overall accomplishment toward the SDB goal(s).

G. Adjustments may be made to the amount of credit claimed under A and B above if the Director, DoD, USD(A)OSDBU determines that:

1) A mentor firm's performance in the attainment of its SDB subcontracting goals through actual subcontract awards declined from the prior fiscal year without justifiable cause.

2) Imposition of such a limitation on credit appears to be warranted to prevent abuse of this incentive for mentor firm's participation in the Program.

H. The mentor firm shall be afforded the opportunity to explain the decline in SDB participation before imposition of any such limitation on credit. In making the final decision to impose a limitation on credit, the following shall be considered:

1) the mentor firm's overall SDB participation rates (in terms of percentages of subcontract awards and dollars awarded) as compared to the participation rates existing during the two fiscal years prior to the firm's admission to the Program;

2) the mentor firm's aggregate prime contract awards during the prior two fiscal years and the total amount of subcontract awards under such contracts; and

3) such other information the mentor firm may wish to submit.

I. The decision of the Director regarding the imposition of a limitation on credit shall be final.

J. Any prospective limitation on credit imposed by the Director shall be expressed as a percentage of otherwise eligible credit and shall apply beginning on a specific date in the future and continue until a date certain during the current fiscal year.

K. Any retroactive limitation on credit imposed by the Director shall reflect the actual costs incurred for developmental assistance (not exceeding the maximum amount reimbursed).

L. For purposes of calculating any incentives to be paid to a mentor firm for exceeding a SDB subcontracting goal pursuant to 252.219-7009, incentives shall only be paid if a SDB subcontracting goal has been exceeded as a result of actual subcontract awards to SDBs.

M. Developmental assistance costs that are incurred pursuant to an approved mentor-protege agreement, and have been charged to, but not reimbursed through, a separate contract entered into between the DoD and the mentor firm, or through a separately priced contract line item added to a DoD contract, shall not be otherwise reimbursed, either as a direct or indirect cost, under any other DoD contract, irrespective of whether the costs have been recognized for credit against SDB subcontracting goals.

N. Developmental assistance provided under an approved mentor-protege agreement is distinct from, and shall not duplicate, any effort that is the normal and expected product of the award and administration of the mentor firm's subcontracts. Costs associated with the latter shall be accumulated and charged in accordance with the contractor's approved accounting practices; they are not considered developmental assistance costs eligible for either credit or reimbursement under the program.

X Advance Agreements on the Treatment of Developmental Assistance Costs

Pursuant to FAR 31.109, approved mentor firms seeking reimbursement, credit, or a combination thereof, are encouraged to enter into an advance agreement with the contracting officer responsible for determining final indirect cost rates under FAR 42.705. The purpose of the advance agreement is to establish the accounting treatment of the costs of the development assistance pursuant to the mentor-protege agreement prior to the incurring of any costs by the mentor firm. While not mandatory, an advance agreement is an attempt by both the Government and the mentor firm to avoid possible subsequent dispute based on questions related to reasonableness, allocability, or allowability of costs of developmental assistance under the Program. Absent an advance agreement, mentor firms are advised to establish the accounting treatment of such costs and address the need for any changes to their cost accounting practices that may result from the implementation of a mentor-protege agreement, prior to incurring any costs, and irrespective of whether costs will be reimbursed, credited or a combination thereof.

XI Reporting Requirements and Program Reviews

A. Mentor firms shall report on the progress made under active mentor-protege agreements semi-annually, including on attachment to their SF 295 providing:

- 1) The number of active mentor-protege agreements in effect; and

2) The progress in achieving the developmental assistance objectives under each mentor-protege agreement, including whether the objectives of the Program set forth in the DoD policy statement were met, any problem areas encountered, and any other appropriate information.

3) A copy of the SF 294 if appropriate for each contract where developmental assistance was credited, with a statement in Block 18 identifying:

a) The amount of dollars credited to the SDB subcontract goal as a result of developmental assistance provided to protege firms under the Program; and

b) An explanation as to the relationship between the developmental assistance provided the protege firm(s) under the Program and the activities under the contract covered by the SF 294(s).

c) The number and dollars value of subcontracts awarded to the protege firm(s).

B. For companies participating in the DoD "Test Program for Negotiation of Comprehensive Small Business Subcontracting Plans," and commercial companies indicate in Block 16 of the SF 295:

1) The total dollar credited to the SDB goal as a result of developmental assistance provided to a protege firm(s) under the Program.

2) The total dollar amount of subcontracts awarded to the protege firm(s).

C. OSADBU will conduct periodic performance reviews of the progress and accomplishments realized under approved mentor-protege agreements.

XII Definitions

A. "Emerging SDB Concern" means a small disadvantaged business whose size is no greater than 50% of the numerical size standard applicable to the standard industrial code for the supplies or services which the protege firm provides or would provide to the mentor firm.

B. "Minority Institution of Higher Education" means an institution of higher education with a student body that reflects the

composition specified in 3112(b) (3), (4), and (5) of the Higher Education Act of 1965 (20 U.S.C. 1058 (b) (3), (4), and (5)).

MENTOR-PROTEGE PROGRAM (MPP) SURVEY

Please circle answers where appropriate. Please use existing space, reverse, or additional sheets for comments.

1. Name of firm: _____
2. What is your principal product or service? (Provide SIC code if known)

3. What is the approximate number of employees in your firm?
1-10 11-25 26-51 51-250 251-500
501-1000 1001-2500 Over 2500
4. What is the approximate annual sales volume of your firm? (M = Millions of dollars)
Less than 2M 2-5M 5.1M-10M
10.1M-25M 25.1M-100M Over 100M
5. What is your experience as a Government prime contractor and/or as a subcontractor to a DOD prime?
Prime: Major Significant Minor None
Sub: Major Significant Minor None
6. What are your future intentions with regard to DOD business?
Expand Unchanged Reduce None
7. How would you characterize the success of your prior business dealings with DOD?
Very Successful Successful Moderately Successful
Limited Success Unsuccessful Not Applicable

8. If applicable, what would you cite as a major reason(s) for lack of success in business dealings with DOD?

9. How familiar is your firm with the Mentor-Protege Program?

Very Somewhat Not at All

10. Is your firm a Mentor?

Current Past No

11. If your firm is a Mentor, to what product/service/system is your mentoring linked, if any?

12. If some degree of familiarity with the program exists, what are your initial impressions of the program?

Positive Negative

13. If your impressions are negative, can you cite a major reason(s)?

14. If your impressions are positive, can you cite a major reason(s)?

15. Why would you desire to seek a Mentor-Protege relationship? Please describe the relative degree of importance of the following reasons for that desire (5=High, 1=None).

Cash Reimbursements	5	4	3	2	1
Credit towards SDB subcontracting goals	5	4	3	2	1
Social responsibility	5	4	3	2	1
Other (please list)					
	5	4	3	2	1

16. The MPP is designed to offer developmental assistance in the following areas. If your firm is a Mentor, what type of assistance are you providing to your Protege firm? If your firm is not a Mentor, with which areas would your firm be willing to assist a Protege? Check all that apply.

- ☐ General Business Management
 - ☐ Organizational Management
 - ☐ Financial Management
 - ☐ Personnel Management
 - ☐ Marketing
 - ☐ Business Development
 - ☐ Business Planning
- ☐ Engineering and Technical Matters
 - ☐ Production Inventory Control
 - ☐ Quality Assurance
- ☐ Any other capability-enhancing assistance
- ☐ Other Assistance
 - ☐ Progress Payments
 - ☐ Advance Payments
 - ☐ Loans
 - ☐ Investments in the protege firm (e.g., cash, stock) in exchange for ownership interest in the protege firm.
 - ☐ Other outside assistance obtained by the mentor for the protege from sources such as Small Business Development Centers, Procurement Technical Assistance Centers, Historically Black Colleges and Universities, and Minority Institutions of Higher Education

17. What aspects of the program do you perceive as undesirable?

18. What aspects of the program do you perceive as desirable?

19. What improvements would you like to see incorporated into the program to make it more attractive to your business?

20. If you are non-participant, would implementation of these improvements cause your firm to seek to participate in the MPP?

21. If I should have any questions concerning your responses to this survey, can I contact you? Yes/No

22. If I can contact you, please provide the following optional information. Again, I stress that no firm will be matched with any specific answers in the body of the thesis and that no one but myself will see the responses.

Name of firm _____

Address of firm _____

Point of Contact _____

Phone Number _____

23. Would you like a copy of an executive summary of the results of this survey provided to you at the completion of this research project?

Yes

No

MENTOR-PROTEGE PROGRAM (MPP) SURVEY

Please circle answers where appropriate. Please use existing space, reverse, or additional sheets for comments.

1. Name of firm: _____
2. What is your principal product or service? (Provide SIC code if known)

3. What is the approximate number of employees in your firm?
1-10 11-25 26-51 51-250 251-500
501-1000 1001-2500 Over 2500
4. What is the approximate annual sales volume of your firm? (M = Millions of dollars)
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10.1M-25M 25.1M-100M Over 100M
5. What is your experience as a Government prime contractor and/or as a subcontractor to a DOD prime?
Prime: Major Significant Minor None
Sub: Major Significant Minor None
6. What are your future intentions with regard to DOD business?
Expand Unchanged Reduce None
7. How would you characterize the success of your prior business dealings with DOD?
Very Successful Successful Moderately Successful
Limited Success Unsuccessful Not Applicable

8. If applicable, what would you cite as a major reason(s) for lack of success in business dealings with DOD?

9. How familiar is your firm with the Mentor-Protege Program?

Very Somewhat Not at All

10. Is your firm a protege?

Current Past No

11. If your firm is a protege, to what product/service/system is your MPP agreement linked, if any?

12. If some degree of familiarity with the program exists, what are your initial impressions of the program?

Positive Negative

13. If your impressions are negative, can you cite a major reason(s)?

14. If your impressions are positive, can you cite a major reason(s)?

15. Why would you desire to seek a Mentor-Protege relationship? Please describe the relative degree of importance of the following reasons for that desire (5=High, 1=None).

Business expansion	5	4	3	2	1
Modernization	5	4	3	2	1
Stabilization of work flow	5	4	3	2	1
Cost reduction					
Other (please list)					
_____	5	4	3	2	1
_____	5	4	3	2	1

16. The MPP is designed to offer developmental assistance in the following areas. Which areas would your firm take advantage of as a Protege? Check all that apply.

- ☐ General Business Management
 - ☐ Organizational Management
 - ☐ Financial Management
 - ☐ Personnel Management
 - ☐ Marketing
 - ☐ Business Development
 - ☐ Business Planning
- ☐ Engineering and Technical Matters
 - ☐ Production Inventory Control
 - ☐ Quality Assurance
- ☐ Any other capability-enhancing assistance
- ☐ Other Assistance
 - ☐ Progress Payments
 - ☐ Advance Payments
 - ☐ Loans
 - ☐ Investments in the protege firm (e.g., cash, stock) in exchange for ownership interest in the protege firm.
 - ☐ Other outside assistance obtained by the mentor for the protege from sources such as Small Business Development Centers, Procurement Technical Assistance Centers, Historically Black Colleges and Universities, and Minority Institutions of Higher Education

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19. What improvements would you like to see incorporated into the program to make it more attractive to your business?

20. If you are non-participant, would implementation of these improvements cause your firm to seek to participate in the MPP?

21. If I should have any questions concerning your responses to this survey, can I contact you? Yes/No

22. If I can contact you, please provide the following optional information. Again, I stress that no firm will be matched with any specific answers in the body of the thesis and that no one but myself will see the responses.

Name of firm

Address of firm

Point of Contact

Phone Number

23. Would you like a copy of an executive summary of the results of this survey provided to you at the completion of this research project?

Yes

No

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