



DEPARTMENT OF THE NAVY
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D.C. 20350-1000

13 November 2001

MEMORANDUM FOR DISTRIBUTION

Subj: DISTRIBUTION OF OFFICE OF THE SECRETARY OF DEFENSE (OSD)
ASSIGNED SMALL AND DISADVANTAGED BUSINESS UTILIZATION
(SADBU) PROGRAM TARGETS FOR FISCAL YEAR (FY) 2002 THROUGH
2006 AND THE DEPARTMENT OF THE NAVY SMALL BUSINESS
IMPROVEMENT PLAN

Ref: (a) SECNAVINST 4380.8A of 01 May 92
(b) Under Secretary of Defense (Acquisition, Technology
and Logistics) (USD(AT&L)) memo of 16 May 2001,
Subject: Small Business Program Reinvention
(c) Office of the Assistant Secretary of the Navy
(Research, Development and Acquisition (OASN(RD&A))
memo of 27 Aug 2001, Subject: Small Business Program
Reinvention

Encl: (1) USD(AT&L) memo of 22 Oct 2001
(2) Department of the Navy Small Business Improvement
Plan (SBIP)
(3) Department of the Navy FY 2002 through 2006 SADBU
Program Targets by Contracting Activity

Historically, OSD has negotiated SADBU Program goals with the Small Business Administration and then assigned them to the military departments and other defense agencies. Goals were then reapportioned and distributed to Department of the Navy Head Contracting Activities (HCAs) taking into consideration each Command's input and supporting rationale. As required by reference (a), goals were then assigned to subordinate activities.

By reference (b), USD(AT&L) announced the reinvention of the Small Business Program in order to focus on Small Business Program performance improvement. To accomplish this, the Department of Defense (DoD) is adopting a single rating system for Small Business Program performance measurement. This new rating system will hold Senior Leadership accountable for Small Business Program improvement. Further guidance is provided by enclosure (1), which stresses the personal commitment of USD(AT&L).

To implement the new rating system, reference (b) established Small Business Program targets for the military departments and other defense agencies. Reference (b) directed

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annual development and execution of a Small Business Improvement Plan (SBIP) by each military department, other defense agencies and subordinate activities. Reference (c) required your command to submit a SBIP to OASN(RD&A). These submissions were used to develop the Department of the Navy's SBIP, hereby provided as enclosure (2). It was developed by means of a consensus building process involving representatives from your commands and facilitated by members of my SADBU staff and OASN(RD&A).

The Department of the Navy will receive an annual rating from DoD and the Secretary of the Navy will also rate subordinate activities. The new rating system is based on a combination of performance targets as metrics and the qualitative factors of the SBIP. Your rating will be based on the SBIP you developed and the targets developed utilizing the format, rationale, and mandated baseline provided by reference (b). Enclosure (3) provides your activity's small business performance targets for FY 2002 through FY 2006. Enclosure (1) allows the Navy to assign weights to the target categories. Accordingly, you may assign weights for your targets using the directions provided by USD(AT&L). Starting in FY 2002, this system will measure Small Business Program performance, as reflected in the annual rating, based upon the improvement envisioned by reference (b).

As you can see, implementation of the Small Business Program reinvention through this rating system creates a new focus on continuous improvement vice striving to reach a mandated goal. As we are well aware, the success of the Department's SADBU Program depends on the pursuit of the program's objectives by you and all of your acquisition, program management and small business personnel. The reinvention of the Small Business Program will require innovative strategies to implement the SBIP and meet program targets.

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(OSD) ASSIGNED SMALL AND DISADVANTAGED BUSINESS
UTILIZATION (SADBU) PROGRAM TARGETS FOR FISCAL YEAR
(FY) 2002 THROUGH 2006 AND THE DEPARTMENT OF THE NAVY
SMALL BUSINESS IMPROVEMENT PLAN

I trust that support of the Navy's Small Business Program will continue to be an integral part of your command's acquisition planning process and objectives. Questions concerning this memorandum should be directed to my Director of SADBU, Ms. Nancy Tarrant, (202) 685-6485.



SUSAN MORRISEY LIVINGSTONE
Under Secretary

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DEPARTMENT OF THE NAVY

OFFICE OF THE UNDER SECRETARY
WASHINGTON, D.C. 20350-1000

17 October 2001

MEMORANDUM FOR THE UNDER SECRETARY OF DEFENSE (ACQUISITION, TECHNOLOGY
AND LOGISTICS)

FROM: SUSAN MORRISEY LIVINGSTONE *Susan Livingstone*
UNDER SECRETARY OF THE NAVY
Prepared by: Nancy Tarrant, Under Secretary of the Navy
(USN) Office of Small and Disadvantaged Business
Utilization (OSADBU), 202/685-6485

SUBJECT: SMALL BUSINESS PROGRAM REINVENTION (SBIP)

PURPOSE: The purpose of this memorandum is to provide the Department
of the Navy's SBIP as required by OUSD(AT&L) memo dated May 16, 2001.

DISCUSSION: Per Attachment (1), military departments are required to
develop and submit a SBIP that contains at least three initiatives
that will be undertaken during the year to improve Small Business
Program performance. The SBIP is to include qualitative factors that
are measurable, address how the plan enhances the Defense industrial
base, and identify the office of primary responsibility. The SBIP is
part of Small Business Program Reinvention, which requires the
Secretaries of the Military Departments to report to USD(AT&L) semi-
annually on whether their Department is meeting its Small Business
Program performance targets. The USN OSADBU worked together with
the Assistant Secretary of the Navy (Research, Development and
Acquisition), Deputy for Acquisition Business Management
(ASN(RD&A)/ABM) and the Department of the Navy Acquisition
Reform Executive (ARE), to involve both the SADB and
acquisition communities in the development of the Department of
the Navy's SBIP, hereby submitted as Attachment (2).

Attachments:

1. USD(AT&L) memorandum of May 16, 2001, Subject: Small
Business Program Reinvention
2. Department of the Navy SBIP of September 21, 2001

Department of the Navy
Small Business Improvement Plan
September 21, 2001

Introduction:

This Department of the Navy (DON) Small Business Improvement Plan (SBIP) reflects the Department's commitment to improve Small Business Program performance through the combined efforts of its acquisition and small and disadvantaged utilization communities. Integrated Process Teams will be established to oversee implementation of each of the initiatives listed below. The plan is submitted in accordance with Under Secretary of Defense (Acquisition, Technology and Logistics) memorandum titled "Small Business Program Reinvention", dated May 16, 2001.

Offices of Primary Responsibility:

The Secretary of the Navy, supported by the Under Secretary of the Navy, Director, Office of Small and Disadvantaged Business Utilization (OSADBU) and the Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN(RD&A)).

Targets:

The DON SBIP targets are those provided by the Office of the Secretary of Defense (OSD) SADBUD Office for designated categories of Small Business Utilization. With two exceptions, these targets are based on the Navy's Fiscal Year (FY) 2000 actual Small Business Program achievements plus an annual percentage increase. The two exceptions are Service-Disabled Veterans and Historically Underutilized Business Zone (HUBZone) Small Businesses, which are statutory goals.

Tab (A) provides the DON's FY 2002 through 2006 targets.

Evaluation:

The Department's SBIP evaluation criteria will be in accordance with the Department of Defense Performance Evaluation System, Tab (B).

Initiatives:

Initiative 1:

Establish a Knowledge Management Portal that provides a systematic process of identifying, capturing, and transferring pertinent small business information and knowledge to both internal and external customers to improve small business utilization within the DON.

Measurement:

The portal will be available to both the DON Acquisition Workforce and small businesses before the end of FY 2002. —

Initiative 2:

Incorporate the essence of Navy's Small Business Program into the DON Business Visions and Goals. Have each Navy Head of Contracting Activity incorporate a commitment to improve their Small Business Program performance into their Corporate Strategic Plan.

Measurement:

The number of Contracting Activities that include this commitment will measure success.

Initiative 3:

Provide annual training for all DON program management, contracting and SADBU personnel in order to improve their awareness and knowledge of the Department's Small Business Program.

Measurement:

Software provided by the Office of ASN(RD&A) Director, Acquisition Career Management Office will track the number of personnel successfully completing training that is funded by that office.

The Associate Directors of Small Business located at each Command will monitor their Command's overall participation in the prescribed training and will track the number of personnel successfully completing training provided by the Command.

Defense Industrial Base Enhancement:

Any increase in small business participation in DON programs enhances the strength and vitality of the small business community, a vital part of the Department of Defense industrial base. The initiatives described above should result in an improvement in the DON small business program.

Navy Performance Evaluation System

Fiscal Year (FY) 2002 Through FY 2006

NAVFAC

Scorecard Elements <i>Prime Contracting</i>	Base		Target FY02	FY03	FY04	FY05	FY06	Annual % age Improve.	Weight Factor
	Year FY00	Year FY01							
Small Business	38.2%		39.1%	39.9%	40.7%	41.3%	41.8%	2.5	9
HUBZone Small Business	1.60%		2.5%	3.0%	3.1%	3.1%	3.2%	**	3
Small Disadvantaged Bus.	14.7%		15.1%	15.4%	15.7%	15.9%	16.1%	2.5	3
Women-Owned Small Bus.	4.1%		4.6%	5.1%	5.8%	6.4%	7.0%	12.5	3
Service-Disabled Vet. SB	0.0%		3.0%	3.0%	3.0%	3.0%	3.0%	*	1
HBCU/MI ****	1.2%		1.2%	1.2%	1.3%	1.3%	1.3%	2.5	3
<i>Subcontracting</i>									
Small Business	61.4%		62.9%	64.3%	65.4%	66.4%	67.3%	2.5	9
HUBZone Small Business	0.3%		2.5%	3.0%	3.1%	3.1%	3.2%	**	1
Small Disadvantaged Bus.	14.2%		14.5%	14.8%	15.1%	15.3%	15.5%	2.5	3
Women-Owned Small Bus.	12.4%		13.6%	14.4%	14.7%	15.0%	15.2%	10.0	3
Service-Disabled Vet. SB	0.0%		3.0%	3.0%	3.0%	3.0%	3.0%	*	1

Total

39

Encl(3)

- * Service-disabled veteran owned small business target is the statutory based until DoD can establish an historical baseline.
- ** HUBZone small business "Annual Percentage Improvement" is at the statutory base.
- ** HUBZone Small Business program does not include a government-wide subcontracting goal (see 15 U.S.C. 633(g)).
- **** HBCU/MI prime contracting percentage target is based on total prime contracts & grants with Institutions of Higher Education

Performance evaluation scale based on performance against the target.

- A = Meets or exceeds the statutory goal and is at or above 90 percent of the target performance.
- B = is showing an improved percentage performance of 50% to 89.9% of target performance.
- C = is showing an improved percentage performance of 25% to 49.9% of target performance.
- D = is showing an improvement of 24.9% or less to a decrease of -25%.
- F = Represents a negative growth rate of greater than minus 25% of target performance.

A = 4.0, B = 3.0, C = 2.0, D = 1.0 and an F = 0.

*Base year is fiscal year (FY) 2000 and the multiplier for "small business" and "small disadvantaged business" prime and subcontracting targets is 2.5 percent in FY 02 and then the compounding shifts to (2.5×0.85) for FY 03 and $((2.5 \times 0.85) \times 0.85)$ for FY 04, etc. The historically Black colleges and universities (HBCU) and minority institution (MI) prime contracting targets are developed on the same basis as small business. ** The historically underutilized business zone (HUBZone) small business targets are based on the statutory goals through FY 03 and then on statutory goal accomplishment (3%) it shifts to (2.5×0.85) in FY 04 and $((2.5 \times 0.85) \times 0.85)$ in FY 05, etc. The women-owned small business (WOSB) prime contracting targets are based on a compounding rate of 12.5 percent and the subcontracting targets are based on a compounded rate of 10 percent until the statutory goal of 5 percent is achieved in subcontracting in FY 03 and then the rate shifts to (2.5×0.85) for year FY 04 and $((2.5 \times 0.85) \times 0.85)$ for FY 05. *The HBCU/MI goals and accomplishments are based on their prime contract awards against all institutions of higher education.



THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010



ACQUISITION AND
TECHNOLOGY

22 OCT 2001

MEMORANDUM FOR SECRETARY OF THE NAVY

SUBJECT: Small Business Program Goals and Targets

According to the Fiscal Year (FY) 2001 data through June, your Department has afforded meaningful contracting opportunities to all segments of the small business community. In this regard, please pass along my personal thanks to your acquisition community for their outstanding support of this important program.

FY 2002 marks the first full year under the small business program reinvention. The reinvention is designed to drive continuous program improvements through my personal commitment, improved metrics, shared small business program ownership across the acquisition community (program management, contracting, and small business personnel), and increased senior leadership accountability. A key component of the reinvention is the requirement for each military department and defense agency to develop a strategic plan. The plan along with a copy of your scorecard shall be submitted to me by October 31, 2001.

In order to provide flexibility in the development of your Department's scorecard, I am allowing you to establish your weight factor for individual categories on which the Department of Defense (DoD) will assign a score on FY 2002 accomplishments. In this regard the Navy's total of the individual weight factors that you assign must equal 39 points. The scorecard at Attachment A includes weight factors as examples of how they may be established. The largest weight factor in both prime and subcontracting shall be small business. Small business is the umbrella under which all other small business programs must grow. Moreover, each weight factor must be a whole number.

I am challenging your Department to assist DoD to achieve all of the small business program goals negotiated with the Small Business Administration (Attachment B) in accordance with the Small Business Act. I am also initiating new DoD-wide 8(a) goals of 2 percent for FY 2002 and 2.1 percent for FY 2003. Special emphasis should be placed on increasing the number of qualified historically underutilized business zone (HUBZone) and service-disabled veteran owned small business firms that receive prime contract awards during FY 2002.

In accordance with my Small Business Program Reinvention memorandum of May 16, 2001, you are required to report to me twice a year on the status of your program accomplishments. The first report is due on December 31st of each year. This report shall address your small business program accomplishments in the previous FY and your progress to date in the current FY. The second report is due on June 30th and shall address your accomplishments for the current FY. Both written reports shall detail your progress toward



Encl (1)

meeting the objectives of your strategic plan and, if necessary, what corrective actions are being taken. In addition, you may be requested to provide a briefing to me and my staff on your report.

I solicit your personal involvement and support, that of your staff, commanders of contracting activities, and program management personnel, in the attainment of the DoD goals and the targets specifically assigned to your Department.



E. C. Aldridge, Jr.

Attachments:
As stated



Navy Performance Evaluation System

Fiscal Year (FY) 2002 Through FY 2006

Base

Scorecard Elements	Year	Target	Annual					Weight Factor
			FY00	FY02	FY03	FY04	FY05	
<i>Prime Contracting</i>								
Small Business	20.8%	21.4%	21.8%	22.2%	22.6%	22.9%	2.5	9
HUBZone Small Business	0.29%	2.5%	3.0%	3.1%	3.1%	3.2%	**	3
Small Disadvantaged Bus.	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%	2.5	3
Women-Owned Small Bus	1.5%	1.7%	1.9%	2.2%	2.4%	2.6%	12.5	3
Service-Disabled Vet. SB	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	*	1
HBCU/MI ***	13.7%	14.0%	14.3%	14.6%	14.8%	15.0%	2.5	3
<i>Subcontracting</i>								
Small Business	47.1%	48.3%	49.3%	50.2%	50.9%	51.6%	2.5	9
HUBZone Small Business	0.1%	2.5%	3.0%	3.1%	3.1%	3.2%	**	1
Small Disadvantaged Bus.	8.4%	8.6%	8.8%	9.0%	9.1%	9.2%	2.5	3
Women-Owned Small Bus	7.2%	7.9%	8.3%	8.5%	8.7%	8.8%	10.0	3
Service-Disabled Vet. SB	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	*	1
Total								39

* Service-disabled veteran owned small business target is the statutory base until DoD can establish an historical baseline.

** HUBZone small business "Annual Percentage Improvement" is at the statutory base.

*** HUBZone Small Business program does not include a government-wide subcontracting goal (see 15U.S.C. 644(g)).
**** HBCU/MI prime contracting & grant percentage target is based on total prime contracts & grants with Institutions of Higher Education.

Performance evaluation scale based on performance against the target.

A = Meets or exceeds the statutory goal and is at or above 90 percent of the target performance.

B = Is showing an improved percentage performance of 50% to 89.9% of target performance.

C = Is showing an improved percentage performance of 25% to 49.9% of target performance.

D = Is showing an improvement of 24.9% or less to a decrease of -25%.

F = Represents a negative growth rate of greater than minus 25% of target performance.

A = 4.0, B = 3.0, C = 2.0, D = 1.0 and F = 0.

*Base year is fiscal year (FY) 2000 and the multiplier for "small business" and "small disadvantaged business" prime and subcontracting targets is 2.5 percent in FY 02 and then the compounding shifts to (2.5×0.85) for FY 03 and $((2.5 \times 0.85) \times 0.85)$ for FY 04, etc. The historically Black colleges and universities (HBCU) and minority institution (MI) prime contracting targets are developed on the same basis as small business. ** The historically underutilized business zone (HUBZone) small business targets are based on the statutory goals through FY 03 and then on statutory goal accomplishment (3%) it shifts to (2.5×0.85) in FY 04 and $((2.5 \times 0.85) \times 0.85)$ in FY 05, etc. The women-owned small business (WOSB) prime contracting targets are based on a compounding rate of 12.5 percent and the subcontracting targets are based on a compounded rate of 10 percent until the statutory goal of 5 percent is achieved in subcontracting in FY 03 and then the rate shifts to (2.5×0.85) for year FY 04 and $((2.5 \times 0.85) \times 0.85)$ for FY 05. *The HBCU/MI goals and accomplishments are based on their prime contract & grant awards against total contract & grant awards to all institutions of higher education.



Department of Defense

Small Business Program Goals

<i>Prime Contracting</i>	FY 2002	FY 2003
Small Business	23.0%	23.0%
HUBZone Small Business	2.5%	3.0%
Service-Disabled Veteran Owned Small Business	3.0%	3.0%
Small Disadvantaged Business*	5.1%	5.2%
Section 8(a)**	2.0%	2.1%
Women-Owned Small Business	5.0%	5.0%
Historically Black Colleges & Universities & Minority Institutions	5.0%	5.0%
Small Business Research & Development ***	8.1%	8.2%
<i>Subcontracting</i>		
Small Business	40.0%	40.0%
HUBZone Small Business	****	****
Service-Disabled Veteran Owned Small Business	3.0%	3.0%
Small Disadvantaged Business	5.0%	5.0%
Women-Owned Small Business	5.0%	5.0%
Historically Black Colleges & Universities & Minority Institutions	5.0%	5.0%

* Small disadvantaged business data includes 8(a) awards.

** 8(a) goal is a new DoD initiative for fiscal year (FY) 2002

*** Research & development percentage goals are based on DoD appropriations

**** HUBZone subcontracting program does not require a DoD-wide goal but requires the negotiation of HUBZone goals in all DoD contract and subcontracts that require "Small Business Subcontracting Plans."