

## TESTIMONY FOR THE HOUSE SMALL BUSINESS COMMITTEE

“Supporting Success: Empowering Small Business Advocates”

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ML Mackey, CEO & Co-Founder, Beacon Interactive Systems  
Legislative Affairs & Policy Committee Chair, NDIA Small Business Division

Good morning Chairman Hanna, Ranking Member Velázquez and Members of the Subcommittee. My name is ML Mackey. I am the CEO of Beacon Interactive Systems, a Small Business with offices located in Waltham, MA and Norfolk, VA. I am also the Legislative Affairs & Policy Committee Chair for the Small Business Division of the National Defense Industrial Association, NDIA. With each of these roles, my motivation is the same; to utilize Small Business effectively to increase innovation, cost savings, and competition in the Federal acquisition ecosystem.

NDIA membership is composed of nearly 90,000 individuals and more than 1,600 companies, over half of which are Small Businesses. Beacon Interactive Systems is one of those Small Businesses. For the past 11 years Beacon has delivered innovative, cost effective, and highly competitive systems to improve the U.S. Navy’s situational awareness and operator performance.

Chairman Hanna, Ranking Member Velasquez, I appreciate your leadership and the efforts of your Subcommittee, taking the form of your obvious interest in and commitment to leveling the playing field for Small Businesses to compete in the Federal marketplace, and the many pieces of legislation you have authored and passed to that end. My role at NDIA places me in regular discussions of Small Business legislation. The overwhelming response of my colleagues to your efforts and your Committee’s efforts is sincere appreciation. So please let me begin by saying thank you.

As I said, this Subcommittee has demonstrated a deep commitment to leveling the playing field for Small Business. This concept is important to today’s discussion because if one accepts that Small Businesses have a lot to offer, and that in many cases Small Businesses are where innovation occurs, what we are all fighting for makes sense – this level playing field. Your efforts make it possible for the best—not just the biggest—to rise to the top.

The goal of your efforts is not to make it easy on Small Business — and it’s not — but rather to ensure that we have a diverse industry that supplies the government with the very best goods and services possible at the best possible price. Unfortunately, the level playing field is as difficult to create as it is important to maintain for the well-being of the government contracting ecosystem.

Fortunately for those of us that advocate for Small Business interests, we have strong advocates like this Committee. Your efforts in the recent legislation regarding Small Business Federal Contracting in the Fiscal Year 2016 National Defense Authorization Act demonstrates once again that Small Businesses can depend on Congress to work for a fair and healthy acquisition system.

Of course, new legislation is just the beginning of the process. Each one of your provisions must be written into clear regulations and policies that each Agency can implement. Next, the Congress, the Small Business Administration, and each Agency must oversee the implementation of those regulations and policies to be sure they are being followed.

With that in mind, what I can offer today is some feedback from experience with my own company as well as some of my NDIA colleagues' experiences with their Small Businesses.

I make five recommendations in my prepared testimony, but in the interest of time, I will read two of them today and submit the others for the record.

### ***Lack of PCR involvement on Consolidated Contracts***

Problem: Lack of PCR review on consolidated contracts limits Small Business participation.

Suggestion: Clarify that PCRs should actively advise on consolidated contracts. Inviting PCRs to advise on the consolidated acquisition strategy will help better identify those requirements where small businesses can best perform and help structure the solicitation such that more small businesses can compete. Over the recent decade, the federal government has seen widespread and far-reaching changes in the way it procures services and technology. There has been significant growth of consolidated contracts. Although this has helped the government cope with the reduction in the acquisition workforce through fewer contracts, it tends to bundle requirements that are out of reach of most small businesses. For example, technology contracts are generally the result of consolidating multiple disciplines and requirements into a single solicitation for large business team competition. Empowering PCRs to advise on consolidated contracts will help to ensure that the requirements are within the reach of small business.

Impact: Increased Small Business participation and competition resulting in more cost-effective and innovative solutions for our warfighters.

### ***Post Award Compliance***

Problem: The government has created barriers to entry into the Federal market and thus is not getting all the companies participating that it would like to have. Many entrepreneurial Small Business owners do not want to deal with the compliance, headache and *risk* of engaging with the Federal government. To be clear, Beacon became a Federal government contractor when, after ten years of running a

successful private sector software company, and in the wake of the tech bubble burst, our market dried up. We engaged with the Navy SBIR's Program to accomplish this pivot into the Federal market. Once we got through the initial burden of understanding some of the Federal contracting compliance issues it has wound up being a net positive experience for both our company and our Federal customers. But overcoming the barriers was really hard at first. Honestly, it still is at times now.

Suggestion: Develop paths and provide resources for non-traditional, entrepreneurial Small Businesses to drive the innovation, cost-effectiveness, and improved competition so desperately needed in Federal procurement.

Impact: Increased Small Business participation and improved quality across the board; not just in the high quality of what these entrepreneurial Small Businesses will directly provide but also by the competition they will incite across the government supplier base.

### ***Job Descriptions***

Problem: Small Business advocates in government may not always understand the specific challenges that Small Business contractors are facing at any given time, and how to effectively advocate in the Agencies to overcome those challenges.

Suggestion: I would encourage the SBA and Small Business liaisons in the Agencies to continue to meet with Industry Associations like NDIA to get real world feedback about the current challenges and issues surrounding Small Business Federal Contracting. Solicit input from those of us in the trenches about how to best address these challenges. One of the things I find fascinating about my conversations at the NDIA Small Business Division meetings is the breadth of experience across our Small Business, Large Business and Government members. I find the outcome of these discussions usually quite practical as they are informed with more than one stakeholder perspective. But I would also offer this word of caution from my experience of managing employees: please legislate rather than regulate the content of the job descriptions – give SBA the parameters but let them fill in the details. While we should encourage a common understanding of the role and responsibilities of these Small Business Advocates in government, each advocate will do best when he or she is allowed to determine how best to specifically achieve a commonly understood set of objectives and goals. We need to create and protect a nimble and responsive SBA workforce.

Impact: Stakeholders in Federal Acquisition processes will more effectively cross-communicate to resolve challenges. This will increase both Small Business participation and the efficiency of Small Business contracting; something that can be a painful, long and drawn out process.

### ***SBIR Transitions***

Problem: Lack of understanding and low willingness to fully utilize SBIR authorities for Small Businesses during the acquisition process, especially due to concerns around legislated preference and sole source contract awards.

**Suggestion:** Train Procurement Center Representatives, PCRs, on the SBIR contracting provisions as well as Congressional intent of the SBIR Program, and create a system to refresh their knowledge and remain current on any changes in legislation and regulation. Ensure that PCRs understand the capability and importance for using sole source contracts for follow-on work begun with SBIR investments. As Small Businesses that have won SBIR awards have already met a highly competitive threshold in the initial phases of the SBIR Program, PCRs should strongly encourage follow-on work, or closely related work, for the same Small Business that initiated the work. Train the PCRs to explain the relevant provisions of the FAR to Program Managers and Contracting Officers to reduce their fears and concerns over using the authority, which might seem risky but is really an innovative acquisition approach. Address the fact that follow-on work to the SBIR companies is not risky and actually meets congressional intent.

**Impact:** Increased Small Business participation and insertion of cost-effective, competitively successful, innovative capabilities for our warfighters as well as increased ROI of Federal SBIR investments.

### ***Lack of Regulatory Action***

**Problem:** Some regulation has been slow in coming to implement new laws authored by this Committee. The uncertainty of what the rules actually guide the market to do can cause businesses to stagnate, hire and fire personnel in a haphazard fashion in anticipation of or reaction to unpredictable rule-makings, and can limit which companies will participate. While no business likes uncertainty, it is especially onerous for Small Businesses that typically do not have the deep pockets to hold up through uncertain market fluctuations.

**Suggestion:** Provide a level of resources to Agencies that can accommodate the writing of regulation at the same rate as new legislative changes are made. Congress must match the resources it provides to Agencies to the requirements it places on those Agencies.

**Impact:** A more stable, predictable business environment enables better planning and a more efficient, cost-effective federal acquisition ecosystem.

Mr. Chairman, on behalf of both the National Defense Industrial Association and myself, I hope that these suggestions will be useful in your ongoing work. I would like to thank you and the Committee for your leadership. We appreciate your efforts to increase the utilization of Small Business to drive innovation, cost savings and increased competition within Federal Procurement.

Thank you for your time and attention to these matters. And I would be pleased to respond to any of your questions.