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**NATIONAL WOMEN'S
BUSINESS COUNCIL**



ADVISORS TO THE PRESIDENT,
CONGRESS AND THE SBA



Evaluating Federal Mentor-Protégé Programs: Assessment, Case Studies and Recommendations



**A Report from the
National Women's Business Council
April 2011**

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Executive Summary

Mentor-Protégé Programs exist in many federal agencies to help small businesses gain technical and business skills from large prime contractors, and to build networks and experience that will help them compete and succeed in the federal contracting landscape. Started by the Department of Defense in 1991, there are now many versions of Mentor-Protégé Programs that share similar objectives but have different programmatic and incentive structures. The National Women's Business Council conducted a research initiative to learn how well Mentor-Protégé Programs are serving women-owned businesses and how they might be strengthened to help women-owned businesses become an even greater engine driving economic recovery.

NWBC's study focused on Mentor-Protégé Programs in six agencies: the Department of Defense, Department of Energy, Department of Homeland Security, Health and Human Services, National Aeronautics and Space Agency, and the Small Business Administration. The project involved extensive literature research, a questionnaire sent to 130 women-owned business protégés, and follow-up interviews with protégé CEOs and Agency program staff.

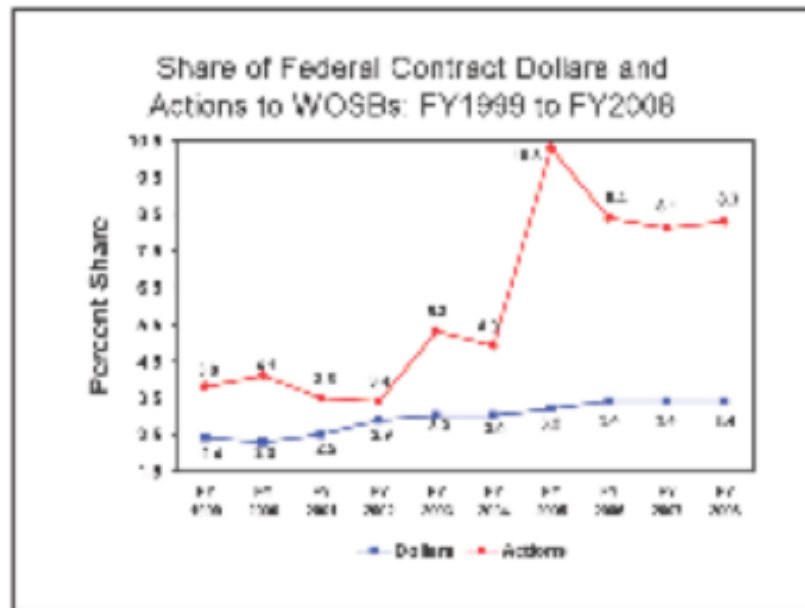
Data indicate that women-owned businesses represent 30% of all protégé companies participating in Mentor-Protégé Programs in the six agencies examined for this study. Most protégé companies are finding the programs beneficial but there is considerable room for improvement. Programs would be enhanced by creating more consistency in the incentive structure of Mentor-Protégé Programs across the federal landscape, providing increased training and accountability for mentors, helping protégé firms to negotiate stronger agreements, improving data collection, and increasing outreach to women-owned businesses. Efforts to make Mentor-Protégé Programs more effective and consistent will help to strengthen the women-owned business sector, create greater equity in the distribution of federal contracting dollars, and improve performance of women-owned businesses in government contracting.

Introduction

The National Women's Business Council (NWBC) is a nonpartisan government organization focused on advancing programs and policies that help women-owned businesses achieve high levels of growth. Founded in 1988, NWBC is an advisory group to the President, Congress and the U.S. Small Business Administration, and advocates for the more than 7.8 million majority women-owned businesses in the United States.

There has been phenomenal growth in women-owned businesses over the past 25 years. By 2007, there were 7.8 million women-owned businesses in the United States, generating \$1 trillion in total receipts.¹ The number of women-owned businesses grew by 20.1% from 2002 to 2007² and the Guardian Small Business Research Institute projects that women-owned businesses will account for more than half of all new small business job growth by 2018.³

Despite these recent successes, women-owned businesses are still under-represented in many areas. In the world of federal contracting, women-owned businesses received only 3.68% of contract dollars in 2009⁴, well below the statutory goal of 5% set in 2000.



Several barriers that hinder the growth of women-owned businesses have been identified in past studies by the National Women's Business Council and others. They include more limited access to capital than men-owned businesses, different growth and management strategies, different attitudes and metrics of success, and shallower networks within business and industry associations.⁵

Congress and federal agencies have responded to this disparity with programs and contract set-asides that "level the playing field" to give disadvantaged small businesses, which include women-owned businesses, a foot up in competing for federal dollars. In 2010, Congress authorized the Women's Procurement Program, which made 83 new industry categories eligible for set-asides for women-owned businesses. This new rule is likely to significantly increase the percent of federal contracts awarded to women-owned businesses that have the skills, capacity and network to compete for them.

The Women's Procurement Rule of 2010 is a major step forward in increasing access of women-owned businesses to federal contracts, but is by no means the first. In 1989 Congress authorized the 8(a) program to help socially and economically disadvantaged entrepreneurs, many of them women, compete for federal contracts through non-competitive and sole source contracts.⁶ In 1990, Senator Sam Nunn sponsored legislation to create a Mentor-Protégé Program at the Department of Defense, which established incentives for prime contractors to help small disadvantaged businesses, including women-owned businesses, build their capacity to become more competitive in the federal marketplace.

Mentor-Protégé Programs, now administered in many federal agencies, are voluntary agreements between large prime contracting firms and smaller businesses that provide a variety of mutual benefits. Mentor-Protégé agreements can help women-owned firms gain technical and management skills, improve business infrastructure, and establish stronger professional networks. These outcomes can make them better able to compete for federal contracts and perform more successfully if contracts are awarded.

Goals of the Mentor-Protégé Assessment Study

There have been several assessments of the Mentor-Protégé Program at the Department of Defense (DoD) by the Government Accounting Office (GAO) and others⁷, yet there has been limited effort to understand how well Mentor-Protégé Programs at DoD and other agencies are serving women-owned businesses in particular.

This report seeks to better understand Mentor-Protégé Programs within the federal contracting space and assess how well they serve women-owned businesses. Specifically, the National Women's Business Council seeks quantitative information including:

- the total number of women-owned businesses involved in Mentor-Protégé agreements;
- the extent to which Mentor-Protégé Programs are increasing access of women-owned businesses to federal contracts;
- the growth of women-owned businesses enabled by Mentor-Protégé agreements in terms of increased revenues and new employees;
- information about the growth and performance of women-owned businesses after the completion of their mentor-protégé agreements.

Furthermore, this study seeks to answer the following qualitative questions:

- What are the differences between Mentor-Protégé Programs in different government agencies?
- What conditions make Mentor-Protégé agreements successful or not for both the mentor and protégé?
- How can Mentor-Protégé Programs serve what is anticipated to be an influx of women-owned businesses competing for federal contracts under the new Women's Procurement Rule?

Ultimately, the study presents recommendations for changes that might make Mentor-Protégé Programs more effective at building the capacity of women-owned businesses, and helping them to become an even greater part of the economic recovery than they are to date. This report will be used to make policy

recommendations to the President, Congress and the U.S. Small Business Administration.

Research Methods

The project began with a literature search for information about federal Mentor-Protégé Programs, followed by phone interviews with several Mentor-Protégé Program directors. With most federal agencies employing some version of such a program, NWBC narrowed the focus of this analysis to six agencies including:

- Department of Defense (DoD)
- Department of Energy (DOE)
- Department of Homeland Security (DHS)
- Health and Human Services (HHS)
- National Aeronautics and Space Administration (NASA)
- Small Business Administration (SBA)

A list of all Mentor-Protégé agreements within each of these agencies was obtained, and all participating women-owned businesses were identified.⁸ A questionnaire was developed and sent to every protégé participating in a Mentor-Protégé agreement through one of the six targeted agencies. Several attempts were made by phone and email to encourage a response by each protégé company. Results were compiled and candidates for case study interviews were identified. The executives at six companies were interviewed to further understand the mechanics and impacts of the Mentor-Protégé Program on women-owned businesses.

Background of Federal Mentor-Protégé Programs

Mentor-Protégé Programs within federal agencies are an outgrowth of Congressional concern about the low level of participation in government contracting by small disadvantaged businesses. To address this problem, Congress wrote Section 1207 of the National Defense Authorization Act of 1986 that set a goal that 5% of total dollars subcontracted by Department of Defense prime contractors be awarded to Small Disadvantaged Businesses.⁹

To provide incentives for prime contractors to increase participation of small disadvantaged businesses in DoD subcontracts, Congress approved the Mentor-Protégé Pilot Program in 1990. Under this program, prime contractors (mentors) would develop formal agreements with Small Disadvantaged Businesses (protégés) to enhance their capabilities as subcontractors and suppliers for the DoD and other federal agencies. The program provided incentives for prime contractors in the form of cash reimbursement, credit toward meeting Small Disadvantaged Business subcontracting goals, or both.¹⁰ The program also authorized mentors to award noncompetitive contracts to protégés and to provide loans or make other investments in the protégé firm.¹¹

DoD's Mentor-Protégé Pilot Program was not fully implemented until 1992, when Congress began to appropriate funds to support the reimbursement of services provided to proteges by mentor firms. Under the Department of Defense's reimbursement-based program, mentor firms can claim reimbursement for the development assistance they provide their protégé, including billing for the hours they spend meeting with their protégé. By 1993, mentors' costs, on average, exceeded \$1 million over a three-year period in support of each protégé.¹² From the program's inception through fiscal year 2006, Congress had appropriated \$437.7 million to the program and had approved 910 mentor-protégé agreements.¹³

The General Accounting Office has conducted periodic evaluations of the DoD's Mentor-Protégé Program. The reports in 1992, 1994, 1998 and 2001 highlighted deficiencies in the DoD's oversight and management of the program, and recommended improved information-gathering and more complete analysis of whether the program was resulting in additional contracting and sub-contracting by small, disadvantaged protégé firms. For its 2007 report, the GAO conducted its own survey of then-current protégé firms and found that 93% of the respondents felt the Mentor-Protégé Program enhanced, to some degree, their firms' overall capabilities.¹⁴

In the two decades since the authorization of the Mentor-Protégé Program at the Department of Defense, many federal agencies

have adopted their own version of such programs. While most programs share similar objectives and requirements, no other agency has been authorized by Congress to implement a reimbursement-based program.

Overview of Current Federal Mentor-Protégé Programs

Mentor-Protégé Programs are generally administered through each Agency's Office of Small Disadvantaged Business Utilization (OSDBU) or similarly-named division. Program details and application criteria are available on each Agency's website. While most programs share similar objectives, criteria for eligibility and evaluations, the programs are neither coordinated nor consistent. Even within the Department of Defense, each agency has its own policies, guidelines for participation, administration and oversight.

Benefits

All Mentor-Protégé Programs are intended to provide mutual benefits to large prime contractors, small businesses and the federal government.

To the Protégé

Protégé firms benefit by gaining technical, managerial, financial, or any other mutually-agreed upon assistance¹⁵. There may be direct financial benefit by subcontracting or teaming arrangements with the mentor, and these companies are eligible to receive loans or equity investment from the mentor. Protégé firms also benefit by developing stronger working relationships with prime contractors, positioning them to better compete for federal contacts.

To the Mentor

Mentor-Protégé Programs can benefit large prime contractors by creating a formal structure to develop partnerships with specialized companies that provide critical skills, materials or services. These partnerships serve to diversify supply chains and infuse innovation that can increase the firm's competitiveness. In most federal programs, mentor firms can use their Mentor-Protégé

agreement to receive additional evaluation points toward the award of contracts during competitive bid offers. Once prime contracts are awarded, mentors may receive credit toward attaining small business subcontracting goals.

To the Federal Government

Ideally, the federal government also benefits through successful Mentor-Protégé agreements. A capable protégé firm may be able to provide goods and services more efficiently and less expensively than large prime contractors with higher overhead costs. Additionally, protégé firms that have had guidance and training by large businesses may be more likely to perform successfully on government contracts they do win. Theoretically, Mentor-Protégé Programs provide long-term benefits by increasing the capacity of small businesses to grow, creating new jobs, and establishing more equity in the distribution of federal contracting dollars.

There has not been a definitive study that demonstrates the long-term benefits of Mentor-Protégé Programs. The DoD's reports to Congress indicate that the program does increase business opportunities, but the accuracy of these reports has been questioned by the GAO because the data are not validated before the reports are submitted. To independently test the DoD's assertions, the GAO conducted its own survey of 48 former protégés in 2006; 93% reported that the Mentor-Protégé Program enhanced, to some degree, their capabilities.¹⁶

Even with all these benefits to small firms, large businesses and the public interest, federal Mentor-Protégé Programs have been structured to provide additional incentives to encourage prime contractors to become mentors.

Additional Incentives for Mentors

- Under the Department of Defense's reimbursement-based program, mentor firms can claim reimbursement for the development assistance they provide their protégé. Mentors are paid for the time and services they allocate for training their protégé, per the terms of their Mentor-Protégé Agreement. Reimbursements through the Department of Defense can generate

as much as \$1 million over the three-year term of a Mentor-Protégé Agreement.

- Most other federal agencies have credit-based Mentor-Protégé Programs, where mentor firms can apply the value of services provided to their protégé against their small business subcontracting goals. Federal agencies set subcontracting goals for any prime contractors with contracts over \$550,000 (or \$1 million for construction)¹⁷. Although prime contractors with Mentor-Protégé agreements are not directly reimbursed, their costs of training and assistance are counted as if they were incurred in a subcontract awarded to their protégé.¹⁸ This incentive can be very helpful to large contractors that are challenged to meet their small business goals.
- Most federal agencies grant additional points in proposal evaluation to prime contractors with Mentor-Protégé Agreements.
- Under the Small Business Administration's Mentor-Protégé Program, prime contractors can establish joint ventures with 8(a) firms, through which they become eligible to compete for small business set-asides and sole source contracts as long as at least 51% of the value of the contract is directed toward the protégé¹⁹.
- The Department of Defense bestows annual Nunn-Perry Awards to outstanding Mentor-Protégé teams that achieve notable increases in job growth, federal contract dollar awards, or other measures of success.²⁰
- NASA's Mentor-Protégé Program, which was revamped in 2009, includes an Award Fee Pilot Program as a way of incentivizing mentors to fulfill the terms of their agreements. Mentors who help their protégés raise their Technology Readiness Level²¹ three levels or more are eligible to receive a maximum award of \$100,000.

In the twenty years since the Mentor-Protégé Program was initiated at the Department of Defense, iterations have proliferated throughout the federal landscape. They have provided strategic and sometimes lucrative opportunities for prime contractors to team with smaller businesses, and in return, have provided many small firms with increased access to critical business networks,

training and capacity building, and intelligence into the federal contracting sphere.

Eligibility

Protégé companies in federal Mentor-Protégé Programs must have one of the following business classifications:

- 8(a) or Small Disadvantaged Business (SDB)
- Woman-Owned Small Business (WOSB)
- Historically Black College or University (HBCU)
- Minority Institution (MI)
- Veteran-Owned Small Business (VOSB)
- Service-Disabled Veteran-Owned Small Business (SDVOSB)
- Historically Underutilized Business Zone (HUBZone)

Up until now, the SBA's Mentor-Protégé Program has been available only to companies with 8(a) status. 8(a) certification is a business development and preferential contracting program available to companies that can demonstrate they have suffered discriminatory business practices. However, the Small Business Jobs Act of 2010, signed into law by President Obama in September 2010, mandates that the Agency expand eligibility to include women-owned, HUBZone, and service-disabled veteran-owned small businesses.²² The SBA is working on this implementation and hopes to have the new programs in place by early 2012.

Most agencies have lists of companies on their websites that have applied and been accepted to serve as mentors. In most programs, mentors may have more than one protégé at a time, but not visa versa.²³

Mentor-Protégé Programs in all federal agencies operate agreements with a three-year duration, and require periodic evaluation and review. Several agencies track protégé firms after the termination of their mentor-protégé agreement to assess the long-term impact of the agreement. For example, protégés in NASA's Mentor-Protégé Program are required to submit employment and revenue data for each of the two years after the conclusion of an agreement.²⁴

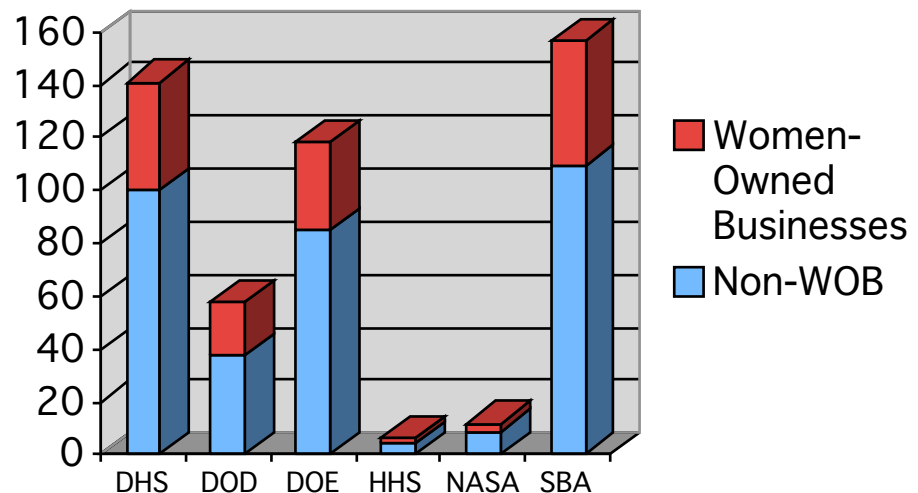
Women-Owned Businesses in Mentor Protégé Agreements

Research gathered for this assessment indicates that women-owned businesses are actively utilizing Mentor-Protégé Programs. Within the six agencies studied, women-owned businesses represent approximately 30% of all protégés involved in Mentor-Protégé agreements.

Women-Owned Businesses as a percent of total protégés in Mentor-Protégé Agreements

Agency	Total M-P agreements	WOBs	% WOBs
DoD	58	19	33
DOE	118	34	29
DHS	141	41	29
HHS	6	2	33
NASA	12	3	25
SBA	157	48	31
Average			30

Women-Owned Businesses participating in Mentor-Protégé Agreements²⁵



It is interesting to note that even though the SBA's Mentor-Protégé Program does not include women-owned business status as criteria for application, data indicate that the same percentage of women-owned businesses are participating through their 8(a) certification as in other Agency programs.

Summary of Questionnaire Results

A 20-question questionnaire was sent by email to 130 protégé companies, each a women-owned business involved in a Mentor-Protégé agreement at one of the six agencies studied for this assessment. The questionnaire asked for qualitative and quantitative information about the objectives, dollar value, level of effort, and short and long-term benefits of the agreement, as well as advice the business owner had for others interested in pursuing mentor-protégé relationships. The questionnaire also asked for demographic and contact information, and offered anonymity. (Full results of the questionnaire are available in Appendix A.)

The response rate to the questionnaire was lower than hoped despite repeated efforts by email and phone to elicit response.²⁶ Fourteen companies, or 10.8% of those solicited, returned questionnaires. These companies represent several industry categories including management consulting, research and development, environmental engineering and compliance, engineering services, electrical component manufacturing, building construction, plumbing and heating, and office administration.

The respondents represent a range of criteria within Mentor-Protégé Programs, from those who have had agreements for less than one year to seasoned firms that have had multiple Mentor-Protégé agreements in several agencies. The businesses also represent a diverse size profile from those with annual revenues of \$250,000 to larger firms earning \$20 million annually.

The information from the fourteen firms that responded to the questionnaire provides an interesting and informative snapshot of Mentor-Protégé Programs.

- 13 of the 14 protégé companies had previous experience as contractors or subcontractors on federal projects prior to initiating a Mentor-Protégé agreement.

- The principle objectives of women-owned businesses engaged in Mentor-Protégé agreements were to gain
 - long-term relationship with the mentor;
 - subcontracts with the mentor;
 - training on policies, procedures, financial management, bidding and project management;
 - technical assistance in use of software or specialized equipment; and
 - greater exposure to federal contracting.

Fewer firms were seeking direct investment or joint ventures with the mentor.

- Mentor-Protégé Agreements are providing benefits for prime contractors. While the dollar value to most mentors was small, two of the agreements through the Department of Defense are worth \$500,000- \$1 million. Other mentors are using the agreements to access small business set-aside contracts.

- Protégés are nearly evenly split between those who are on track to meet all their objectives, those who are falling short, and those who are finding the Agreement to be unproductive. Most of those who are not satisfied with their Mentor-Protégé agreement had expected the program to produce subcontracts with their mentors that have not been forthcoming.

- More than half of the respondents have succeeded in obtaining new federal contracts or subcontracts since the start of their Mentor-Protégé agreements, but only one-third of respondents have subcontracts with their mentor.

- It took most respondents less than six months to develop their Mentor-Protégé agreements. Half find the reporting requirements worth the effort while half find them to be a significant burden or excessive.

- Eight of the fourteen of respondents have found the agency overseeing their Mentor-Protégé agreement somewhat or very helpful, while six report their agency has not been particularly helpful or has created obstacles.

- Most respondents anticipate long-term benefits from their Mentor-Protégé Agreement, and half will either pursue an extension with their current mentor or seek an agreement with a different firm.
- Most respondents had advice for ways to strengthen Mentor-Protégé Programs. Several suggested more training for mentor firms so they are better prepared to meet the terms of the agreement and more accountability for mentors that do not.
- Each respondent had advice for women-owned businesses considering a Mentor-Protégé agreement. The most often-offered suggestions are:
 - Be sure the protégé identifies an executive-level sponsor within the mentor firm and has high-level support for the terms of the Agreement.
 - Set very clear goals.
 - Be a tough negotiator.
 - Do not assume the mentor is operating with altruistic motives; this is a business deal.
 - It takes work - the more you put into it the more you will get out of it.

Case Studies

Of the fourteen CEOs who returned questionnaires, seven were interviewed for this assessment. Each had extremely interesting and valuable experience to share. The four case studies profiled below raise experiences, themes and concerns shared by the other respondents. Names of mentor and protégé firms have been changed to maintain anonymity.

123 Company

123 Company is a small information technology business in the mid-Atlantic region that has a Mentor-Protégé agreement underway through the Department of Homeland Security. The mentor, 10-9-8 Corporation, sought a Mentor-Protégé agreement when developing a bid on a major federal contract specifically to gain small business credits that such an agreement would provide.

123 Company had to compete with other small businesses to be selected as the protégé.

123 Company had some experience with government contracting but wanted more advanced support in several administrative and programmatic areas. The company's objectives for a Mentor-Protégé agreement were to receive training and support in marketing, compliance, security, finance, contract management and business development. Like most protégés, the company also hoped the Agreement would lead to strengthened relationships with senior staff at 10-9-8 Corporation, new sub-contracts, and greater understanding of contracting at DHS.

After only one year, 123 Company's CEO feels they are achieving all the objectives they had hoped for through their Mentor-Protégé agreement. Not only have they advanced substantially on the administrative and programmatic fronts, but they have built solid relationships with the executive staff at 10-9-8 Corporation. While they did not win the contract that instigated the Mentor-Protégé agreement, 123 Company is now subcontracting with 10-9-8 on another major federal contract, and they are exploring teaming arrangements on several other fronts. 123's CEO is certain she would not have landed this new subcontract without the relationship-building process provided by the Mentor-Protégé Program.

123 Company's CEO has several reflections on her experience in a Mentor-Protégé agreement at DHS:

- While the training and programmatic support one gets from a mentor is helpful, the real value of the agreement is in the relationship built with the mentor.
- Focus on establishing a primary point of contact with the most senior staff in the business development division of the mentoring firm. They need to understand the value your company will bring to theirs.
- Although DHS's Mentor-Protégé Program is a credit-based program (like all agencies except DoD's), this may be better for the protégé in the long run. The mentor is not just using the program for short-term reimbursement, and may be more motivated to build a lasting relationship with the protégé firm as a vehicle for accessing small disadvantaged business credits.

In summary, 123 Company's CEO feels the Mentor-Protégé Program is "absolutely worthwhile and well-worth the effort".

ABC Group

ABC Group is an environmental services company in the western US that has been involved in a Department of Defense Mentor-Protégé agreement with a large prime contractor for 1-2 years. She was not new to the world of federal contracting, but pursued a Mentor-Protégé agreement for help in several technical and administrative areas. The Mentor-Protégé agreement outlined five specific needs including review of Human Resources protocol and manuals, and training in marketing, contract management, specialized computer software and bidding. With better internal systems and greater expertise in these five areas, ABC's CEO hoped her firm would be better positioned to win and perform well on new federal contracts, and enter into subcontracts with the mentor.

The mentor, XYZ Corporation, pursued the agreement with the ABC Group to create subcontracting opportunities and to position itself for Small Business Set Aside contracts. The firm has several simultaneous Mentor-Protégé agreements underway. As a mentor firm in the DoD program, XYZ Corporation is being reimbursed for services they provide to ABC Group at a value of \$500,000-\$1 million.²⁷ The mentor has not provided any cash support or investment in the protégé company, but has covered costs of several marketing trips.

ABC Group CEO reports that her objectives with the Mentor-Protégé agreement are being met on the training front. She has had numerous visits from appropriate personnel from XYZ Corporation to advance her company's capabilities in the four training areas. She has been less successful getting effective training on Human Resource programs and policies. While she reported this to her mentor liaison, the company has not assigned someone more senior or knowledgeable to provide more productive training.

ABC Group is frustrated that the agreement has not yet resulted in any subcontracting opportunities with the mentor, though she is

hopeful that eventually it will. The company CEO is concerned that XYZ Corporation, while helpful in some respects, has not provided services commensurate with the scale of the reimbursements they are receiving. She feels the company is assigning mid-level employees to work with her business and claiming they have met the terms of the agreement, even though her objectives are not being fully met. She knows the mentor is experienced with the Mentor-Protégé Program and understands how to meet the minimum level of effort needed to justify reimbursement, but is not really interested in the long-term benefits to her business. Says ABC's CEO, "they know how to play the game, take their licks, but still get paid".

The two companies have bi-annual reviews with the DoD contract officer, yet because they meet together, ABC Group is reluctant to be too critical of her mentor. She wants to maintain good standing with the Corporation and the staff she has built relationships with in the hope of future subcontracting opportunities. As a result, the positive impacts of XYZ Corporation's mentoring activities are highlighted at the periodic reviews, and their underperformance is not fully addressed.

ABC Group CEO's advice to women contemplating a Mentor-Protégé agreement is:

- Be sure the agreement provides subcontracting opportunities right from the start.
- Do not assume the mentor will look out for your best interest; they may see you only as a source of income and credit.
- Do not be intimidated. Be aggressive in demanding that the mentor fulfills the terms of the agreement. If you are not getting what you need, say so.
- Start your negotiation for a Mentor-Protégé agreement with upper level management. Make sure they are committed and will address concerns at a senior level within the company.

LMN Partners

LMN Partners is a geotechnical firm in the northeast that has been involved in three Mentor-Protégé agreements, two through the Department of Defense and one with the Small Business Administration. LMN had several small federal contracts but the

CEO realized that without more strategic teaming arrangements with larger firms she would be unable to break through to larger roles as either a prime or subcontractor. She felt the Mentor-Protégé Program would be a vehicle for establishing such relationships.

LMN Partners recognized that one of her company's greatest hurdles in winning new contracts was in demonstrating past performance on government contracts. "It is the Catch-22 of doing government work", says LMN CEO, "that you can't win new federal business unless you have already won federal business." She felt that the best vehicle for demonstrating past performance was to enter into a joint venture with a prime contractor. Under the terms of SBA's Mentor-Protégé Program, in a joint venture mentors can use their protégé's 8(a) status and be considered a small business, while protégés can use their mentor's past performance to compete for federal contracts.

In pursuit of a joint venture, LMN Partners entered a Mentor-Protégé agreement with OPQ Corporation, and structured a teaming agreement according to SBA requirements. LMN Partners was established as project manager and would receive 51% of the net profits.

The two firms bid on, and won, a large federal contract with a small business set-aside. While the two companies performed well on the contract, disputes arose about interpretations of the 51% allocation rule to the small business. LMN Partners CEO has learned the hard way that joint ventures within SBA Mentor-Protégé agreements are teaming arrangements fraught with potential problems.

Despite the challenging experience LMN Partners had with the joint venture, the firm's CEO feels that its Mentor-Protégé agreements have helped open doors and grow the company's capacity in the federal contracting marketplace. Her advice to other women-owned businesses contemplating a Mentor-Protégé agreement is to "be a tough negotiator, and don't presume good faith or fair play."

UVX Ventures

UVX Ventures is a small electrical components assembly company that is involved in a Mentor-Protégé agreement through NASA. The company's CEO felt that by teaming with a prime contractor, LLL Corporation, her business would gain technical capabilities and certifications that would bring new business from both the mentor, NASA and other federal contractors.

UVX Ventures negotiated several objectives with LLL Corporation in its Mentor-Protégé agreement, but two were of the highest priority. First, LLL Corporation provided training and review of assembly and plant procedures to bring UVX Ventures into compliance with NASA specifications. Second, the mentor paid for one of UVX's employees to attend an intensive training program about quality assurance that, once complete, will allow UVX to become NASA-certified in this speciality.

UVX Ventures is now two years into its three-year Mentor-Protégé agreement, but still has additional training and investments needed to achieve certification. However, UVX's CEO is confident that the training and compliance that LLL Corp. has facilitated will position the firm to increase federal and commercial contracting activity within the next year. She reports that "every business needs to find its niche to survive, and hopefully the training we are receiving from our mentor is helping us to further establish ours." When new contracts do materialize, it will be a win for UVX as well as for the mentor. The CEO explains that "UVX will continue to seek specialized services from our mentor for analysis and inspection with equipment we do not have, so their investment in us will be mutually beneficial."

Her advice to prospective protégé companies is "Don't be in a rush, this is a learning process. We have goals that we must achieve, a calendar to keep us on task, and I expect the rewards will be great." She appreciates the Mentor-Protégé Program at NASA for giving her company a chance to enhance its competitiveness in the federal marketplace.

Recommendations

For Federal Agencies

1. The Small Business Administration, which currently offers Mentor-Protégé programs only to participants in the 8(a) program, will expand eligibility to women-owned businesses in 2012. NWBC supports the new eligibility criteria that will greatly increase women-business owners' access to the SBA's Mentor-Protégé Program, and hopes the SBA will use this report to help guide the new program.
2. While the Department of Defense's reimbursement-based Mentor-Protégé Program offers greater incentives to prime contractors than credit-based programs, it creates inconsistency across the federal landscape, invites challenges to accountability, and emphasizes short term financial gain to the mentor rather than longer term relational benefits to both parties. With the many other incentives underpinning Mentor-Protégé Programs including evaluation bonuses, subcontracting credit, access to small business set-asides, joint ventures and awards, it may be time to eliminate such large programmatic variables and move toward credit-based programs only in all federal agencies.
3. Federal agencies that do not currently do so should expand commitments and metrics within Mentor-Protégé agreements to include measures of success beyond the dollar value of subcontracts and number of jobs created. While achieving these metrics is the ultimate intent of Mentor-Protégé Programs, there are important qualitative steps along the way for increasing businesses' capacity including internal administration, financial and programmatic functions, training, certification, and building business networks. These are all benefits that protégé participants ranked as the most important outcomes of their Mentor-Protégé agreements.
4. Federal agencies should develop shared record-keeping methods. Currently, each agency lists and tracks Mentor-Protégé participants differently. These varied recordkeeping systems make it cumbersome to evaluate programs across agencies and unnecessarily complicated for firms to administer agreements in multiple agencies.

For example, all Mentor-Protégé Programs should include protégés' business designation (i.e. women-owned small business, service disabled veteran-owned small business, hub-zone, etc.) in their recordkeeping. Of the six agencies studied in this assessment, DOE, DHS and NASA include business category while DoD, HHS and SBA do not.

With the exception of not providing business category information, the DoD's web-available list of Mentor-Protégé Program participants provides an excellent template for other agencies.²⁸

5. The Department of Energy could only provide a list of Mentor-Protégé agreements active as of December 2009. It would be advisable for the DOE to maintain more up-to-date records of program participants. Additionally, 18% of the protégé companies on the DOE list (six out of 34) had either inaccurate contact information or no web presence whatsoever, making it impossible to send them questionnaires. The DOE should maintain more accurate information about its program participants.

6. SBA, like the DOE, had a substantial percentage of protégé companies with inaccurate or non-existent contact information (17 out of 147 companies, or 11.6%). Particularly as women-owned businesses position themselves to take advantage of the Women's Procurement Rule and expanded Mentor-Protégé eligibility, the SBA should improve external information flow and communications.

7. Many respondents to the survey suggested that agencies should provide more training to mentoring firms so that they fully understand the expectations and keys to making the Mentor-Protégé agreement successful. Most agencies have criteria for inclusion on the Mentor list that include a history of prime contracting and financial stability, but not necessarily the qualitative characteristics or executive-level commitment that would promote effective mentoring.

8. During periodic evaluations, agencies that do not currently do so should offer both parties an opportunity to discuss their Mentor-Protégé agreement without the other party present. Protégés may feel inhibited to discuss problems they are having

with their mentor, fearing that criticism could hinder the relationship-building process that is so central to successful Mentor-Protégé agreements.

9. NASA has a very comprehensive Mentor-Protégé Program Guidebook that could serve as an effective template for other agencies with similar programs. This guidebook is an excellent resource with all eligibility criteria, program details and application templates included.

For the NWBC

1. The NWBC should send this report to all Mentor-Protégé Program directors, as well as mentor and protégé participants for feedback.

2. The NWBC should use the database established through this assessment as a starting point for ongoing research. A better methodology for eliciting quantitative and qualitative feedback should be considered. Perhaps an online survey, or one sent directly from the NWBC web domain, would produce a higher response rate.

3. The NWBC should use this report as the basis of an outreach initiative to women-owned small businesses about the potential benefits and pitfalls of Mentor-Protégé Programs. Components might include

- a “lessons-learned” document available via the website;
- expanded case studies with women business owners who have had both positive and negative experiences;
- a workshop component that could be included at conferences for women business owners.

Such outreach will be particularly important as the SBA’s expanded eligibility criteria make Mentor-Protégé Programs available to all women-owned small businesses.

Conclusion

Mentor-Protégé Programs have been operating within federal agencies for twenty years as a voluntary approach to strengthening the capacity of small businesses to compete and succeed in the federal contracting sphere. Many incentives are available to entice large prime contractors to partner with small businesses to offer administrative, programmatic and technical training, and to build long-term relationships. Mentor-Protégé Programs provide benefits for both parties, and when agreements are successful, they can enhance the growth of small businesses and contribute to a more robust national economy.

Women-owned businesses are taking advantage of Mentor-Protégé Programs. Qualitative and limited quantitative data indicate that Mentor-Protégé Programs do enhance business development. However, problems are prevalent in Mentor-Protégé Programs that prevent them from being as effective as they might be. Programs would be improved by creating more consistency in the incentive structure of Mentor-Protégé Programs across the federal landscape, providing increased training and accountability for mentors, helping protégé firms to negotiate strong agreements, improving data collection, and increasing outreach to women-owned businesses. Efforts to make Mentor-Protégé Programs more effective and consistent will help to strengthen the women-owned business sector, create greater equity in the distribution of federal contracting dollars, and improve performance of women-owned businesses in government contracting.

About the Author

Melissa Paly is Principal of Cross Current Communications, a communications consulting and media production firm based in Portsmouth, New Hampshire. The firm works strategically with government agencies, educational institutions, businesses and non-profits to promote broader understanding and meaningful response to a range of complex issues. Cross Current Communications has been producing award-winning education, training, outreach and marketing programs for more than twenty years with a particular expertise in science, natural resource and environmental content areas. Melissa Paly holds undergraduate and graduate degrees from Yale University in Geology and Forest Management, respectively.

For more information about Cross Current Communications, visit www.crosscurrentcommunications.com.

APPENDIX A

Mentor-Protégé Program Questionnaire Results

1. How long have you been involved in a Mentor-Protégé agreement?

- 5 (a) less than 1 year
- 3 (b) 1-2 years
- 4 (c) 3 years
- 2 (d) more than 3 years

2. Through which agency is your Mentor-Protégé agreement?

- 5 (a) Department of Defense
- 1 (b) Department of Energy
- 3 (c) Department of Homeland Security
- 0 (d) Health and Human Services
- 1 (e) NASA
- 4 (f) Small Business Administration

3. Did you have any federal contracting experience prior to becoming involved in a Mentor-Protégé agreement?

- 1 (a) no
- 13 (b) yes

4. What were your objectives in seeking a Mentor-Protégé agreement?

- 9 (a) technical assistance
- 9 (b) training
- 10 (c) sub-contracting with mentor
- 3 (d) investment from mentor
- 7 (e) learn the ropes for federal contracting
- 11 (f) build long-term relationship
- 1 (g) other

5. What services, assistance or training is the mentor providing your company?

Policies and procedures, board and proposal management, teaming, human resources training, technical certification, jobsite management, safety training, bonding, large project budgeting, contract management, accounting, bidding, joint ventures, market expansion, preparing for DCMA audit, software training.

6. What services or materials are you providing your mentor?

Teaming on small business contracts, access to subcontractor pool, onsite management, field support, improved supply chain, subcontracting, networking.

7. Has your mentor provided cash support of any sort?

- 1 (a) investment
- 0 (b) loans
- 1 (c) advance payments
- 2 (d) joint ventures
- 1 (e) other

8. What is the dollar value of your relationship with your mentor?

- 8 (a) There is no monetary value
- 4 (b) <\$50,000
- 0 (c) \$50-100,000
- 0 (d) \$100-500,000
- 1 (e) \$500,000-1 million
- 1 (f) +\$1 million

9. What non-monetary value has the agreement produced thus far? Please describe.

Business infrastructure training, marketing trip, certification training, improved relationship, access to projects, assistance with software, financial management, expanded subcontractor base, insight into large project management, subcontracts.

10. Is the Mentor-Protégé relationship helping your company achieve the objectives set forth in the agreement?

- 5 (a) Yes, my company is on track to meeting all its objectives
- 0 (b) My company will meet some of the objectives stated in the M-P agreement
- 4 (c) We are falling short of meeting most of our objectives
- 4 (d) The Mentor-Protégé agreement is not turning out to be productive.
- 1 (e) Too soon to tell.

11. Have you entered into any new government contracts since starting the mentor-protégé program?

- 6 (a) No, I have not had any federal contracts since the start of this M-P agreement.
- 4 (b) Yes, my business is contracting independently with a federal agency.
- 5 (c) Yes, my business is sub-contracting with the mentor firm in a government contract.

12. Have you formed any Joint Ventures (if allowed under your M-P Agreement) with your Mentor?

- 10 (a) No
- 4 (b) Yes

If yes, has the Joint Venture been successful?

3 of the 4 joint ventures have not been successful.

13. How long did it take your company to apply for and receive approval for your Mentor-Protégé agreement?

- 5 (a) < 3 months
- 5 (b) 3-6 months
- 1 (c) 6-9 months
- 1 (d) 9-12 months
- 2 (e) + 1 year

14. How onerous are the reporting requirements?

- 7 (a) Not a great burden and worth the effort.
- 4 (b) A significant level of effort is required.
- 1 (c) Reporting requirements are excessive.

15. Have you received adequate guidance and oversight by the federal agency?

- 5 (a) Yes, the Agency has been very helpful and provided assistance whenever needed.
- 3 (b) Agency has been somewhat helpful.
- 4 (c) Agency has not been particularly helpful.
- 2 (d) Agency has created obstacles and delays throughout the Mentor-Protégé process.

16. What long-term benefits do you anticipate from participation in a Mentor-Protégé agreement?

Networking, training, greater profitability, growth in federal sector, improved internal infrastructure, better procedures.

17. Will you pursue an extension of your current Mentor-Protégé agreement or seek a new one with a different mentor?

- 3 (a) No
- 4 (b) Yes, with different mentor
- 3 (c) Yes, with same mentor
- 4 (d) Undecided

18. What advice can you offer that would make the Mentor-Protégé program more effective?

More agency involvement, improved training for mentor, better guidance and templates, more negotiation training, increased accountability for mentors, require senior-level support for agreement, measures of success beyond number of jobs and dollar value of contracts, provide protégé more control.

19. What advice do you have for women-owned businesses contemplating pursuit of a mentor-protégé agreement?

Set clear goals at beginning of process, ensure executive-level support for agreement, be sure protégé is first choice for subcontracts, be a tough negotiator, the more you put in the more you will get out, set quantifiable goals and keep on task, learn the mentor culture before you enter into an agreement, rewards can be great but don't rush, it is a learning process, don't let mentor run the show, do your homework, stand your ground in a joint venture, don't presume good faith or fair play, it is a good program and very worthwhile.

20. Would you be willing to be profiled as a case study in this project's final report?

- 6 (a) Yes, please contact me at
- 4 (b) No thanks.
- 4 (c) Maybe

To help us gather more data about Protégé businesses, please provide the following demographic information about your company:

20. How long has the company been in business?

- 3 (a) less than five years
- 3 (b) 5-10 years
- 4 (c) 11-20 years
- 3 (d) more than 20 years

21. Where is the business based?

- 4 Virginia
- 2 Arizona
- 1 Alabama
- 1 California
- 1 Illinois
- 1 Massachusetts
- 1 New Hampshire
- 1 New Mexico
- 1 New York
- 1 South Carolina

22. How large is the company in terms of both employees and annual revenue?

- 3 (a) less than 10 employees
 - 5 (b) 11-20 employees
 - 2 (c) 21-50 employees
 - 3 (d) more than 50
-
- 2 (a) less than \$1 million annual revenue
 - 7 (b) \$1-\$5 million annual revenue
 - 3 (c) \$5-\$10 million annual revenue
 - 1 (d) \$10-\$20 million annual revenue

23. What SBA status does the company hold?

- 6 (a) 8(a)
- 14 (b) WOSB
- 2 (c) SDVOSB
- 1 (d) HUBZone
- 1 (e) Native American
- 2 (f) DBE/MBE

24. What is your primary industry (NAIC) code? If you don't know, please describe your business.

- 3 236220
- 1 334418
- 2 541330
- 4 541611
- 2 541620
- 1 541712
- 1 561110

ENDNOTES

¹ U.S. Census Bureau. *Survey of Business Owners – Women-Owned Firms: 2007*.

<http://www.census.gov/econ/sbo/get07sof.html?8>

² Ibid.

³ Guardian Life Small Business Research Institute. (December 2009) *Special Report: Women Small Business Owners Will Create 5+ Million New Jobs by 2018, Transforming the Workplace for Millions of Americans*.

⁴ U.S. Small Business Administration. *Small Business Procurement Scorecard Shows Progress toward Meeting 23 Percent Goal for Small Business Contracting*.

<http://www.sba.gov/content/small-business-procurement-scorecard-shows-progress-toward-meeting-23-percent-goal-small-business-contracting>

⁵ National Women's Business Council. (2009) *Launching Women-Owned Businesses on to a High Growth Trajectory*.

⁶ Adams, Mel and Spann, Mary. (1998). *Developing Small Disadvantaged Federal Contractors: The DOD Mentor Protégé Program*. University of Alabama, Huntsville.

⁷ The General Accounting Office has conducted periodic reviews of the Mentor-Protégé Program at Department of Defense with reports issued in 1992, 1994, 1998, 2001 and 2007. Researchers at the University of Alabama, Huntsville also reviewed the performance of the DoD Mentor-Protégé Program in 1998, cited above.

⁸ Because SBA has 432 Mentor-Protégé Agreements as of February 2011, for the purposes of this study the researcher randomly selected 147 companies, of which 48 were identified as women-owned businesses.

⁹ US General Accounting Office Report to the Chairmen, Senate and House Committees on Armed Services. (March 1992) *Interim Report on Mentor-Protégé Program for Small Disadvantaged Firms.*

¹⁰ Ibid.

¹¹ General Accounting Office. (March 1992). *Defense Contracting – Interim Report on Mentor-Protégé Program for Small Disadvantaged Firms.*

¹² General Accounting Office (February 1994). *Defense Contracting: Implementation of the Pilot Mentor-Protégé Program.* p.5

¹³ General Accounting Office. (January 2007). *Contract Management: Protégés Value DOD’s Mentor-Protégé Program, but Annual Reporting to Congress Needs Improvement.* p.5

¹⁴ Ibid. p.6

¹⁵ Department of Homeland Security Mentor-Protégé Program
http://www.dhs.gov/xopnbiz/smallbusiness/editorial_0716.shtm

¹⁶ Op Cit, General Accounting Office. (January 2007).

¹⁷ USDA Federal Small Business Programs
<http://www.dm.usda.gov/smallbus/subcontracting.htm>

¹⁸ Code of Federal Regulations. (May 29, 2009). *Title 48: Federal Acquisition Regulations System, Part 1819 – Small Business Programs. Subpart 1819.72 – NASA Mentor-Protégé Program*

¹⁹ Thurmond, Joyce. *Small Business Joint Ventures & Teaming Arrangements.* SBA Procurement Center, Atlanta Georgia.
<http://www.sad.usace.army.mil/conf2006/JointVenturesandSBTeaming.pdf>

²⁰ Department of Defense, Office of Small Business Programs.
Nunn-Perry Awards.
<http://www.acq.osd.mil/osbp/sb/programs/mpp/nunn-perry.shtml>

²¹ Technology Readiness Level (TRL) is a nine-point scale that describes the maturity of evolving technology from basic research to system launch and operation.

²² Small Business Jobs Act of 2010. Section 1345. *Study and Report on the Mentor-Protégé Program*.

²³ The exception is the Department of Homeland Security, where protégés may be involved with multiple mentors simultaneously.

²⁴ National Aeronautics and Space Administration (2009). *Mentor-Protégé Program Guidebook*. p.13

²⁵ In all agencies except SBA, data include women-owned businesses as a percentage of all protégé companies. For SBA, which has 488 active Mentor-Protégé agreements underway, the researcher randomly sampled 157 protégé companies and found that 48 are women-owned.

²⁶ Questionnaire response rates by Agency:

DHS- 3

DoD – 5

DOE – 1

HHS - 0

NASA – 1

SBA - 4

²⁷ The survey asked protégés to specify the monetary value of their Mentor-Protégé Agreement in five ranges, hence the \$500-1 million estimate of this agreement. The agreement itself has an exact rate of reimbursement.

²⁸ DoD's Mentor-Protégé Program website includes firms participating in the program that are sortable by mentor, protégé, active agreement, and by service within DoD.

http://www.acq.osd.mil/osbp/mentor_protege/