



**THE OHIO STATE UNIVERSITY**

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JOHN GLENN COLLEGE OF PUBLIC AFFAIRS

Examining Small Business Set Asides:  
Evidence and Implications for Small and  
Mid-sized Suppliers in Federal Procurement

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# Research Motivation

- Supply-side of federal acquisition
- Small business and *not* small business
- “Benefit cliff” for small businesses growing to the middle market



# Research Questions

- Is there a small business set aside “benefit cliff”?
- What explains firm behavior around the cliff?
- What factors contribute to successful transition to the “middle market”?
- What policy tools optimize the balance between securing value and equal opportunity?



# Conflicting Goals

- Provide competitive marketplace for small businesses
  - Created sheltered market
  - Established agency goals for set asides
- Foster economic growth



# Research Design

1. Track the performance of 977 suppliers over a 10-year period (FY2005-FY2014)
  - Random selection of firms with SB set aside contract action in 2005
  - Stratified 60% w/DOD
  - Mix of products and services
  
2. Interviews
  - Small businesses
  - Mid-sized suppliers
  - Federal acquisition officials

Data Sources: FPDS-NG and Dun & Bradstreet

- Aggregate FPDS-NG data
- D&B annually reported

Unit of analysis: Supplier/year

Descriptive method



# Contracting Patterns

<i>Description of supplier activity</i>	<i>Number of suppliers</i>
Contract activity for all years	303
One year with no contract activity	71
Two or more continuous years with no contract activity	312
Irregular contract activity	291
<b>Total</b>	<b>977</b>

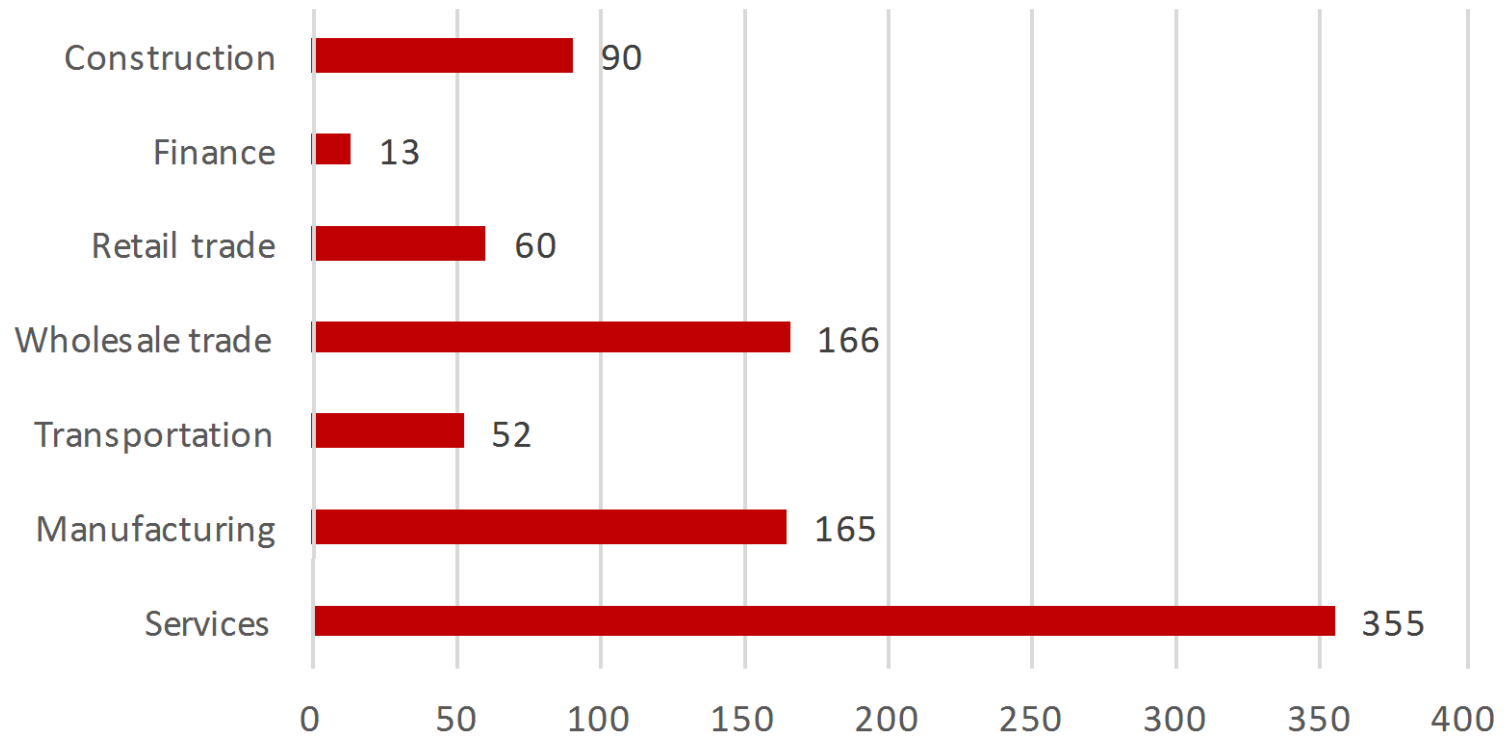


# From 2005 to 2014

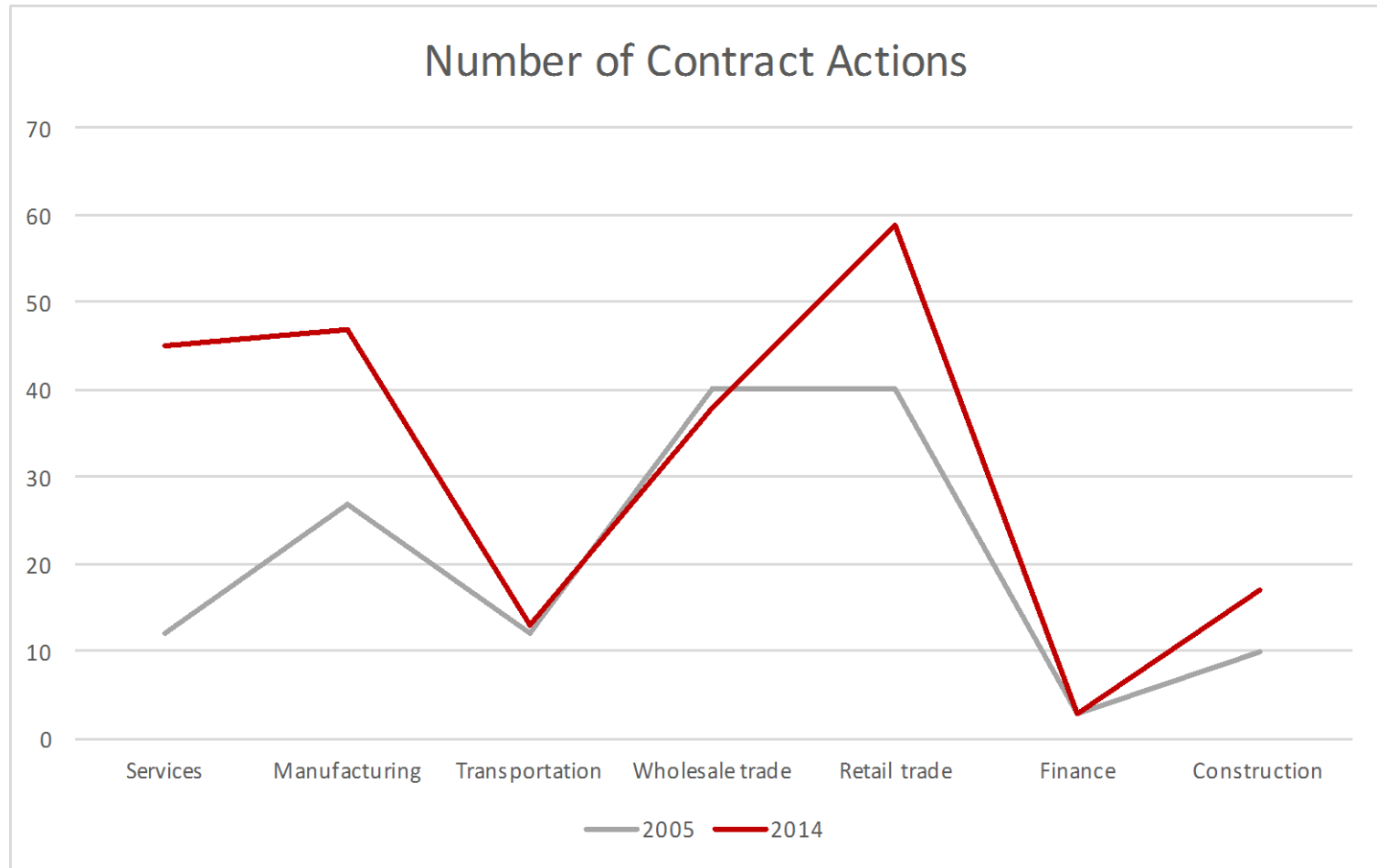
<i>Attributes</i>	<i>Value in 2005</i>	<i>Value in 2014</i>	<i>Percent change</i>
Firms with contract action	914	424	-54%
Number of contract actions (mean)	21	40	90%
Percent of set aside contract actions	68%	44%	-35%
Diversity in number of PSCs (mean)	2.32	2.96	28%
Diversity in number of agency customers (mean)	1.67	2.78	66%



### Supplier Primary Industry Classification

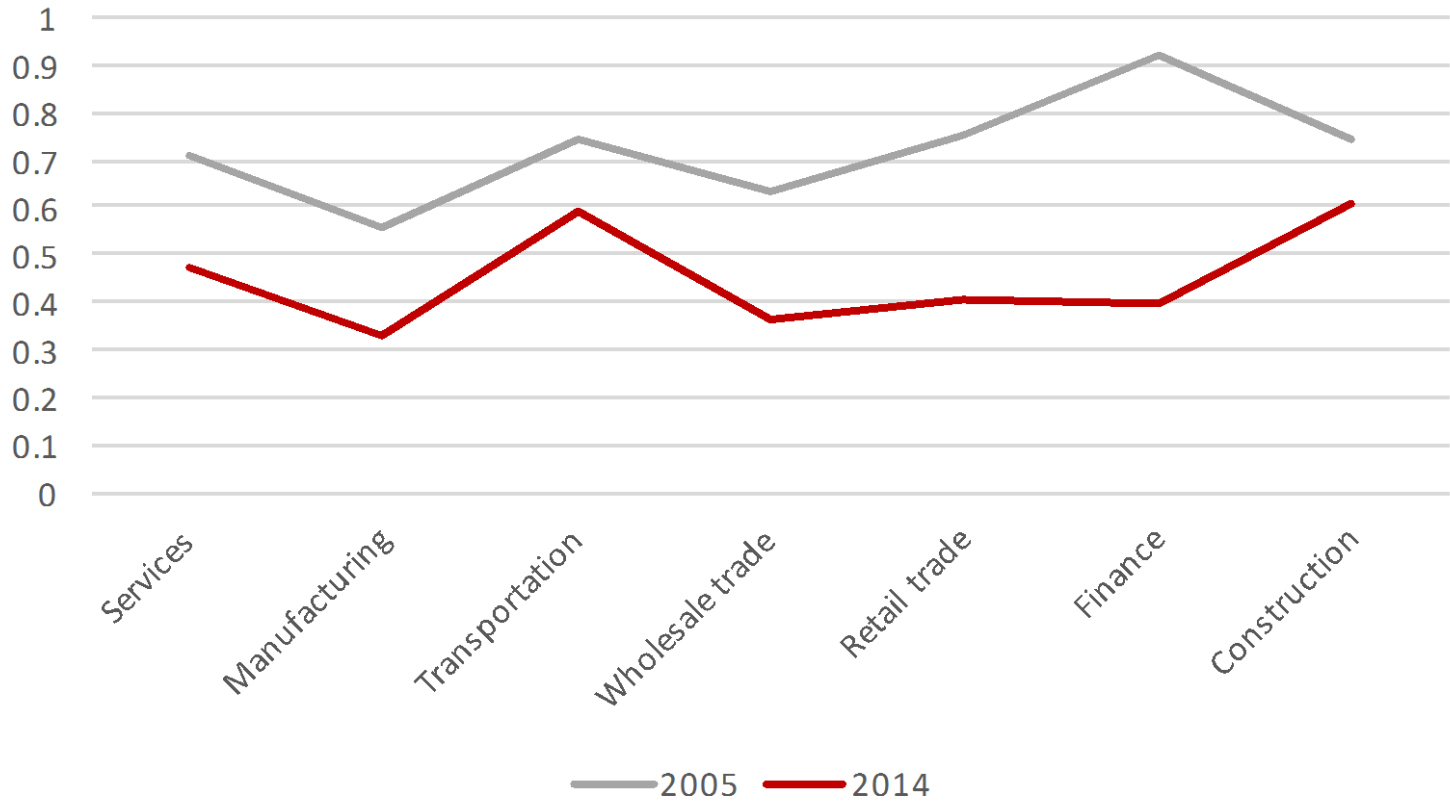


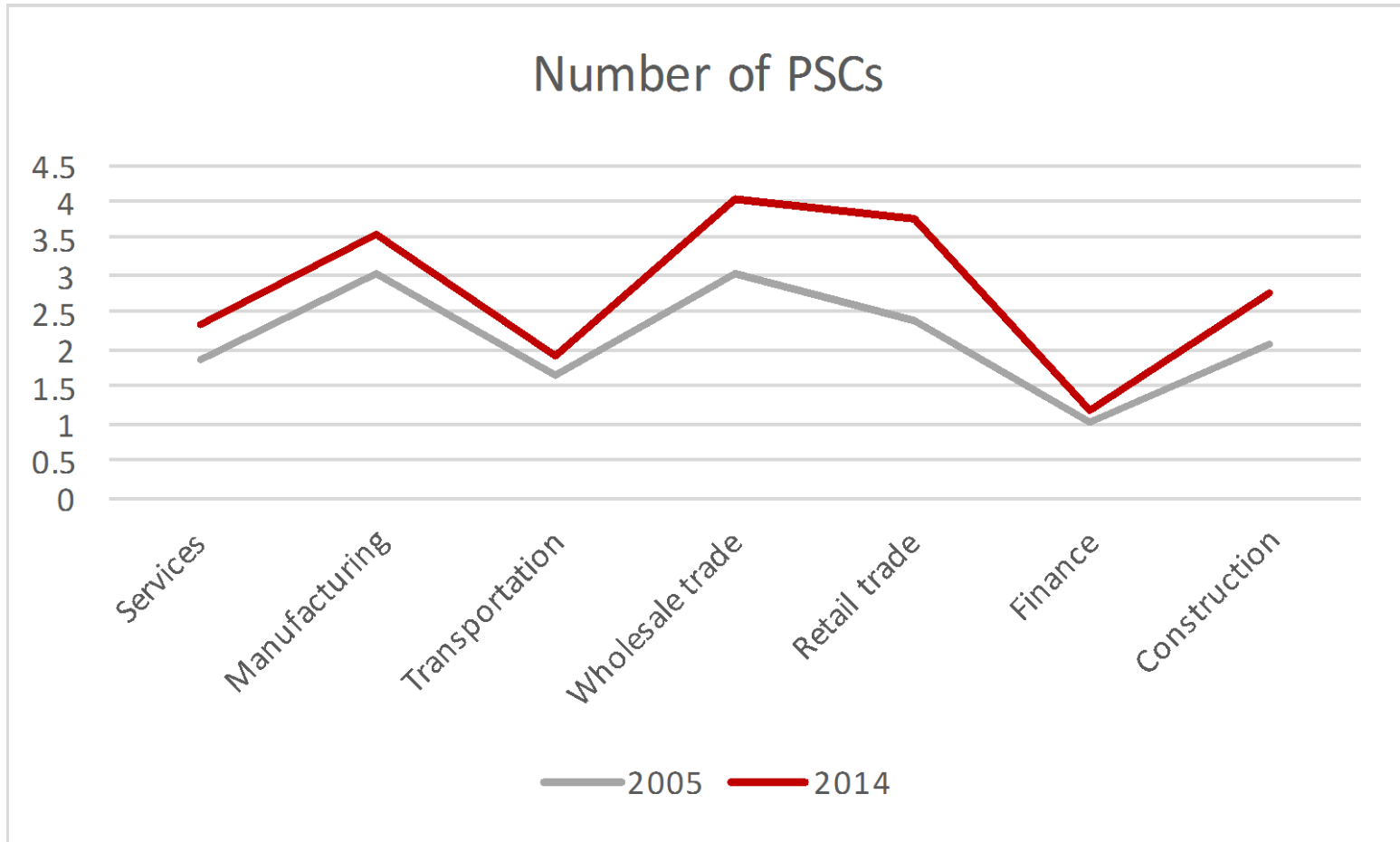


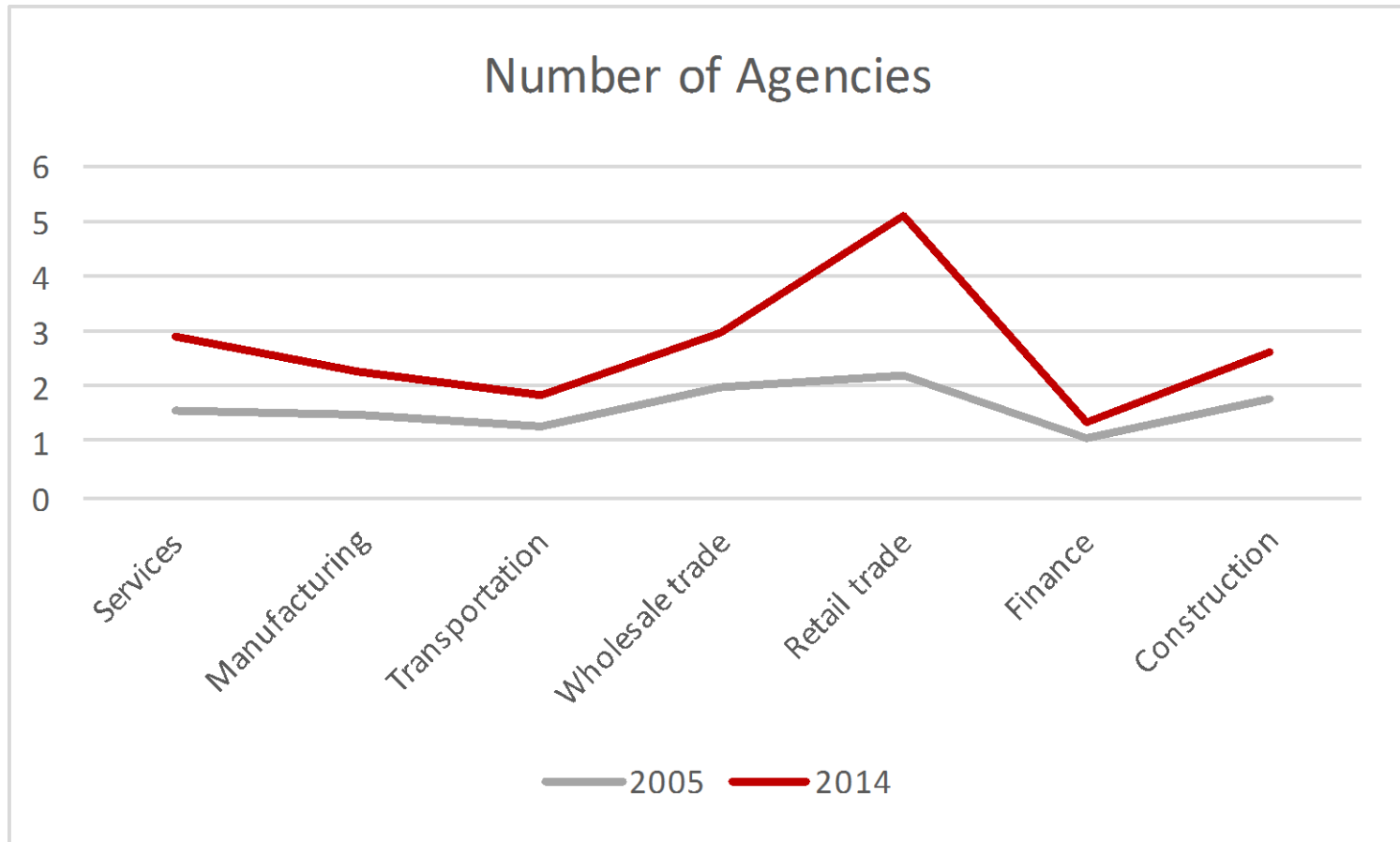


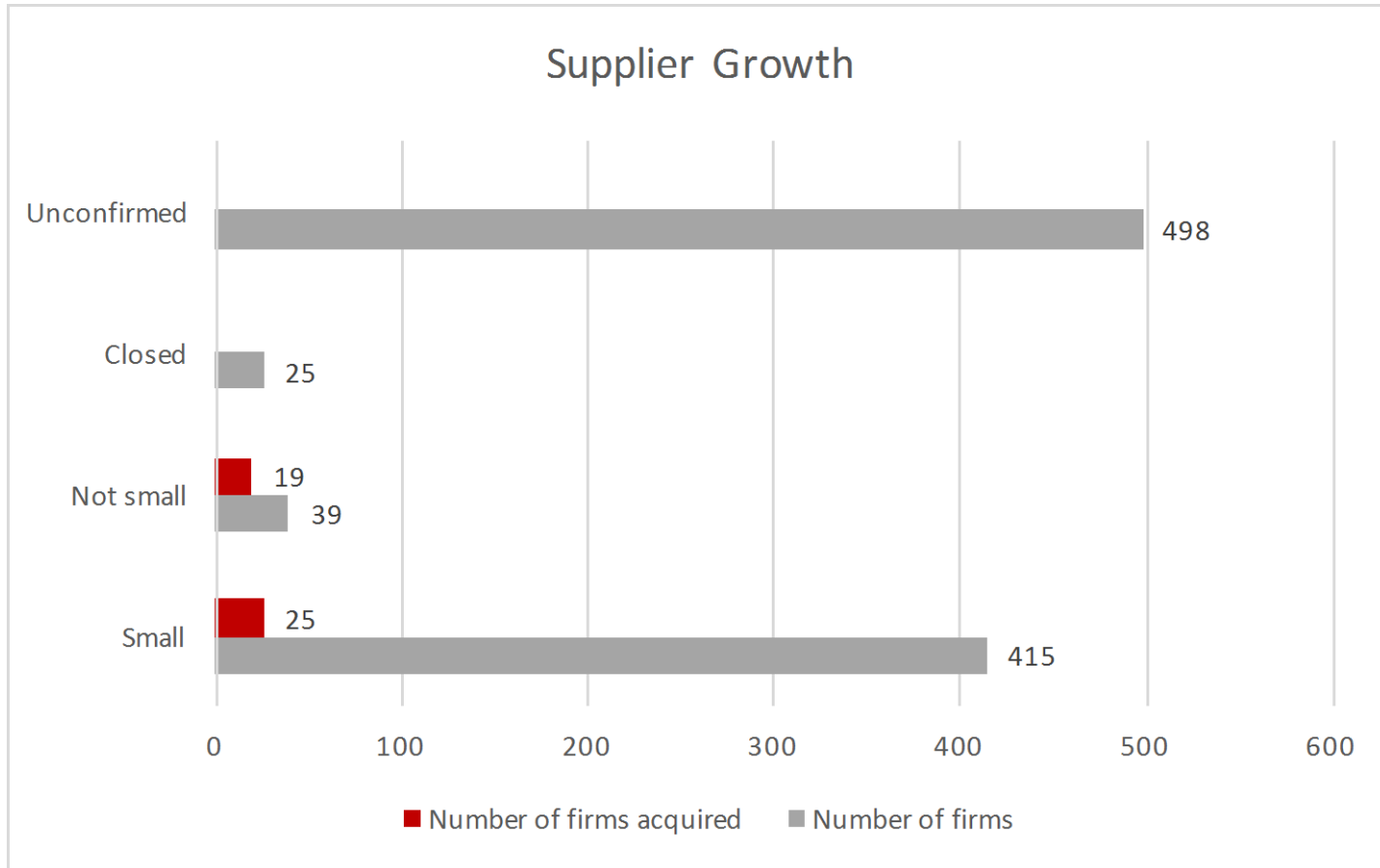


### Percent Small Business Set Asides











# Discussion & Implications

- SBA focus on the smallest of the smalls
- Meeting one policy goal (sheltered competition) but not growth goal
- Options:
  - Extending the lookback to 5 years
  - Creating unique vehicles for mid-sized suppliers
  - Recognize, encourage mid-tier partners in subcontracting plans
- House Small Business Committee seeking legislative remedy



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