

How Not to Alienate Business Partners: A Framework for Addressing Factors Impacting Retention of Defense Contractors

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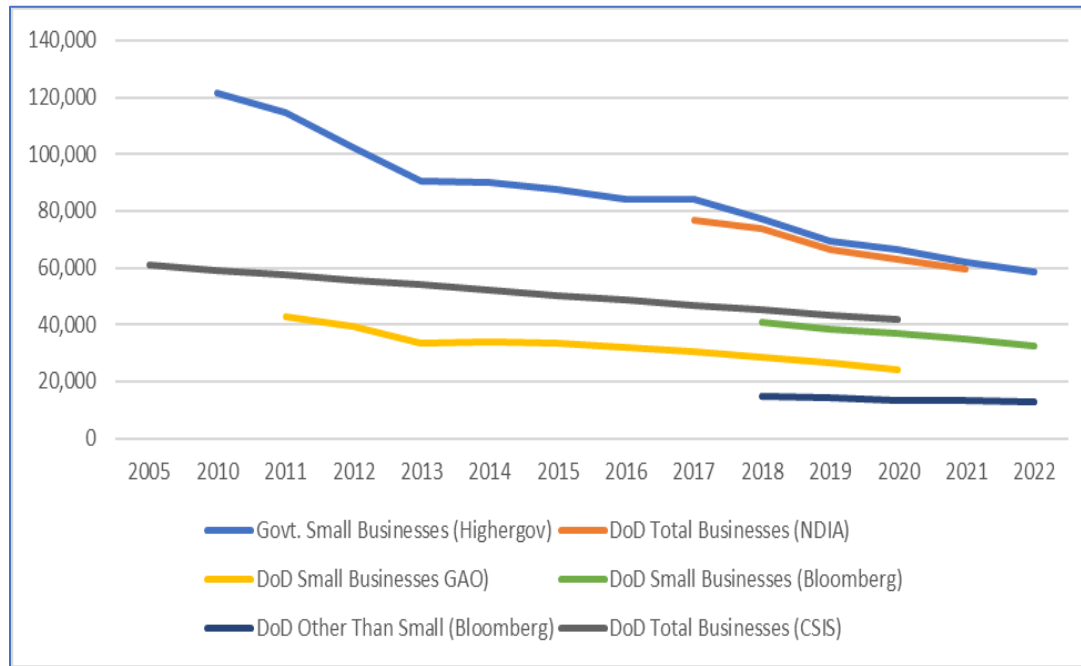


Our Questions

1. Is the National Security Innovation and Industrial Base continuing to shrink?
2. Are DoD's efforts to reach out to industry and bring more companies into the NSIB working?
3. What about the acquisition regulations is driving the trend of shrinking the NSIB and hamstringing those companies that remain?
4. What can be done to reverse this trend?

Is the NSIB continuing to shrink?

The Shrinking NSIB



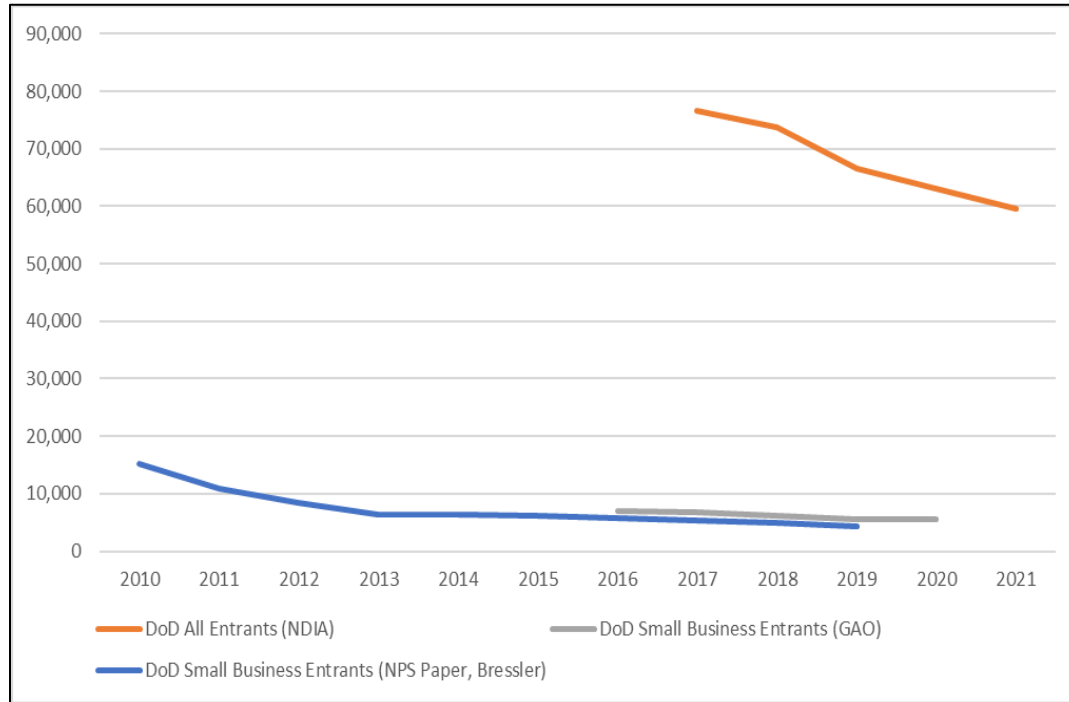
The Growing Commercial Industrial Base

- U.S. GDP grew by 49% from 2011 (\$15.6 T) to 2021 (\$23.3 T)
 - +10.7% (\$3 trillion) from 2020 to 2021
- Number of businesses in the U.S. economy increased by 7% from 2010 to 2019
- Number of new business applications almost doubled from 2011 (2.58 million) to 2022 (5.1 million)

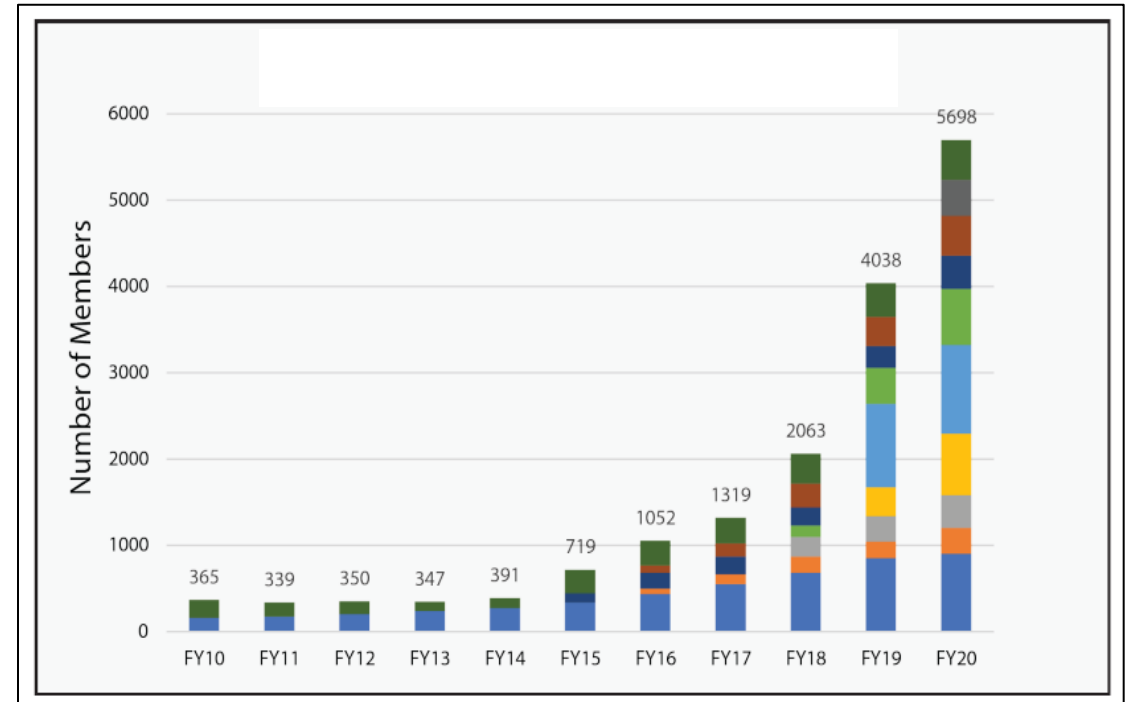
The National Security Innovation and Industrial Base Continues to Shrink

Are DoD's efforts to reach out to industry and bring more companies into the NSIB working?

DoD New Entrants



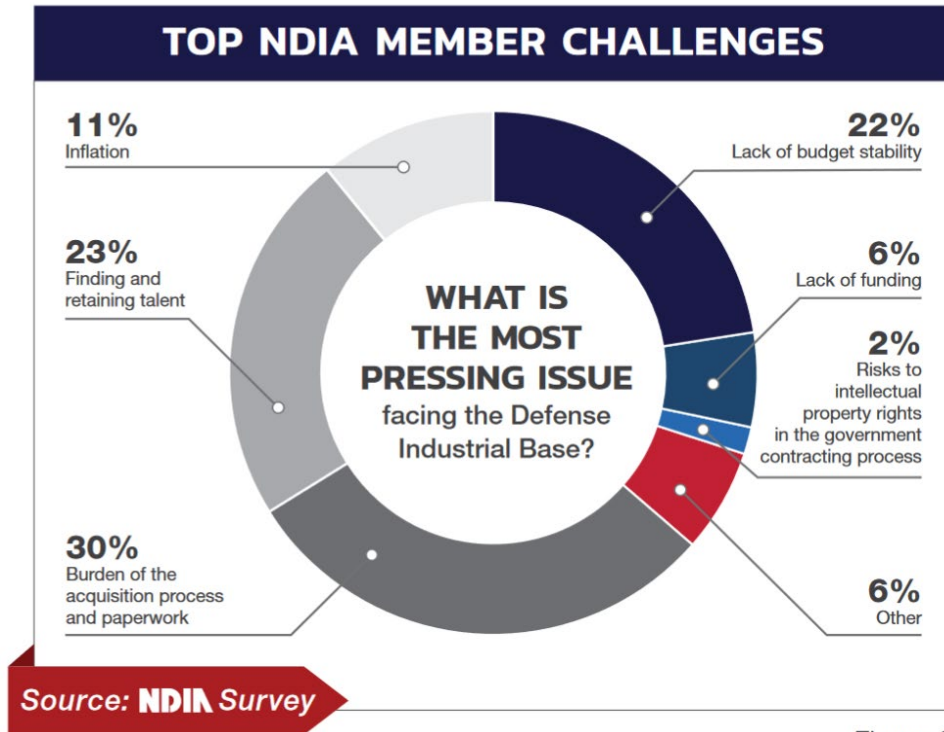
Consortia and Other Transactions



DIU awarded 360 OT contracts to 321 unique vendors, many of which we believe are new to DoD

What is driving the trend of shrinking the NSIB and hamstringing those companies that remain?

Challenges Working with DoD



What is the Problem?

- Most companies in the NSIB sell into the commercial and government markets
- Government-specific regulations make it too hard or not worthwhile to work for government
- Regulations can drive up overall cost of goods sold into commercial markets, making companies less competitive
- There are greener pastures in the commercial markets

It is the aggregate of the burdens of the system, not any particular policy

What can be done to reverse this trend?

A Foundational Change in How Government Thinks About the NSIB

- Embrace that Acquisition is an Art Not a Science
 - Defense acquisition is too often executed as a mechanistic transactional process.... But at its heart, acquisition is a human endeavor of building and sustaining relationships
- Listen to a Relationship Therapist
 - Learn to Better Understand Industry
 - What motivates industry, drives business decisions, and drives companies to leave or stay in the government marketplace
 - Communicate Better
 - Build a Win-Win Relationship
- Streamline and Reposture the Laws and Regulations
 - Fewer Regulations more consistently enforced
 - Incorporate the health on the NSIB into the calculation of legislative and regulatory proposals