



Costello College of Business  
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# Options to Improve Small Business Participation in the Industrial Base

An Analysis of the Competitiveness Demonstration Program of 1988  
and of Small Business Act Authorities.

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# Research Issue

Focusing on sectors designated as at risk by the Department of Defense's FY 2021 Industrial Capabilities Report to Congress, the paper examined industries where small business representation does not support the needs of the Department. It then reviewed the successes and failures of the Competitiveness Demonstration program's efforts to realign the small business industrial base. It will finally presented policy recommendations based on existing authorities within the Small Business Act.

# Distribution of Small Business Spending Across NAICS in FY 2023 DoD Spending

Small Business Share of Spending	# of NAICS	\$ Spent	SB Spend	% of DoD Spend	% of SB Spend
More than 80 %	311	\$ 12.0 b	\$11.4 b	2.6%	12.4%
Between 60 and 80 %	127	\$ 10.0 b	\$ 7.1 b	2.2%	7.8%
Between 40 and 60 %	125	\$ 54.2 b	\$ 25.9 b	11.9%	28.2%
Between 23 and 40 %	99	\$ 114.9 b	\$ 30.6 b	25.2%	33.3%
Between 10 and 23%	94	\$ 71.9 b	\$ 11.7 b	15.8%	12.7%
Between 5 and 10%	38	\$ 39.8 b	\$ 2.9 b	8.7%	3.2%
Less than 5%	169	\$ 153.0 b	\$ 2.2 b	33.6%	2.4%

# Top DoD NAICS in FY 2023

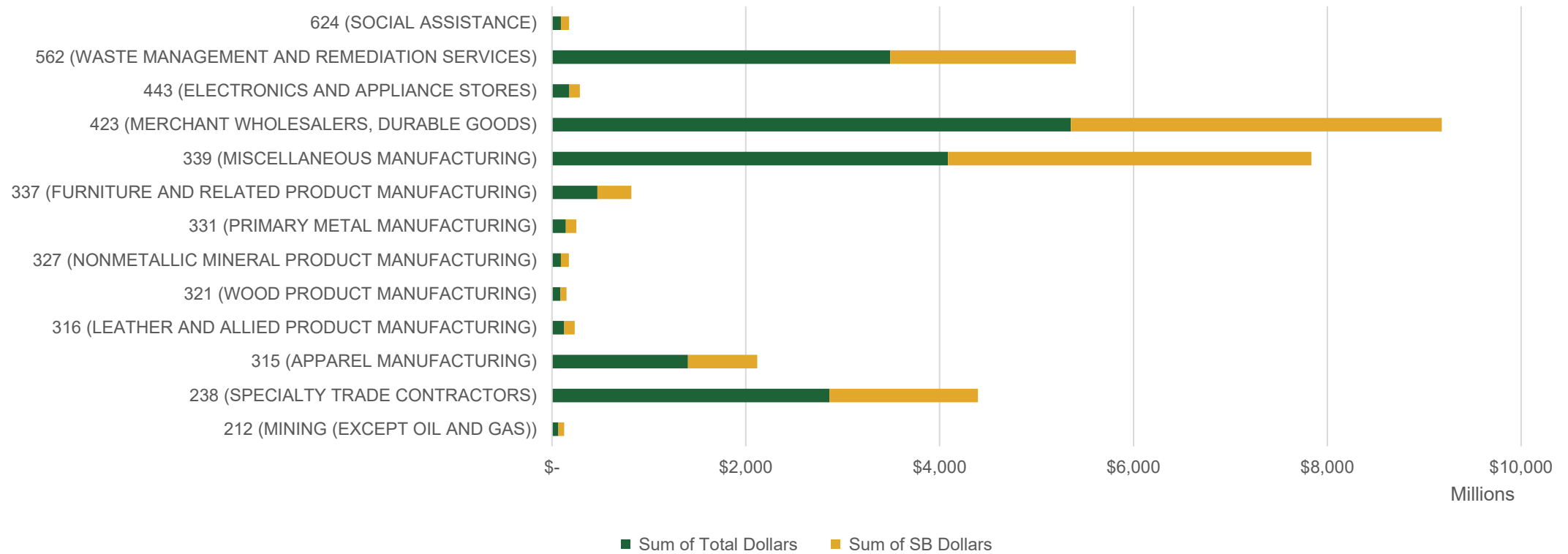
NAICS (Description)	DoD Rank by \$ Spent	DoD SB Rank by \$ Spent	Total Dollars (B)	SB %	ICR Sector
336411 (Aircraft Manufacturing)	1	23	\$59.9	1.25%	Aviation
541330 (Engineering Services)	2	2	\$37.1	23.69%	Multiple
541715 (R&D Physical, Engineering & Life Sciences (Except Nanotech & Biotech))	3	3	\$28.7	23.69%	Multiple
336611 (Ship Building & Repairing)	4	13	\$25.5	7.21%	Multiple
336414 (Guided Missile & Space Vehicle Manufacturing)	5	118	\$23.1	0.35%	Multiple
236220 (Commercial & Institutional Building Construction)	6	1	\$21.7	41.58%	None
334511 (Search, Detection, Navigation, Guidance, Aeronautical, & Nautical System & Instrument Manufacturing)	7	25	\$16.4	4.29%	Multiple
336413 (Other Aircraft Parts & Auxiliary Equipment Manufacturing)	8	12	\$15.9	12.11%	Multiple
524114 (Direct Health & Medical Insurance Carriers)	9	707	\$14.1	0.0009 %	None
336412 (Aircraft Engine & Engine Parts Manufacturing)	10	91	\$13.6	0.83%	Multiple

# Top SB DoD NAICS in FY 2023

NAICS (Description)	DoD Rank by \$ Spent	DoD SB Rank by \$ Spent	Total Dollars (B)	SB %	ICR Sector
236220 (Commercial & Institutional Building Construction)	6	1	\$21.7	41.58%	None
541330 (Engineering Services)	2	2	\$37.1	23.69%	Multiple
541715 (R&D Physical, Engineering & Life Sciences (Except Nanotech & Biotech))	3	3	\$28.7	23.69%	Multiple
541519 (Other Computer Related Services)	13	4	\$ 8.5	59.68%	None
339999 (All Other Miscellaneous Manufacturing)	23	5	\$ 3.7	93.49%	None
423850 (Service Establishment Equipment & Supplies Merchant Wholesalers)	26	6	\$ 3.1	99.99%	None
541712 R&D Physical, Engineering & Life Sciences (Except Biotechnology))	18	7	\$ 7.4	38.33%	Multiple
561210 (Facilities Support Services)	12	8	\$10.7	25.22%	None
237990 (Other Heavy & Civil Engineering Construction)	15	9	\$ 8.0	29.1%	Multiple
324110 (Petroleum Refineries)	11	10	\$11.9	19.11%	None

# Where Are Small Business Dominant?

Three-Digit NAICS with Greater than \$50 m in FY 2023 DOD Spend and More than 50% of Dollars to SB



# Comp Demo at DoD

Industry	Percentage of Awards to SB				Change in Number of Small Primes			
	CY91	FY 09	FY 15	FY23	FY04- FY10	FY10- FY15	FY10- FY23	FY 04- FY 23
Construction of Buildings	64%	53%	45%	41%	38%	-17%	-33%	-8%
Heavy and Civil Engineering	57%	53%	11%	31%	11%	-22%	-36%	-29%
Specialty Trade	81%	53%	50%	80%	28%	-30%	-55%	-42%
Non-Nuclear Ship Repair	64%	40%	16%	22%	-53%	-28%	6%	-50%
A&E Services	35%	29%	27%	22%	-28%	4%	19%	-14%
Refuse Systems & Related Services	82%	62%	60%	56%	-1%	-6%	-21%	-22%

# Landscaping and Pest Control DIG at DoD

	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 15	FY 23
Awards to Small Business	79%	47%	44%	63%	75%	74%	77%	67%	62%
Small Prime Contractors	61	135	709	856	855	916	975	871	709



# Recommendations

1. DoD should work with SBA to develop industry codes and size standards that would allow it to attract, utilize, and measure critical sectors of its industrial base. This would allow DoD to target at risk and developing segments of its industrial base.
2. SBA should, in accordance with the FY 2016 NDAA, report annually on the “number of small business concerns, small business concerns owned and controlled by service-disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, and small business concerns owned and controlled by women awarded prime contracts in each North American Industry Classification System code during the fiscal year and a comparison to the number of awarded contracts during the prior fiscal year.” (Sec. 868). This information would provide contracting officers and policy makers with useable information. It would quickly signal changes in the industrial base, including when agencies are not attracting enough new entrants or when consolidation threatens a segment. It would also provide information on how to structure procurements to reach more small firms. Finally, it would give Congress and agencies quick feedback should they every attempt to create a program like the Comp Demo program, or wish to revisit the treatment of retailers and wholesalers under the Small Business Act.