

The background of the entire page is a dark blue gradient. In the upper left, there is a white shield-shaped logo containing the text 'NDIA' and 'AT THE HEART OF THE MISSION'. The central and right portions of the image feature a 3D rendering of a city, with the Pentagon building clearly visible in the center. Overlaid on this city scene are several glowing, blue, spiky virus particles of varying sizes, representing COVID-19. The overall aesthetic is clean, professional, and thematic to the report's subject matter.

**NDIA**

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OF THE MISSION

# NDIA COVID-19 SMALL-BUSINESS IMPACTS SURVEY SUMMARY

BY: NDIA STRATEGY & POLICY TEAM

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# COVID-19 AND SMALL BUSINESS MEMBERS OF THE DEFENSE INDUSTRIAL BASE

## AN ASSESSMENT OF THE INITIAL IMPACTS OF THE COVID-19 CRISIS

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## OBJECTIVES

Through conducting this survey and its analysis, NDIA seeks to understand the impact of the COVID-19 crisis on small businesses in the defense sector. NDIA will identify opportunities for and make recommendations regarding immediate policy changes to alleviate hardship on small businesses.

## INTRODUCTION/BACKGROUND

NDIA was approached by the Department of Defense (DoD) Office of Acquisition and Sustainment (A&S) to conduct a survey of its members and others to determine the impact of the crisis on current operations and project that impact on the future of the business. The survey is part of a broader effort by DoD A&S to leverage industry association partnerships to assess the impact of the crisis on the defense industrial base. During the survey collection period, NDIA and other industry associations participated in weekly phone calls with DoD A&S, with one call per week dedicated to the impact on small businesses.

## SUMMARY OF FINDINGS

- Respondents expect the COVID-19 crisis to have the biggest impact on their revenue expectations, followed closely by their ability to perform on a contract and their access to capital.
- The technology and services sectors responded that they have been much more impacted by this crisis than the manufacturing sector.
- Smaller businesses (fewer than 50 employees) were much more impacted than larger businesses (more than 500 employees).
- 60% of the overall respondents have experienced a disruption in cash flow as a result of this crisis and 67% of companies with less than \$999,999 in annual revenue have had their cash flow disrupted.
- Cuts to billable hours, delayed payments from prime contractors and government customers due to a shutdown or telework, and lack of telework options or schedule flexibility in the contracts are cited as reasons for the disruptions in cash flow.
- 51% of small businesses have experienced a disruption in their ability to perform on a contract as a result of a shelter-in-place order related to the COVID-19 outbreak.
- 60% of respondents expect to have long-term financial and cash-flow issues as a result of this crisis.

## METHODOLOGY

The NDIA Strategy and Policy Team developed the survey questions with input from DoD A&S and the Small Business, Manufacturing, and Electronics Divisions. Target groups included defense industry small businesses that were either members or non-members of NDIA.

NDIA published the survey at 12:00 pm EDT on March 23, 2020. Initial feedback was gathered and then recommendations were given to A&S on March 27, 2020. The survey collection closed at 5:00 pm EDT on April 10, 2020.

NDIA distributed the survey via its weekly *Policy Digest* e-newsletter, social media, press releases, NDIA Connect, targeted emails to members, and the *National Defense Magazine* weekly column. NIST Manufacturing Extension Partnership (MEP) and Procurement

Technical Assistance Centers (PTAC) distributed the survey to their network.

Several publications quoted the survey and its initial findings:

- [Small defense businesses see cash issues during coronavirus outbreak](#) By Aaron Mehta, DEFENSE NEWS
- [US Navy Speeds Weapon Buys To Keep Small Suppliers Afloat Amid Coronavirus](#) By Marcus Weisgerber, DEFENSE ONE
- [Pentagon looks to help keep small federal contractors afloat](#) By Eric White, FEDERAL NEWS NETWORK
- [Coronavirus Roundup: Government Prepares to Send Stimulus Checks, IRS Begins Mandatory Telework for Nearly All Employees](#) By Courtney Buble, GOVERNMENT EXECUTIVE
- [NDIA survey says COVID-19 crisis is causing disrupted cash flow](#) By Marjorie Censer, INSIDE DEFENSE
- [Will the military be ready for war in a pandemic?](#) By Politico staff, Bryan Bender, POLITICO/MORNING DEFENSE

## DEMOGRAPHICS

Demographics in the survey included six pieces of information: number of employees, annual revenue of company, percentage of work from DoD contracts, prime contractor status, business sector, and holding contracts with classified work. A total of 769 individuals provided data for this survey.

Figure 1: Number of Employees

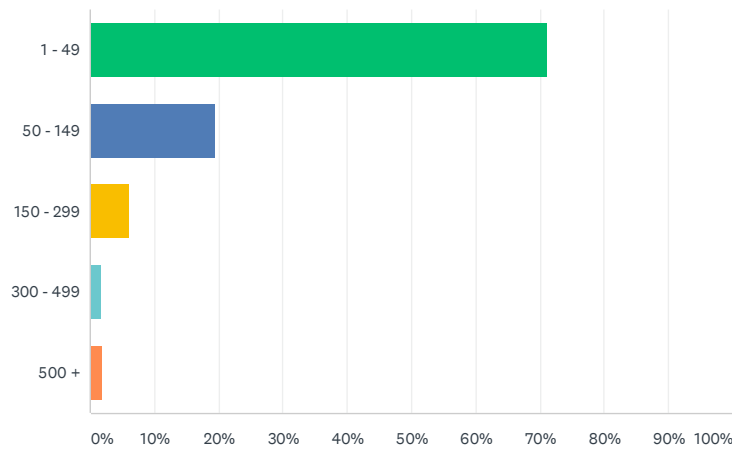
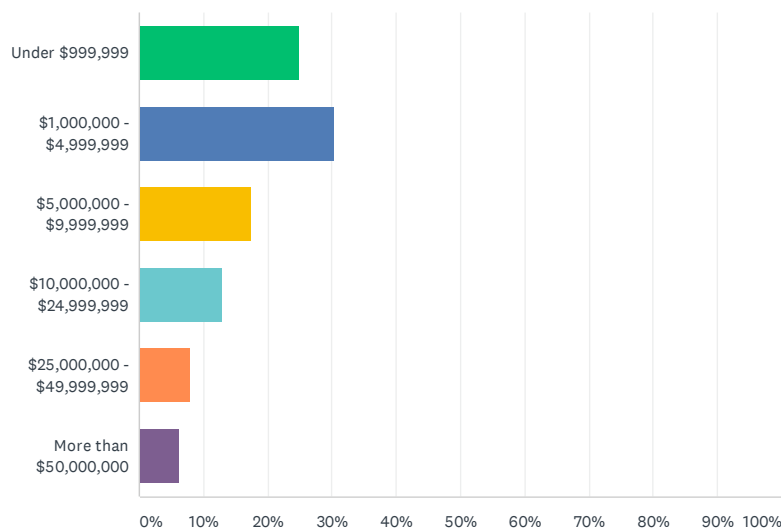
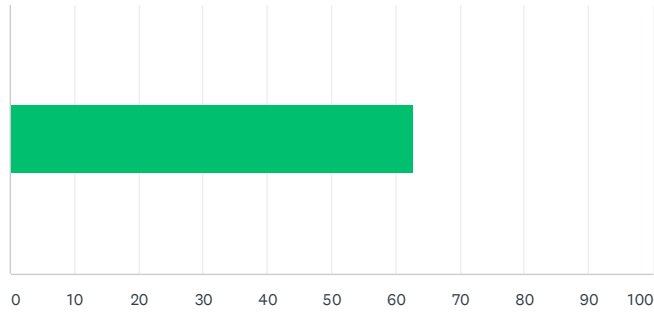


Figure 2: Approximate Annual Revenue

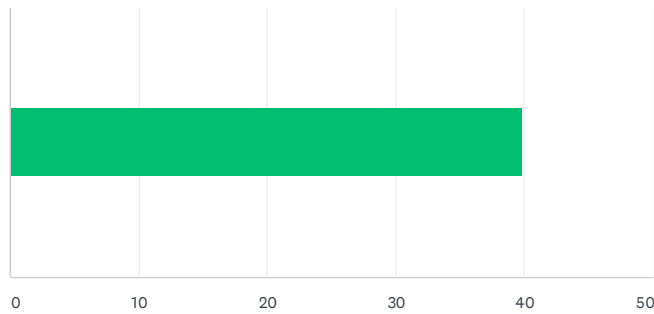


**Figure 3: Average Percentage of Annual Revenue from Work on DoD Contracts**



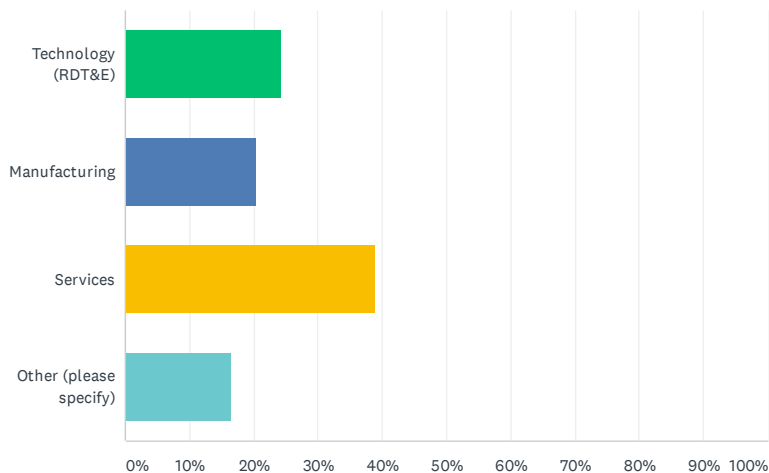
This demographic information was included to determine how impactful DoD-specific policies can be for individual small business respondents. While the health of all small businesses is important to our national economy, those that receive a high percentage of their annual revenue from work on DoD contracts are particularly vital to our national security. This demographic data point can also help to inform DoD policymakers about the type of companies that provided information in response to this survey.

**Figure 4: Percentage of Work Held as a Prime/Subcontractor**



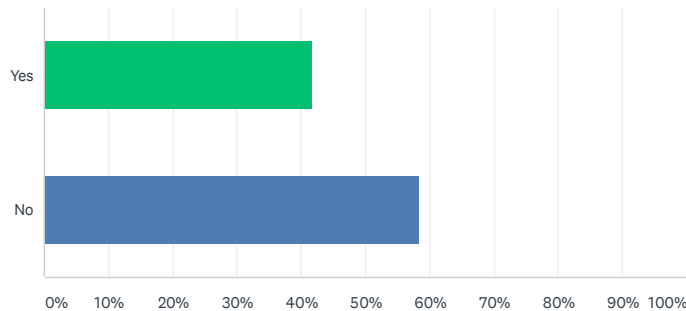
The discussion of prime contractors versus subcontractors is a consistent point of interest and comparison for defense policymakers. Subcontractors are most often made up of small businesses—the target of this survey—but there are also several programs and set-asides that provide small businesses with the opportunity to serve as a prime contractor. The supply chain position of a particular company has the potential to dramatically impact the company’s reaction to individual policies, its financial wellbeing, and its resilience in the face of a crisis.

**Figure 5: Sector Your Company Operates In**



NDIA limited the number of sector options to just four for the purposes of this assessment, which is in line with previous surveys conducted by NDIA and other organizations. The specified categories—Technology, Manufacturing, and Services—represent the major sectors in which NDIA’s membership operates. The “Other” category was provided for respondents that felt their industry was not represented by the three specified categories. An examination of the “Other” category’s open responses indicates that a large portion of respondents who selected “Other” also fall into the “Technology” sector.

**Figure 6: Classified Contract Work**



While this information related to classified contract work is mostly incidental to the analysis presented here, it is potentially valuable to DoD policymakers’ understanding of the type of contractors represented by this survey.

## MAJOR FINDINGS

Respondents to the survey were asked the question, “What impact has the COVID-19 crisis had on the following?,” and then instructed to rank the level of impact in each category from “1 - no impact” to “5 - major impact.” The ultimate impact of the COVID-19 crisis was assessed across 10 categories. These categories are displayed below in Figure 7, sorted by the weighted average level of impact.

**Figure 7: Impacts of the COVID-19 Crisis**

Category of Response	Weighted Average Level of Impact (1 - no impact, 5 - major impact)
Revenue Expectations	4.07
Access to Capital	3.31
Ability to Perform on Contract	3.29
Availability of Workforce	3.21
Ability to Access Secure Work Facilities	3.16
Access to Contracting Officer	3.04
Clarity of Information from the DoD	3.04
Confidence in Supply Chain Partners	2.93
Availability of Materials	2.74
Cost of Materials	2.37

Respondents, on average, answered that the COVID-19 crisis would have the most major impact on revenue expectations followed by access to capital and their ability to perform on contract. These results logically follow the current discourse around the crisis. At the time of the survey, there were many unknowns impacting the defense contractor community. It was heartening to see that respondents largely felt that supplies—whether cost or availability of materials, or confidence in the supply chain—were relatively unimpacted by the crisis. The lack of impact in these areas is good news for those able to continue work during this time and will help to ensure that businesses are able to afford and purchase materials once they do return to work.

Digging deeper into the responses, we are able to see a difference in the impact assessments made by businesses of different sizes. Cutting the results by employees into two categories—fewer than 50 employees and more than 500 employees—and by approximate

annual revenue—less than \$999,999 and more than \$5,000,000—we can see a few interesting differences in how businesses of different sizes have been impacted in the presented categories.

**Figure 8: Impacts of the COVID-19 Crisis, by Size and Annual Revenue**

<b>Category of Response</b>	<b>Weighted Average Level of Impact &lt;50 employees</b>	<b>Weighted Average Level of Impact 500+ employees</b>	<b>Difference</b>	<b>Weighted Average Level of Impact &lt;\$999,999 in annual revenue</b>	<b>Weighted Average Level of Impact &gt;\$5,000,000 in annual revenue</b>	<b>Difference</b>
Access to Capital	3.4	2.21	1.19	3.54	2.38	1.16
Ability to Access Secure Work Facilities	3.13	2.29	0.84	3.23	2.71	0.52
Revenue Expectations	4.13	3.71	0.42	4.19	3.58	0.61
Access to Contracting Officer	3.05	2.64	0.41	3.07	2.54	0.53
Availability of Materials	2.74	2.93	0.19	2.68	2.91	0.23
Cost of Materials	2.42	2.23	0.19	2.35	2.43	0.08
Availability of Workforce	3.21	3.36	0.15	3.26	3.1	0.16
Clarity of Information from the DoD	2.98	2.92	0.06	2.86	2.93	0.07
Ability to Perform on Contract	3.32	3.36	0.04	3.45	2.9	0.55
Confidence in Supply Chain Partners	2.95	2.93	0.02	2.85	2.96	0.11

Upon examining the differences presented in Figure 8, there is evidence that the smaller businesses who have fewer than 50 employees and make less than \$999,999 in annual revenue are responding that the largest impact is in the “revenue expectations” category—which is in line with the overall results presented in Figure 7. Larger businesses with greater annual revenues also responded that they expect the largest impact to be in the “revenue expectations” category; however, they assessed the level of impact to be much less. Similar results are present throughout the weighted average impact scores, potentially indicating that larger businesses are less impacted across the board than smaller businesses.

A presentation of the results of this question by business sector also provides some context for the way in which the COVID-19 crisis impacts industries in different ways and at different levels. When separated by sector, those self-identifying as part of the Technology sector scored higher levels of impact in every category except the “ability to perform on contract.” This response may indicate that those in the Technology sector are more impacted by the COVID-19 crisis than those in the Manufacturing and Services sectors. Relatively higher impact scores were also recorded for those in the Services sector in the majority of categories. A full presentation of how respondents scored the impact of the COVID-19 crisis by category—subdivided by sector—is available in Figure 9.

**Figure 9: Weighted Average Impact of the COVID-19 Crisis by Sector, Compared to Overall Weighted Averages**

	Technology	Manufacturing	Services	Overall
Ability to Perform on Contract	● 3.24	● 2.75	● 3.58	3.29
Availability of Workforce	● 3.26	● 2.93	● 3.33	3.21
Cost of Materials	● 2.41	● 2.73	● 2.08	2.37
Availability of Materials	● 2.87	● 3.18	● 2.36	2.74
Confidence in Supply Chain Partners	● 3.12	● 3.26	● 2.56	2.93
Ability to Access Secure Work Facilities	● 3.46	● 2.27	● 3.47	3.16
Revenue Expectations	● 4.17	● 3.79	● 4.08	4.07
Access to Contracting Officer	● 3.19	● 2.88	● 3.09	3.04
Clarity of Information From the DoD	● 3.34	● 2.57	● 3.18	3.04
Access to Capital	● 3.51	● 3.18	● 3.23	3.31

NDIA determined what categories to include in this question by reaching out to several individual NDIA member companies. The included list was intended to be comprehensive without overwhelming the respondent with too many categories. Ultimately, 10 categories were selected and presented in the final survey. It is likely that these 10 categories do not encompass all of the possible categories of areas that defense industrial base members are seeing impact. That possibility should be considered when citing the data presented above, ranked by weighted average level of impact.

As a result of the COVID-19 crisis, several states have moved to a shelter-in-place requirement that restricts the movement and activities of each respective state’s residents. These requirements have an impact on all businesses in the state, including those operating in the defense space. Respondents were asked, “Have you experienced disruptions to your contracts specifically as a result of a ‘shelter-in-place’ requirement?” 51.23% of respondents answered “Yes” with the remaining 48.54% responding “No.” This equal split tracks with the state-by-state nature of the shelter-in-place requirements. These requirements were rolling out during the course of the administration of the survey. Directly prior to the launch of the survey, Department of Defense Undersecretary for Acquisition and Sustainment Ellen Lord also issued a memo entitled “[Defense Industrial Base Essential Critical Infrastructure Workforce](#).” This memo had the effect of deeming defense industrial base operations in states under shelter-in-place orders essential businesses, allowing them to return to operation. The roll-out and adoption of this memo took place over the period of several days. However, the data in response to this question of the survey indicates that some contractors in states with shelter-in-place orders were still impacted by such orders.

There is no notable difference between the respondents who replied that their contract work was disrupted by a shelter-in-place order when broken out by size, approximate annual revenue, or sector.

One issue that is present throughout the responses to the survey is the impact of the COVID-19 crisis on the cash flow of small businesses. When asked “Have you experienced disruptions in your cash flow as a result of the COVID-19 crisis?,” 60.63% of respondents answered “Yes.” This number alone reveals the far-reaching nature of this crisis. Issues with cash flow lead businesses to face issues paying staff, meeting bill requirements such as rent, and the ability to purchase supplies and raw materials, flowing down the negative impacts to those lower in the supply chain.

We are seeing that cash flow is most disrupted for those businesses that are the smallest. Businesses with fewer than 50 employees responded that they had experienced disruption in their cash flow at a rate of 63.45%, compared to 38% those businesses with more than 500 employees. This trend is also present when dividing respondents by revenue. 67.38% of respondents at companies that make less than \$999,999 in approximate annual revenue experienced disruption, while only 34.04% of respondents at companies that make more than \$5 million each year cited disruptions. This data seems to indicate that the smallest businesses are more disrupted and are experiencing disruptions in cash flow as a result of the COVID-19 crisis.

One hypothesis that has been discussed for why smaller businesses are experiencing cash-flow issues at a greater rate than larger businesses is that smaller businesses are farther down the supply chain and that larger, prime-level businesses are responsible for the disruption. Looking at the data available from this survey, we can determine that such is most likely not the case. For those respondents that cited they only have 25% or less of their total contracts as a prime contractor, 61.54% cited disruptions in cash flow. This result is relatively similar to that of companies who hold contracts as a prime at a rate of 75% or more. 55.11% of those respondents noted disruptions in cash flow. If prime contractors were to blame for the smaller businesses and lower-tier companies experiencing cash-flow

disruptions, the difference between these two numbers would likely be higher.

There are no significant differences in the level of disruption to cash flow when breaking out the responses by sector.

Special attention was paid to the firm fixed-price contract vehicle for the purposes of this survey. The nature of fixed-price contracts requires contractors to set prices prior to contract execution. Any fluctuations in these prices are then absorbed by the contractor during the course of performance, cutting into the contractors' profit margin on that particular contract. The current COVID-19 crisis has the potential to increase the cost of doing business for contractors across the defense marketplace, leaving those contractors with one or more fixed-price contracts vulnerable to the negative impact of contract cost overruns.

Respondents were asked, "Do you expect to experience overruns on your Firm Fixed-Price contracts as a result of disruptions caused by COVID-19?" Luckily, only 27.53% of respondents expect to experience a cost overrun on their firm fixed-price contracts. However, of those that do, they expect the overrun to be approximately 10 to 20 percent. This level of overrun has the potential to eclipse the expected profit on the contract and can lead to long-term negative impacts on the business. DoD should keep these projected overruns in mind and seek to mitigate the negative impacts, including but not limited to the business exiting the defense marketplace.

There were no major differences in level of expected cost overruns on firm fixed-price contracts for companies of different size, level of annual revenue, and sector. However, a major difference was found when looking at prime contractors versus subcontractors. For those respondents that hold 25% or less of their contracts as a prime contractor, only 17.88% expect to see an overrun but those with 75% or more of their contracts as a prime contractor expect overruns at a rate of 41.04%. While it is not immediately clear from the data why this disparity exists, there are a few potential explanations. Subcontractors are potentially less likely to operate under firm fixed-price contracts. It is also possible that subcontractors have less information about cost overruns and are unable to accurately predict an overrun. Regardless of the explanation, this disparity should be acknowledged and addressed to ensure that prime contractors are not disproportionately harmed because, after all, these companies are often responsible for a large portion of the contracting dollars that flow down to subcontractors and smaller businesses.

There has been a flurry of activity and guidance from policymakers at all levels of government in response to the COVID-19 crisis. From large, headline-grabbing stimulus bills to local-level policy guidance, there has been a scramble to help mitigate the issues herein discussed. Respondents were asked to rate the effectiveness of policy responses and guidance from the Small Business Administration (SBA), the Department of Defense, their contracting officers, third-party sources (such as NDIA, a law firm, a peer, etc.), and specific communications from DoD A&S. Ratings from respondents on levels of effectiveness were largely similar across all categories. Guidance from third-party sources was rated as "very effective" by the largest number of respondents, followed by "guidance from your contracting officer" and "Department of Defense-level guidance." On the other end of the spectrum, "specific communications from the DoD Office of Acquisition and Sustainment" was rated "not effective" by approximately 20% of respondents. Approximately 50% of respondents responded "neutral" on the effectiveness of both the Small Business Administration's guidance and the "Small Business Administration loan programs." These responses should inform policymakers on future policy responses and guidance. Those in DoD A&S and the SBA should consider looking to third-party sources or their own contracting officers for how best to communicate information to and inform policy responses for the defense contracting community.

Although we are still in the midst of the COVID-19 crisis and it is impossible to assess companies' ability to recover, respondents were asked for their current perspective on what programs or policies would be most helpful in ensuring such recovery. Respondents were asked to "Rank the following in terms of what would be most helpful for your business to recover. (1 - most helpful, 4 - least helpful)." Of the four options—1) Short-term loans being made available to your business, 2) Flexibility being granted on the performance of your contract(s), 3) Additional guidance being provided on the performance of your contract(s), and 4) Accelerated payments from the DoD and/or prime contractors—respondents rated accelerated payments as having the most positive impact.



**Figure 10: Effectiveness of Response to COVID-19**

<b>Category of Response</b>	<b>1 - Not Effective</b>		<b>3 - Neutral</b>		<b>5 - Very Effective</b>
Small Business Administration Guidance	17.03%	11.62%	46.89%	17.57%	6.89%
Small Business Administration Loan Programs	18.45%	12.75%	48.17%	14.25%	6.38%
Department of Defense-Level Guidance	15.35%	15.22%	45.24%	16.85%	7.34%
Guidance from Your Contracting Officer	19.24%	15.42%	44.88%	12.55%	7.91%
Guidance from a Third-Party Source (e.g. NDIA, a law firm, a peer, etc.)	10.43%	7.72%	43.90%	26.69%	11.25%
Specific Communications from the DoD Office of Acquisition and Sustainment	19.51%	13.19%	51.10%	11.68%	4.53%

Several open-ended questions were also posed to respondents in order to more adequately capture all impacts of the COVID-19 crisis, including projected long-term impacts and success stories. A systematic transformation of the quantitative data was performed to provide analysis and commentary for these set of questions. Throughout all of the questions, cash flow and general financial issues came out as the top concern.

Two questions asked respondents to provide detailed input on other issues they are facing as a result of the crisis. The responses fell into 13 categories: workforce, safety and security, remote work, prime contractors, evaluation/performance, financial and cash flow, site access, supply chain, people access, communication, general fear and uncertainty, paying Family Medical Leave Act (FMLA) or health insurance and benefits, and other. A detailed table of the responses is available in Figure 11.

**Figure 11: Additional Issues Facing Respondents as a Result of the COVID-19 Crisis**

<b>Category of Response</b>	<b>Percent of Responses</b>
Workforce	18.56%
Safety and Security	3.71%
Remote Work	9.07%
Prime Contractors	1.65%
Evaluation/Performance	0.62%
Financial and Cash Flow	32.58%
Site Access	5.98%
Supply Chain	4.95%
People Access	3.71%
Communication	5.98%
General Fear and Uncertainty	5.36%
Paying FMLA or Insurance and Benefits	2.89%
Other, N/A	4.95%

The top three concerns mentioned by respondents were general financial and cash flow, workforce and retention, and remote work—including both costs and a decline in productivity. While not one of the top response categories, safety and security constituted their own category as multiple respondents cited concerns that their employees who continued work onsite or in shift work would be subjected to unsafe working conditions either due to lack of personal protective equipment or inadequate space to conduct social

distancing. The responses to the two prompts, “What other issues are you facing as a result of the COVID-19 crisis?” and “Please share any additional issues that you are facing as a result of the COVID-19 crisis,” were similar enough that results from only one question are represented in Figure 11.

This qualitative data demonstrates a clear concern regarding the loss of workforce. Numerous open-ended responses detail that respondents already have or project to soon lose cleared, technically skilled employees to commercial companies with robust work-from-home opportunities, especially in information technology and software fields. Many responses also mention the likelihood that their cleared workforce will look for opportunities with large companies who are more able to “weather the storm.”

The long-term outlook for small business respondents from this survey is not positive. When asked to project long-term impacts to their business due to the COVID-19 crisis, 60.41% cited financial issues and cash flow as their top concern, many of them explicitly expecting bankruptcy or having to close their business. A more detailed representation of the other long-term impacts cited by respondents is available in Figure 12.

**Figure 12: Expected Long-Term Impacts of the COVID-19 Crisis**

Category of Response	Percent of Responses
None/Uncertain	17.42%
Workforce	10.16%
Safety and Security	1.09%
Remote Work	0.91%
Evaluation/Performance	0.91%
Financial and Cash Flow	60.44%
Site Access	1.09%
Supply Chain	1.45%
People Access	0.73%
Paying FMLA or Insurance and Benefits	1.27%
Other	4.54%

While many cited unclear communication and a lack of access to the right people in response to questions about the impacts of the COVID-19 crisis, 21% of respondents cited positive examples of communications either from government customers or prime contractors when asked about success stories related to this crisis. Additionally, approximately 4% of respondents cited a successful transition to shift work or modified on-site work while 16% of respondents cited a successful transition to remote work. While it is promising that some respondents have had success, the overall responses indicate inconsistencies in site access and telework policies across contracting organizations and installations.

Many respondents noted that it was too early to forecast the ultimate impact to their operations and issued a call to conduct a similar survey on a recurring basis to more accurately assess the impact of the COVID-19 crisis.

**Figure 13: Success Stories as a Result of the COVID-19 Crisis**

Category of Response	Percent of Responses
Successful Shift/Site Work	3.56%
Successful Remote Work	16.44%
Successful Communications	21.33%
Mission Essential Designation	2.22%
Able to Continue Work	22.22%
Other	7.11%
No Success Stories	27.11%

A full copy of the results of this survey are available at [here](#). Users can also conduct their own analysis of the survey results online [here](#).

## POLICY RECOMMENDATIONS

In line with the initial request to conduct this survey, NDIA wished to provide relevant DoD staff and other government policymakers with policy recommendations and reactions. An initial set of policy recommendations were delivered to DoD Office of the Secretary of Defense staff on April 3, 2020, alongside the survey's preliminary results. These initial recommendations are included below along with additional recommendations from the final dataset. These recommendations were formed as a result of responses from both quantitative and qualitative questions discussed in this analysis.

### TOP THREE POLICY RECOMMENDATIONS

**Past Performance:** DoD should consider creating a mechanism for denoting contract performance that occurs during this crisis. Whether excusing delays or giving extra credit to those businesses that keep performance schedules during this period, it is important to note that this is not a typical business performance environment and that businesses should not be punished in the future for discrepancies in performance during this time.

**Continued Contracting:** The cancellation of networking and matchmaking opportunities will have long-term impacts on contractors' ability to gain DoD business. DoD should pursue a policy of hosting virtual networking and pitch-day opportunities to ensure that small businesses are able to market new products and services during this period. DoD should consider partnering with convener organizations to offer these virtual events.

**Accelerated Payments:** As has been communicated previously, we recommend that the Defense Logistics Agency (DLA) reverse their policy position to no longer accelerate payments to small businesses. Accelerating these payments to 15 days or less would have a direct positive impact on the cash flow of small businesses.

*Note: At the time of publishing this report, NDIA has received reports that DLA is moving forward with a policy to reinstate an accelerated payment schedule.*

### ADDITIONAL POLICY RECOMMENDATIONS PROVIDED BY SURVEY RESPONDENTS

Workforce availability consistently ranks near the top of factors that contractors expect to be impacted by the COVID-19 crisis. Numerous anecdotes have been provided about fears related to the continued availability of cleared workers.

**COVID-19 Testing:** DoD should consider pursuing an "expedited testing" solution for those contract workers who continue to do mission-critical work.

**Security Clearances:** The security clearance process should be sped up for those contractors who need to replace workers displaced by COVID-19-related issues. There is a widespread fear among the contracting community about losing the cleared workforce and being unable to quickly replace it to continue performance on contracts.

**Contract Flexibility:** DoD should provide flexibility on contract performance to those businesses that are choosing not to continue in-person operations despite "essential" designations. Contractors that choose to keep their workforce at home to reduce their exposure to harm—and to potentially retain their workers—should be accommodated and excused of any related performance issues.

**Network Bandwidth:** A number of contractors are experiencing bandwidth issues related to DoD and other government systems that are required to be used by a now-teleworking contracting workforce. This requirement is impacting productivity and will lead to delays in contract performance. If bandwidth is not able to be increased, contract performance delays should be excused.

**"Key Personnel" Changes:** DoD should look into creating a mechanism for easily allowing for "key personnel" on contracts to be replaced by other subject matter experts in the event of COVID-19-related disruptions.

**Secure Access Space Sharing:** A "tiger team" or the like should examine the availability and feasibility of allowing the teaming of contractors from different employers—or from the same employer on different contracts—to work in the limited number of available secured locations or sensitive compartmented information facilities. This approach has the chance to alleviate restricted access concerns in areas with multiple facilities and manageable proprietary information issues.

**Cleared Workforce Retention:** Provisions should be made for those cleared contract employees who are not able to access secure

facilities enough to complete a full-time schedule. As the retention of these employees is often essential to performance on a contract, a mechanism should be considered to offset lost billable hours.

## TO REDUCE ISSUES RELATED TO CASH FLOW

As discussed above, 60% of respondents have experienced a disruption in cash flow as a result of the COVID-19 crisis. The most commonly reported causes for such a disruption are cuts to billable hours, delayed payments from primes contractors and government customers due to a shutdown or telework, and a lack of telework options or schedule flexibility in contracts.

**Accelerated Contracting:** Contract award times should be reduced where possible to solve short-term cash-flow issues facing small businesses.

**Equitable Adjustment on Price:** DoD should provide a mechanism for passing along cost overruns caused by COVID-19—perhaps limited to a specific set of categories—to stem cash-flow issues facing small businesses that are still trying to perform on existing contracts.

**Software Renewals:** DoD should pull forward software renewals that are scheduled to take place later this year or in the future to ensure that the much-needed cash is put into the hands of small software vendors so that they may stay afloat and avoid potential terms of service violations.

**Advanced Procurements:** Advanced procurements should also be considered for planned out-year procurements to put cash in the hands of small businesses to ensure they are able to continue operations and retain their workforce.

## TO ENSURE CONTRACT FLEXIBILITY

51% of small businesses have experienced a disruption in their ability to perform on a contract as a result of a shelter-in-place order related to the COVID-19 outbreak.

**Remote Approve/Product Acceptance:** More flexibility on contract performance approval or product acceptance mechanisms should be allowed to ensure that contractors can provide on-time delivery while government and industry workers are remote or quarantined. We understand that the Defense Contracting Management Agency is already looking into this issue, but it could have long-term, post-crisis implications for improving the contract process.

**Schedule Flexibility:** DoD should proactively grant flexibility on contract performance periods to allow contractors to adjust to the new realities of a remote workforce.

**SBIR Contract Flexibility:** Contract performance flexibility should also be granted to those small businesses that are in early Small Business Innovation Research (SBIR) phase contracts where contract performance is highly important to receiving follow-on contracts. Without performance excusals, these companies may be forced to leave the DoD market.

**Subcontracting Flexibility:** A short-term exception to FAR 52.291-14 should be made to allow small business primes to subcontract more work. This action will help to spread the wealth of DoD contracting dollars and reduce contract performance issues.

DoD has sought to respond to a number of issues identified within the survey. The DoD Office of Small Business provided an official response available [here](#). We applaud their quick efforts and look forward to continuing to partner with them to address other issues identified within this report.

## CONCLUSIONS

NDIA has a unique position as a convener of academics, industry, and government, and will continue to leverage this position to ensure the robustness of our national security. As always but especially at this point in the COVID-19 crisis, communication between industry and government is key. The results and recommendations discussed in this report should be carefully examined by officials and policymakers seeking to provide support and relief to our nation's small businesses. We look forward to continuing this dialogue.

In line with the recommendations contained within this report, it is likely that NDIA will conduct a follow-on survey at some time in the coming months to assess the ever-changing nature of the impacts of the COVID-19 crisis. More information about this follow-on survey will soon be made available.

This assessment is part of an ongoing effort by NDIA to mitigate the damage from the COVID-19 to the defense industrial base. More information about NDIA's activity related to the COVID-19 crisis can be found at [NDIA.org/Coronavirus](https://www.ndia.org/Coronavirus).