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Column: Considerations when choosing a mentor or protege under the SBA's programs

by Ambika Biggs, PilieroMazza PLLC

When the U.S. Small Business Administration amended its regulations in August 2016 to establish a mentor-protégé program for all small businesses, it included provisions that limit the number of mentors a small business can have, as well as the number of companies a large business can mentor.

As a result, companies must be strategic in choosing companies as their mentors or protégés so they can ensure they are partnering with a company with which they are compatible and for which they can receive the most benefit.

Under the regulations, a protégé may enter into two mentor-protégé agreements with different mentors over its life. 13 C.F.R. § 125.9(e)(5).

The term of each agreement can be no longer than three years, but can be extended for an additional three years.

So in total, a protégé may have mentor-protégé relationships with two different firms, and those relationships can last no more than six years total.

Protege needs and strategy

Given these limitations, protégés must carefully select their mentors. Protégés need to consider what their needs are and what assistance mentors can bring to the table to help the protégés grow their businesses – whether that help takes the form of financial assistance, training on management techniques, education relating to skills pertinent to the industry, or general knowledge of government contracting.

Under the regulations, the mentor and protégé are required to enter into an agreement that sets forth the protégé's needs and addresses how the assistance the mentor will provide will help the protégé meet its goals. 13 C.F.R. § 125.9(e).

Protégés should conduct this analysis before even seeking out mentors so they can determine exactly what assistance they require.

Research and due diligence

Protégés can then conduct research on potential mentors by networking, attending industry events, communicating with their local SBA offices and conducting internet research for companies that could meet those needs.

After identifying potential mentors, the next step is to conduct basic due diligence on them. The potential mentors' capabilities; financial standing (including assets and debts); experience in the industry in which the protégé needs assistance; reputation; and past performance history are among the initial issues the protégé should assess.

Some of this information can be gleaned from Dun & Bradstreet and Accurint reports, SEC filings, and websites such as SAM.gov and USASpending.gov.

Consider compatibility

There also are more subjective – yet equally important – factors that protégés should consider in determining which companies would be good mentors. For instance, two firms may look like they would be good partners on paper, but their corporate cultures and values may not align, which could result in a rocky relationship.

The management styles and personalities of the key officers and directors in the companies also could conflict, which could result in a less than successful mentor-protégé relationship.

Obtaining information on a company's culture and values can be more difficult than obtaining more objective information; however, conversations with a potential mentor's previous or current business partners, other companies within the industry, and the company leaders themselves can help protégés assess whether a mentor and protégé will be compatible.

Advice for mentors

Mentors also must be careful in selecting their protégés. Pursuant to 13 C.F.R. § 121.520(b)(2), a mentor generally will have only one protégé at a time, and "under no circumstances" is a mentor permitted to have more than three protégés total at one time in the 8(a) mentor-protégé program or the SBA's small business mentor-protégé program.

Therefore, mentors should conduct the same type of due diligence that the protégés perform to see if the protégés are in good financial shape, the level of experience they have, and if they appear to be types of companies that can grow and become successful with the mentor's assistance.

While mentoring a company can open a large company up to small business contracting opportunities it otherwise may not have had, large businesses should not mentor small companies solely for this reason, and instead should look for companies for which they can provide real business development assistance.

Indeed, by being an effective mentor that helps a small company grow, a large company can earn a reputation that will draw more small companies to it for mentoring opportunities in the future.

Ambika Biggs is an attorney with PilieroMazza PLLC in the Government Contracting Group. For over 25 years, PilieroMazza has helped businesses to successfully navigate a diverse array of legal matters, including government contracting, SBA's procurement programs, litigation, labor and employment and corporate law. Visit www.pilieromazza.com.