

Increasing the Capacity of the Nation's Small and Disadvantaged Businesses (SDBs)

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Prepared by: EuQuant
(Formerly Boston Research Group, Inc.)

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FINAL REPORT

Increasing the Capacity of the Nation's Small Disadvantaged Businesses (SDBs)

A EuQuant Report

Commissioned by the Congressional Black Caucus Foundation

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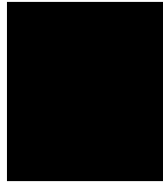
EuQuant specializes in data driven research on emerging markets and underserved communities. Our clients include Fortune 500 and Black Enterprise 100 corporations as well as governmental agencies at all levels.

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About the Authors

Thomas “Danny” Boston is CEO of EuQuant and Professor of Economics at Georgia Institute of Technology. Dr. Boston is the author or editor of six books and numerous scholarly articles on entrepreneurship and related topics. He advised the U.S Department of Commerce on the benchmarking methodology currently used in the SDB Program. Linje R. Boston is COO and Chief Statistical Analyst of EuQuant.



Executive Summary

EuQuant (formerly Boston Research Group) was commissioned by the Congressional Black Caucus Foundation to conduct a comprehensive study of the Small Disadvantaged Business (SDB) Program run by the U.S. Small Business Administration. The report seeks to increase the national and global competitiveness of SDBs by offering recommendations that are designed to increase their capacity and success in federal procurement and in corporate supply chain relations. The primary recommendation is that the \$750,000 personal net worth ceiling of the SDB program should be adjusted so that participants can build greater capacity. By building greater capacity, SDBs are able to operate more successfully in the public and private sectors. Their greater success adds significant value to overall economic output and generates jobs, income, and wealth in the general economy and especially in underserved communities.

Background and Purpose

- The government's Small Disadvantaged Business (SDB) Program was established to help mitigate the effects of discrimination on the performance of businesses owned by minorities and other socially and economically disadvantaged individuals.
- This comprehensive report assesses the impact of the SDB Program on minority-owned businesses and examines the contribution of SDBs to national output and employment.
- A major section of the report is devoted to exploring how the SDB Program's \$750,000 personal net worth (PNW) ceiling affects SDBs.
- After determining that the PNW ceiling is too low and that it adversely affects the operation of SDBs, new program changes are proposed.

- The recommendations are designed to increase the capacity of SDBs so they will become more competitive in federal procurement and in corporate supply chains.¹
- The results are based on an examination of 47,254 Small Business Concerns (SBCs)² listed with the government's Central Contractor Registration (CCR) in 2006.

What the Reader can Expect

The report has thirteen sections. These sections describe the current status of minority-owned businesses, document the critical importance of government contracting to minority business viability, and examine the plight of more than 10,000 minority-owned SBCs that are listed in the CCR but have never participated in the SDB program. The report considers how the U.S. Supreme Court Adarand Decision has changed the SDB Program. It measures the impact of the SDB Program on minority business performance and analyzes how the \$750,000 PNW ceiling has affected SDB capacity. Finally, it estimates the influence of the SDB Program on national output and employment and it analyzes where minority and non-minority-owned firms are located in relation to the most distressed areas of central cities.

¹ As used in this report, capacity is synonymous with the three-year average revenue of a firm.

² A Small Business Concern (SBC) means any for-profit business that meets the industry and employment size standards as determined by the Office of Small Business Standards of the Small Business Administration (See Federal Acquisition Regulation FAR 19.101, at: <http://acquisition.gov/far/current/html/FARTOCP19.html>). This report does not examine SBCs that register with CCR as Women-owned Small Business Concerns, Veteran-owned or Disabled Veteran-owned Small Business Concerns.