



DOT DBE Congressional Hearing Testimony

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Underutilized or Disadvantaged?

Why is it that, despite a decade of record revenues and employment growth in the St. Louis construction industry, we see ongoing unrest over lack of minority business participation in public construction projects? Why, after years of disadvantaged business enterprise (DBE) programs, are so many minority-owned firms still struggling to survive or prosper? One reason is that racial and gender discrimination are still problems in our nation.

Despite this, the interest on the part of owners and community stakeholders seems sincere. Yet the largest public projects in the country continue to fall well below the goals set by their own boards.

Some minority-owned businesses thrive in America. Success varies widely across categories in the minority business community. The technology industry has offered great opportunities for David Steward of World Wide Technologies and Kelvin Westbrook of Millennium Digital two minority business owners whose exemplary firms rival any competitor. The Kwame Building Group has grown and survived multiple challenges and obstacles but still managed to become one of the most successful DBE firms in the construction industry working on multiple transit and transportation projects from Seattle to Pittsburgh and Dallas to St. Louis.

But we can't assume that all minority or DBE firms are doing well just because a couple are successful. Each industry has its own unique challenges and I believe none is more challenging than the design and construction industry. With second and third generation transitions among white family business owners in full swing and a curious dynamic of "minority inclusion" efforts in place, the local construction industry is an anomaly in terms of minority business success.

Consider this. For a small minority- or woman-owned business to become certified to compete for what is typically a small portion of a construction contract; the owner must complete exhausting forms that expose his or her business and personal financial history, tax returns and financial statements to bureaucratic strangers. Certification requires many hours of work and much exposure, simply to validate ethnicity or gender. Given the threat of identity theft these days, most privately owned companies would bristle at that level of intrusion.

Then, after a considerable expenditure of time and money, the firm is *not* put on a list for prime or lead contract opportunities. Instead, they are usually only eligible to be a *subcontractor* on a prime contract typically held by a white-owned business. In some cases, the prime contractor is less qualified than the minority contractor, who they are soliciting for sub work simply to meet minority inclusion requirements. The white prime contractor does not complete a form or share any highly confidential and personal financial information to be considered for a major prime contract.

This is not the best way to promote greater minority participation. The very businesses these programs are designed to help are disadvantaged from the start by a system that requires them to spend more time, money and resources than their white colleagues, for lesser opportunities.

However, most minority-owned firms don't mind the effort it takes to become certified. In fact, most small businesses would not exist or prosper if not for these programs. And let me just say that none of us support companies that take advantage of these programs. Fronts and frauds are unacceptable and should be excluded from participation. Still, it is important to understand that most majority firms have huge advantages when utilizing a disadvantaged business enterprise.

Initiatives implemented to improve cash flow for DBE's assist cash flow for the majority firm as well. Therefore the DBE program is often as much an advantage to the majority firm as it is to the DBE firm.

[Julie: I am not sure exactly what corporate welfare Mr. Thompson is referring to, but to include that assertion, I think there would need to be more explanation.] The White contractors want to win projects and sometimes owners like federal, state and local agencies want to award contracts without doing the hard work to develop truly competitive businesses. We hear their complaints all the time. "There aren't enough good minority firms out there to meet the goals." Or, "we'll be forced to hire them, even if they cost more, just to meet a goal."

So how do we fix this complicated dilemma? We need to keep our eye on the ball of working to address discrimination and facilitate the development of strong, viable and competitive minority and women owned businesses. And we need to limit administrative burdens on DBEs while simultaneously taking on fraud and abuse.

Which leads me to a potential solution. If you do what you have always done, you will get the results you have always gotten. The DBE program is not the problem, but I believe in can be implemented far more effectively to meet its real purpose. So let's try something different.

The Mentor/Protege Program at Busch Stadium is a shining example of success, one that is bound to become a national model. This program has provided meaningful, growth-building contracts to more than 60 local minority and woman-owned enterprises (M/WBE). Most importantly, the positive impact goes far beyond the initial contracts or any statistical goals. The program actually helps firms gain the skills they need to be successful and profitable in the long run.

So what has made this DBE program highly successful, while others have failed?

First, we have a solid commitment from the Cardinals, the private owner of the project, inspired by a similar commitment from Major League Baseball (MBA). To achieve the Cardinals' inclusion goal, every prime contractor had strong incentives not only to team with a minority or

woman-owned firm certified through the DBE program but also to be actively *involved* in that firm's work throughout the project.

One-on-one mentor/protégé relationships were created, and written, monitored action plans were established to ensure that the M/WBE firms learned the rigors of working on a large project.

Secondly, we built in extensive oversight, follow-up and support from Hunt Construction in association with Kwame Building Group, the general contracting team on the stadium project. April Brown-Hendricks of my firm, Kwame Building Group, manages the program and provides training workshops and support for the M/WBE firms. The involvement from the top down has given the program real depth. MoDot liked it so much, they hired April to head a similar program on a local highway project and recently hired her directly for their department.

The goal, was to leave the market stronger, to leave stronger minority subs capable of doing more work, and capable of doing it in a more efficient manner. We succeeded

The key to this program's success is that it's neither voluntary nor a mandatory set-aside. The Mentor/Protégé program works because it combines both commitment and desire, and goes well beyond the cliché reasons to not do business with small minority or woman-owned firms. At Busch Stadium and MoDot, the owner is committed to inclusion, the prime contractors/mentors are enthusiastically involved and the protégés are receiving extensive training and support to help them grow and stay successful.

So next time you hear "there just aren't enough good minority-owned firms," try thinking outside the box for a moment. Instead of just setting goals that may or may not even be met, let's ask our public agencies to provide *real* opportunities – even prime contracts – to our most promising minority- and woman-owned businesses. Let's ensure that our young minority and woman entrepreneurs and workers are truly on level footing with their white male peers. Let's build an industry where we can share expertise and grow all of our businesses. After all, DBE firms want the same thing as majority firms, they are placed at a disadvantage by bureaucrats, thus the term disadvantaged has a stigma associated that sends the wrong message of

inadequacy. The real term should be changed for good to “underutilized business enterprise” or UBE.

And we can do this by being FAIR! That is how we will build a better America.