

Ohio  
Minority  
Business  
Advisory  
Council

2010

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April 2010 Bi-Annual Report

## Contents

Ohio Minority Business Advisory Council Introduction .....	3
I. Procurement Committee .....	4
A. Procurement Committee Mission .....	4
B. Procurement Committee Composition .....	4
C. Procurement Committee Activity .....	4
D. Recommendations Table .....	5
E. Recommendations in Detail .....	5
F. Department of Administrative Services Update .....	9
G. Department of Transportation Update .....	10
II. Business Development Committee.....	12
A. Business Development Committee Mission.....	11
B. Business Development Committee Composition .....	11
C. Background Information .....	12
D. Recommendations Table .....	13
E. Recommendations in Detail .....	14
III. Capital Access and Banking Committee .....	17
A. Capital Access and Banking Committee Mission .....	17
B. Capital Access and Banking Committee Composition .....	17
C. Committee Activity.....	17
D. Recommendations Table .....	18
E. Recommendations in Detail.....	19
IV. Certification Committee .....	22
A. Certification Committee Mission .....	21
B. Certification Committee Objective.....	22
C. Certification Committee Challenges.....	21
D. Certification Committee Activity .....	22
E. Recommendations Table .....	22
F. Recommendations in Detail .....	23
G. Current Status .....	23
Appendices .....	24

## Ohio Minority Business Advisory Council Introduction

On April 8, 2009, Governor Ted Strickland issued Executive Order 2009-5S establishing the Ohio Minority Business Advisory Council (MBAC) to assist the Administration in ensuring that minority businesses have access to capital, bonding, procurement opportunities, and technical assistance and ensuring Ohio creates an environment that is conducive to inclusion and equity.

The role of the MBAC is to:

- a. Advise and assist the Directors of the Ohio Department of Development and Department of Administrative Services in carrying out each Departments respective responsibilities in the areas of economic development, employment, procurement, training and other matters affecting the economic vitality of the minority business community;
- b. Provide advice, insight and expertise to the State in the diversification and opening of its markets, as well as the identification of business opportunities for the minority business community;
- c. Provide guidance and feedback about policies and legislation that would favorably impact the growth and development of minority business enterprises and about practices that would increase the number of minorities starting businesses and further contributing to the growth of Ohio's economy;
- d. Keep the ODOD and ODAS abreast of significant issues and trends in minority business growth, development or ownership;
- e. Submit a bi-annual report to the Directors of ODOD and ODAS that outlines concerns, issues and challenges regarding minority business development and growth and identifies potential initiatives to respond to those issues and challenges.

The MBAC held its first meeting on August 26, 2009, and conducted subsequent monthly meetings. Committees were established to work on fulfilling the role of the MBAC in the four main goals of the Administration: ensuring access to capital, bonding, procurement opportunities, technical assistance, and creating an inclusive and equitable environment.

This report is the first bi-annual report of the MBAC and its committee activities and recommendations.

## I. Procurement Committee

It is this Procurement Committee’s belief that strong minority inclusion outcomes, which Governor Strickland is committed to, are achievable by a continuum of three focus areas:

- Effective Outreach
- Procurement Process Performance
- Tracking Accountability and Reporting

Giving full consideration to the interconnectedness of the additional MBAC committees -- Business Development, Certification and Capital Access and Banking committees -- our focus concentrated on the state procurement process.

Like all statewide functions, the state of Ohio has an extremely comprehensive procurement system. There are various agencies that have distinctive purchasing and contracting approaches (i.e., the Ohio Department of Transportation (ODOT) relative to the Ohio Department of Administrative Services (DAS)). This committee received general procurement overviews from ODOT and the Ohio Department of Development (ODOD). However, due to time limitations and the broad scope of analysis necessary to construct a comprehensive picture of statewide purchasing activity, its deepest level of assessment focused on the General Services Division (GSD) at DAS.

The Procurement Committee plans to monitor its ongoing recommendations and start implementing new recommendations by the full MBAC reporting period in six months.

### A. Procurement Committee Mission

To ensure a state procurement system that is open, business-friendly and results in greater utilization of and increased spending with a representative and expanded group of minority-owned business firms.

### B. Procurement Committee Composition

<b>Stakeholder Community</b>	<b>Panel Member</b>	<b>Affiliation</b>
Minority Business	Sean Rugless Steven Sims	<ul style="list-style-type: none"> <li>• Greater Cincinnati African American Chamber of Commerce</li> <li>• Greater Cleveland Regional Transit Authority</li> </ul>
State Agencies	Nadine Wise Jeff Westhoven Fatou Ndiaye Tom Pannett Malika Bartlett	<ul style="list-style-type: none"> <li>• DAS</li> <li>• DAS</li> <li>• ODOD</li> <li>• ODOT</li> <li>• ODI</li> </ul>
Subject Matter Experts		<ul style="list-style-type: none"> <li>• DAS Procurement Officials</li> <li>• DAS Legislative Liaison</li> <li>• ODOT Agency Procurement Officer</li> <li>• ODOD Minority Business Enterprise Division</li> </ul>

## C. Procurement Committee Activity

The Procurement Committee held a conference call at 3:00 p.m. on the second and fourth Thursday of each month beginning on January 14, 2010.

In addition to the bi-weekly conference calls, the committee arranged to have a DAS Procurement presentation with agency experts at the General Services Division of DAS in Columbus, Ohio.

Finally, the committee participated in working sessions at the monthly MBAC meetings in Columbus, Ohio.

## D. Recommendations Table

Number	Recommendation
1	Update the online MBE/EDGE certification form to register vendors at DAS Procurement
2	Recognize and analyze business-spend data
3	Change ORC to recognize minority participation equally as set-aside
4	Drive individual accountability for MBE and EDGE participation
5	Advance MBE and EDGE sub-contracting activity
6	Effectively measure the procurement process
7	Broaden MBE vendor opportunities and focal points that extend beyond MBE set-asides
8	Include language and scoring criteria to encourage the use of minority sub-contractors on open bid opportunities
9	State Agencies share resources and combine outreach efforts with community organizations
10	Perform inclusion best practices benchmarking initiative

## E. Recommendations in Detail

Number	Recommendation
1	Update the online MBE/EDGE certification form to register vendors at DAS Procurement

### Background

Thirty percent of Ohio's certified Minority Business Enterprises (MBE) and Encouraging Diversity and Growth in Equity (EDGE) vendors are not registered as vendors in the State Procurement System. DAS maintains a bid list where prospective vendors can register to receive automatic notification of DAS bid opportunities via e-mail. Without this registration, vendors will not receive e-mails for upcoming state procurement opportunities in their particular area of interest.

### Recommendation

Develop an automated process to integrate the registration and certification. This way, vendors may complete the certification application and become registered at the same time.

### Impact

When a company becomes state certified as an MBE they will automatically become a registered vendor in their chosen commodity. DAS Procurement will send them a notice whenever they have a request for that commodity. In addition to DAS sending notifications, other state and local

governments will also review and search the registered supplier list when they need a specific commodity. Ultimately, minority vendors will bid more often and have the potential to do a larger amount of business with the state.

Number	Recommendation
2	Recognize and analyze business-spend data

**Background**

The State of Ohio purchases almost every kind of good and service, yet there is no analysis of the gaps found in spending with minority businesses.

**Recommendation**

Complete a spend-analysis to identify goods and services that are routinely purchased and identify areas where there are no or little MBE and EDGE certified or registered vendors.

**Impact**

The analysis will provide Outreach Coordinators, Small and Minority Business Trainers and Educators, and our Community Partners the information needed to actively pursue and certify minority businesses in the most-needed procurement areas.

Number	Recommendation
3	Change ORC to allow minority business participation as set-aside

**Background**

While the Executive Order 2008-13S Yearly Performance Scorecard considers minority business open-market dollars as participation, Ohio Revised Code (ORC) does not allow for such participation to be considered set-aside. Thus, agencies may be spending more money with subcontractors and through open participation than we are analyzing.

**Recommendation**

All minority business participation should be formally recognized, where the MBE definition should include all participation dollars, not just set-aside dollars. ORC 125.081 should be amended to allow all MBE spend (open-market and sub-contracting) to officially count as minority participation.

**Impact**

This recommendation, coupled with the subcontracting reporting and increased open participation recommendations, will officially translate to genuine increased minority business participation.

Number	Recommendation
4	Drive individual accountability for MBE and EDGE participation

**Background**

Procurement reform has been comprehensive and designed primarily to address agency-level spending behavior. Each state agency has a Procurement Officer and these procurement officers should form the Agency Procurement Officer (APO) network. The network creates an opportunity for information sharing and training. However, it remains unclear whether the state addresses individual accountability for purchasing decision-makers as it relates to achieving MBE and EDGE goals as established by the state of Ohio.

### Recommendation

MBE and EDGE program participation should be formally tied to the performance evaluation of purchasing and procurement decision makers. Increase participation also needs to be tied to allowable incentives for purchasing and procurement decision makers.

### Impact

Purchasers will have a greater sense of individual accountability and buy-in toward meeting MBE and EDGE goals. This recommendation aligns both agency and procurement decision-maker behavior to stated goals of the program.

Number	Recommendation
5	Advance MBE and EDGE sub-contracting activity

### Background

Low levels of overall MBE and EDGE participation are driven largely by MBE and EDGE firms being relegated to small-size contracts or by Prime Vendors who are not fully aware or engaged with MBE or EDGE firms. As large state contracts and spending are often managed by prime companies who consequently sub-contract the work, this presents an opportunity to advance MBE and EDGE spending levels.

### Recommendation

The state of Ohio should advance an initiative for prime contractors and firms in the first position in state contracts to utilize MBE and EDGE firms to a greater extent and on a larger scale. State Matchmaker Events throughout Ohio should incorporate components that bring Tier 1 (larger firms), Tier 2 (smaller, minority owned and economically disadvantaged firms), and APOs together.

### Impact

A collaborative environment is conducive to vendors recognizing and supporting the value of diversity and inclusion. Greater spend with MBE and EDGE firms and improved relationships between large and smaller firms may result in continued partnership for pursuing both public and private business opportunities. This tactic also advances the size of spend that occurs with MBE and EDGE firms by participating in non-set aside business opportunities.

Number	Recommendation
6	Effectively measure the procurement process

### Background

The key to successful program implementation is established by how effectively the process is measured. Currently, inclusion success is dependent on contracting outcomes as reported in agency reports and statewide scorecards. There is an opportunity to understand the health of the state's procurement approach for MBE and EDGE firms by measuring activity and outcomes and key parts of the procurement process.

### Recommendation

Advance the procurement tracking and reporting capabilities to provide in-process measure for MBE and EDGE bidding and contracting activity.

### Impact

A broader set of in-process metrics provides a better sense of where the procurement process is effective or where it may need refinement. Any necessary program improvements are accelerated and can occur while there is still time to impact outcomes.

Number	Recommendation
7	Broaden MBE Vendor opportunities and perceptions that extend beyond MBE set-asides

**Background**

The state central procurement website categorized procurement opportunities as a “yes” or “no” MBE bid opportunity. Bidders may incorrectly perceive that to mean that they only fit into one category over another.

**Recommendation**

State Procurement Websites should be user-friendly and designed in a way that minority vendors perceive all bids as contracting opportunities. As part of the combined outreach and education efforts, state agencies and their partners should encourage more bids. Additionally, this committee recommends that the DAS procurement website label bids as “MBE” or “Open.”

**Impact**

MBE vendors who previously only bid on “yes” set-asides will be aware of and bid on every opportunity that fits their area of service or expertise.

Number	Recommendation
8	Include language and scoring criteria to encourage the use of minority sub-contractors on open bid opportunities

**Background**

Prime vendors bidding on open markets may not have the proper incentives to partner and subcontract with MBE subcontractors. Without contract language, the important opportunity may be overlooked.

**Recommendation**

All open-market contracts should include language which encourages the use of minority sub-contractors, when applicable.

**Impact**

Prime vendors will begin to consider MBE subcontractors and cultivate partnerships and mentorships.

Number	Recommendation
9	State Agencies share resources and combine outreach efforts with community organizations

**Background**

Small and emerging minority businesses may not know about state-offered procurement programs, how to navigate the state procurement process, become certified and registered, or how to bid on state contracting opportunities.

**Recommendation**

There are seven Procurement Technical Assistance Centers (PTAC) and eight Minority Contractors and Business Assistance Program Centers (MCBAP) throughout Ohio. While efforts have already taken place to train staff to walk vendors through the MBE and EDGE certification process, state agencies should continue to collaborate training, education and outreach efforts at PTAC and MCBAP centers.

### Impact

Increased collaboration and awareness will create effective outreach and maintain awareness for emerging and new minority businesses.

Number	Recommendation
10	Perform Inclusion Best Practices Benchmarking Initiative

### Background

Recently, the state has implemented various procurement reform initiatives. Changes in agency infrastructure, market/category-centered purchasing approach, and emerging IT platforms have been introduced to enable efficiencies in time and cost for the state's purchasing environment. Steps are needed to maintain a close tie between reform efforts and the state's continuing commitment to achieving MBE inclusion goals and outcomes.

### Recommendation

Implement a Best Practice review to compare and analyze key elements of the state of Ohio's purchasing process on a periodic basis, against practices of other governments and public sector entities that are proven to drive strong inclusion outcomes among MBE and EDGE companies. By applying proven mechanisms and practices of inclusion, the state will continually advance and complete procurement reform. This will better ensure that every viable segment of our state-wide small business community is more fully utilized.

### Impact

Procurement Reform for the state of Ohio is complemented with "Best Practices" in public spending. Process elements that mitigate MBE and EDGE participation are identified and remedied, which should help foster and support job creation and economic growth among the state's small business community – a large and growing segment. Inclusion goals are achieved in concert with new reforms.

## F. Department of Administrative Services Update

Currently, DAS is participating in the following MBE/EDGE Performance Improvements:

- Prominently indicate MBE/EDGE vendors as preferred vendors on all State Term Schedule (STS) contracts
  - The MBE Certified businesses are indicated as MBE Participation and highlighted in green at the top of the list;
  - EDGE vendors are indicated as EDGE and highlighted in green and listed after MBE vendors.
- Navigation improvements to [www.procure.ohio.gov](http://www.procure.ohio.gov) and [das.ohio.gov](http://das.ohio.gov) to find certification and contracting opportunities easier
  - A link to MBE and EDGE contracts is now prominently displayed on the front page. Users will now be able to select a list of current or upcoming MBE or EDGE contracts;

- Prominent Certification links allow new businesses to find certification information quickly.
- Complete a spend analysis to identify goods and services that are routinely purchased for which there are no MBE or EDGE vendors certified or registered in the DAS procurement system and develop a plan to recruit MBE and EDGE vendors for those goods and services
- Develop a system to capture subcontracting activity with MBE/EDGE vendors for supplies and services similar to construction
- Establish a working group to rectify OAKS reporting deficiencies
- Organize Procurement Employees by subject matter, rather than process. Now, staff will become experts in subject matter and markets rather than process. They will include minority business issues relative to that market for participation and subcontracting opportunities.

## **G. Department of Transportation Update**

ORC 125.081 requires state agencies to set-aside 15 percent of all spending for minority business contracts. Since its inception, ODOT has been working with DAS to institute plans for MBE purchases and to create a Departmental culture that encourages opportunities to engage the MBE community.

In an effort to enhance ODOT's MBE purchasing program, ODOT Purchasers are directed as follows:

- Seek out opportunities to make purchases from only MBEs
  - ODOT will coordinate with DAS to segregate traditional past purchases from "majority" participating contracts. However, in order to meet the 15 percent goal under the law, ODOT purchasers must regularly look for new opportunities for MBE purchases, and not rely upon past "participation" credit on existing contracts to reach the goal.
- Set aside eligible contracts and quotes
  - Purchasers are encouraged to use quotes to MBE-only vendors to reach the set-aside requirement. If one or more MBE vendor exists, purchasers should get quotes from as many as possible. If it is reasonable, only one MBE vendor quote is sufficient.
- Look beyond the 10 percent "rule of thumb"
  - ODOT purchasing professionals are encouraged to use their own best judgment on a purchase. However, this guidance will no longer recommend a formal percentage like 10 percent. All eligible purchases that include an opportunity to buy from a qualified MBE vendor should be evaluated, even if the cost is slightly higher than from a majority-owned company.

## II. Business Development Committee

Executive Order 2009-5S roles of council applicable to the committee:

- 5B. Provide advice, insight and expertise to the State in the diversification and opening of its markets, as well as the identification of business opportunities for the minority business community.
- 5C. Provide Guidance and feedback about policies and legislation that would favorably impact the growth and development of minority business enterprises and about practices that would further increase the number of minority businesses and further contributing to the growth of Ohio's economy.
- 5D. Keep ODOD and ODAS abreast of significant issues and trends in minority business growth, development or ownership.

### A. Business Development Committee Mission

To offer support and build capacity of minority businesses through identifying existing resources, recommending additional resources and marketing available services and resources.

The committee meets via conference on the second Tuesday of each month. In addition to the monthly conference calls, the committee participates in working sessions at the monthly MBAC meetings in Columbus, Ohio.

### B. Business Development Committee Composition

Stakeholder Community	Panel Member	Affiliation
Minority Business	Sean Rugless Barry Peel Verna Lee Bob Lanier	<ul style="list-style-type: none"> <li>• Greater Cincinnati African American Chamber of Commerce</li> <li>• SCOMSDC</li> <li>• Lee Testing and Engineering</li> <li>• Black Pages of Ohio</li> </ul>
State Agencies	Iris Cooper Sharon Smith	<ul style="list-style-type: none"> <li>• ODOD</li> </ul>
Legislative	Senator Shirley A. Smith	<ul style="list-style-type: none"> <li>• Ohio State Senate</li> </ul>
Municipality	Carmen West	<ul style="list-style-type: none"> <li>• City of Canton</li> </ul>
Education	T N Bhargava	<ul style="list-style-type: none"> <li>• Kent State University</li> </ul>
Private Sector	Joe Patchen Stefan Holmes	<ul style="list-style-type: none"> <li>• Carlisle, Patchen &amp; Murphy</li> <li>• First Merit Bank</li> </ul>

## C. Background Information

The MBAC Business Development Committee was charged with providing information on finding alternatives that will nurture, develop and maintain minority businesses. The committee looked at four core areas to make this possible. The core areas are business start up, sustainability, growth/expansion and acquisition/merger. These areas proved to be the most vital as it also relates to all businesses across the board. Assistance in these areas will minimize challenges and create more opportunities for business development statewide. As the business economy is growing more complex, the needed resources are proven to be the foundation for long term viability.

- Business Start Up

According to the U.S. Department of Commerce, Minority Business Development Agency minority-owned firms generated more than \$661 billion in annual sales and employed approximately 4.7 million people. With minority businesses having a strong impact on Ohio's economy, it is paramount that resources are available to assist them for growth and sustainability.

Business start-ups require services beyond what can be provided by small business development agencies. To prepare these entrepreneurial start-ups for long term viability, educational and technical assistance resources are vital. Business expertise and readiness is required to prepare individuals for this venture. Due to difficulties business owners encounter with business planning, start up information such as proposals, identifying investment needs and customer or market identification are some of the necessary steps to prepare individuals for business ownership. Assistance with the who, what, when, which, why and how are key issues that need to be considered with the high amount of risk involved in starting a business.

Developing programs and analyzing objectives are only a few areas that merit attention in starting a business. Depending on the strategy, these areas should be the areas of focus. Creating an environment of readily available resources during this stage benefits not only the minority businesses but the economy.

- Sustainability

Sustainability is the process in which environmental, financial, human, societal and other resources are aligned so that goals are not compromised in favor of one or another. The Economist Intelligence 2008 report states that sustainable practices can help reduce costs and open up new markets. Minority businesses need assistance in making this a priority for their business. Due to the fact that most start-ups have a life span of less than 5 years this is another area that is vital. Understanding the balance between the areas that are most significant will help companies survive; this knowledge needs to be conveyed early on so that loans, investments and time are not wasted.

- Growth/Expansion and Acquisition Merger

Basic growth strategies are the building blocks of any business; understanding relationships, product development, and market development are only a few areas of

concern for businesses. Businesses will need to understand supportive growth strategies including the core practices and hurdles.

Additionally, human capital, and other business growth resources need to be available for a company’s survival. Business growth requires a special set of skills that not all businesses possess. This is particularly a problem among minority business owners. Creating an opportunity to create growth strategies will help strengthen partnerships and forge relationships that are crucial for business growth. As these partnerships are forged, businesses are able to achieve parity in the market and provide jobs in the community.

Integration practices can also be a part of business growth. The Graziadio Business Report indicates that most integrational practices were built around consolidating resources, finance and assets, tradable endowments and brand names; however, the most important integration strategies capture core competencies such as knowledge bases, routines and best practices.

Understanding the correlation between cultural cohesion, talent, and collaborative leadership are core competencies needed to provide long term business growth when mergers are being considered. The competencies can be developed or honed with the right sources of information.

The committee measured the challenges of all of the areas and determined that there was a missing link with regard to resources available for the many businesses that are disadvantaged. Are the needed resources readily available and can they be easily identified and accessed by the minority business owners are the challenges identified by this committee.

The following were identified as gaps in the available resources:

- Means of communication
- Knowledgeable points of contact
- Education and technical assistance on capacity building
- Mentoring resources

## **D. Recommendations Table**

<b>Number</b>	<b>Recommendation</b>
1	Strengthen and Expand the Minority Business Enterprise Division
2	Develop an accessible, easy-to-understand web portal for minority & disadvantaged, small businesses
3	Identify and train knowledgeable points of contact
4	Educate and support minority businesses on capacity building , market & business development
5	Identify Financial, Management and Technical Assistance Resources in Public and Private Sectors
6	Identify Mentoring Resources
7	Collaborate with other Committees on Resources, Inclusion on Contracting Opportunities and Identification of Capital Resources

## E. Recommendations in Detail

Number	Recommendation
1	Strengthen and Expand the Minority Business Enterprise Division

### Background

The Minority Business Enterprise Division is a primary partner for the state in communicating and marketing the available resources to the minority business community. It is also the primary responsibility of the division to nurture, develop and sustain minority businesses. The Minority Business Enterprise Division has experienced cuts of -17% and -29% respectively for the past two fiscal years, with the expectation of increasing their efforts to support minority business development. A closer look at the Division's activity and scope of responsibility reveals MBED GRF allocation is underfunded by approximately \$700,000 (-32%).

### Recommendation

To address the gaps in the resources available, this committee recommends strengthening and expanding the Minority Business Enterprise Division with a mission to offer support and build the capacity of minority businesses through identifying, recommending and marketing available services and resources.

Number	Recommendation
2	Develop an accessible, easy-to-understand web portal for minority & disadvantaged, small businesses

### Background

Access to resources, events and information is vital to business growth. Information isn't being disseminated to the people who need it the most. While e-mail blasts are a good method, other marketing methods are also needed.

### Recommendation

Recommendations include providing information to grass roots community based organizations (i.e. business assistance centers, community centers, neighborhood organizations, foundations, etc.), creating a web portal that is recognized as the site for all available minority business resources, assistance and event notification, in addition to creating community chats with the local municipalities. A universal website with links to multiple sites and pages for ease of access should be created. *See suggested website example in Appendix.*

Number	Recommendation
3	Identify and train knowledgeable points of contact

### Background

As the economic climate continues to ripen, entrepreneurial start ups can provide a remedy to job decline. Creating an opportunity to help cultivate new business is crucial to Ohio's economy. The focus will be to identify all state, local and county (government and non government) resources for minority businesses by partnering with all organizations that provide such services and creating a one stop shop and a "help desk champion" in the areas of business development.

The help desk champion is a business development expert whose goal is to research and refer businesses of any type to the appropriate resource. Marketing of this resource should cross all

media outlets including social media, blogs, state programs, television, media publications and public service announcements.

**Recommendation**

Recommendations include identifying and training help desk champions who would be available in all areas of business development including but not limited to business start-up licensing, procurement, capital access, and certification, to name a few. This would create a network of knowledgeable points of contact across all spectrums of business development and growth. Bridging the gap by collaborating with all service providers will create easier access to resources. Each area will be identified so that the proposed business can select which area of assistance is needed. Downloadable resources will be available at the click of a button with the opportunity to chat or meet with a help desk champion.

Number	Recommendation
4	Educate and support minority businesses on capacity building , market & business development

**Background**

According to a 2004 report by the Small Business Administration, 56 percent of small businesses fail within the first four years. Providing resources to prevent business failure and a focus on capacity building will equate to an increase in jobs. There seems to be a disconnect with minority businesses with regard to their current position in the market. Blacks own 5.0 percent of all U.S. firms, 1.8 percent of employer firms, and 5.9 percent of non-employer firms. Asians and Islanders owned 4.7percent of all U.S. firms, 6.1 percent of employer firms, and 4.3 percent of non-employer firms. For comparison purposes, the percentages for Whites are 82.9, 88.0, and 81.4 respectively. (Lowery, 2007) Five percent is nominal in relation to the market. Utilizing resources on capacity building, market and business development will help strengthen and increase the opportunity for minority businesses to be aligned with the current market.

**Recommendation**

A review of the services and service providers revealed there are resources to match the needs of the minority and disadvantaged business communities in the areas of capacity building, market and business development; however, coordination is lacking. Coordinating the information on available resources in a universal location (i.e. the recommended web portal) and collaboration with community partners will assist businesses in the core areas and *will* create growth and jobs.

Number	Recommendation
5	Identify Financial, Mentoring, Management and Technical Assistance Resources in Public and Private Sectors

**Background**

Research proves that organizations that can provide technical assistance, access to market, cluster or sector development, capital investment and social ventures such as the MCBAP network, SBDC network, SCORE, African American Chambers, Chambers of Commerce, Urban Leagues and other non-profit groups on business development will increase market share for minority businesses.

Mentoring can be the one of the most important resources in any start up or growing business. A mentor can provide a road map for establishing or growing a business. The need for a mentor is just as important as the other business development resources and services. Although these resources may be available, most minority business owners are unsure where to go or how to obtain it. Linking businesses with mentoring services will extend the life of their businesses.

**Recommendation**

The committee recommends identifying the service providers to determine what resources are available in each sector. Collaborating with the service providers and making the information available on the recommended web portal will create easier access for the minority and disadvantaged businesses that need the assistance and services.

Number	Recommendation
6	Collaborate with other Committees on Resources, Inclusion on Contracting Opportunities and Identification of Capital Resources

**Background**

The Business Development Committee members are the generalists that look at all areas of business development and services that can assist minority and disadvantaged business owners. The other committees are specialized in the areas of review or expertise.

**Recommendation**

The committee recommends compiling all of the information reported by the other committees and making the resources and services available on the recommended web portal with an identified “help desk champion” for each area.

### III. Capital Access and Banking Committee

The Capital Access and Banking Committee recognize the challenges minority businesses face in accessing capital and bonding for stability and growth. According to the U.S. Department of Commerce, Minority Business Development Agency’s most recent study,<sup>1</sup> minority businesses:

- Are 6 - 9% less likely to receive loans than non-minority firms
- Receive lower loan amounts than non-minority firms
- Are 3 times more likely to be denied loans
- Are more likely to not apply for loans due to rejection fears
- Pay 1.4% higher interest rates on business loans
- Receive smaller equity investments than non-minority firms

#### A. Capital Access and Banking Committee Mission

The Capital Access and Banking Committee determined that its mission would be to influence policies, legislation and practices that would favorably impact access to capital and bonding to assist in the growth and development of minority businesses.

#### B. Capital Access and Banking Committee Composition

<b>Stakeholder Community</b>	<b>Panel Member</b>	<b>Affiliation</b>
Minority Business	Tony Manuel Channon Lemon  Jay Black Andrew Jackson  Alexis Clark-Amison	<ul style="list-style-type: none"> <li>• Stan Solutions</li> <li>• Minority Economic Development Council</li> <li>• JCSP, LLP</li> <li>• COSE/Greater Cleveland Growth Partnership</li> <li>• Northern Ohio Minority Supplier Development</li> </ul>
State Agencies	Natalie Burley Mary Jo Hudson	<ul style="list-style-type: none"> <li>• ODOD</li> <li>• Ohio Department of Insurance</li> </ul>
Banking and Investment	Stefan Holmes June Taylor	<ul style="list-style-type: none"> <li>• First Merit Bank</li> <li>• MWV Pinnacle</li> </ul>
Minority Community	Sybil Edwards McNabb	<ul style="list-style-type: none"> <li>• NAACP</li> </ul>
Professional Services	Joe Patchen	<ul style="list-style-type: none"> <li>• Carlisle, Patchen &amp; Murphy</li> </ul>

#### C. Committee Activity

The Capital Access and Banking Committee met on the second Monday of each month beginning January 11, 2010. The meetings were held at 1:00 p.m. via conference call. The committee also conducted face to face sessions during the monthly MBAC meetings.

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<sup>1</sup> Disparities in Capital Access between Minority and Non-Minority Owned Businesses: The Troubling Reality of Capital Limitation Faced by MBEs

## D. Recommendations Table

To date, the committee has identified areas in which the State of Ohio can demonstrate strong leadership by implementing the following recommendations:

Number	Recommendation
1	Leverage the state's deposits and investments to encourage equal access to capital for minority owned businesses
2	Make training accessible in the Qualified Contractor Development Program
3	Require organizations receiving state dollars for venture capital purposes have an approved MBE inclusion plan
4	Target 10% of the Third Frontier Fund for placement with minority venture capital firms
5	The State's business development programs should include retail and service businesses
6	Explore collaborating with prime contractors on setting terms for rapid pay to subcontractors
7	Understand the barriers or major obstacles in the Capital Access program
8	Communicate and educate businesses on the process for accessing it's financing and bonding programs
9	Identify and provide financial support for alternative products and programs that will be beneficial to improving access to capital

## E. Recommendations in Detail

Number	Recommendation
1	Leverage the state's deposits and investments to encourage equal access to capital for minority owned businesses

### Recommendation

State leadership should leverage the state's deposits and investments to encourage equal access to capital for minority owned businesses. The State should strongly encourage all recipients of its deposits and investments to provide equal access to capital for minority/DBE firms. For example:

- The State should place 10% of its deposits in: financial institutions that have assets of \$5B or greater or financial institutions that possess an exceptional supplier diversity record of awarding opportunities to minority/DBE firms.
- The State should also place a percentage of its deposits with money-management and venture capital firms with the following parameters:
  - (a) The fund or firm must have an existing solid track record of performance for their investors as well as economic development for the communities in which the Fund serves.
  - (b) The fund or firm must be an Ohio-based fund or firm that has greater than two-thirds ownership by minorities defined as African or Hispanic American ownership.
  - (c) In the case of a venture fund, minority ownership of general partner must be greater than two-thirds.

(d) The fund or firms’ managers, those who manage activities or make investment decisions, must be greater than two-thirds minority and must have two-thirds ownership in the case of an investment firm or two-thirds ownership in the general partner in the case of a venture capital firm.

Number	Recommendation
2	Make training accessible in the Qualified Contractor Development Program

**Recommendation**

The State should make training accessible (geographically and/or electronically) in the Qualified Contractor Development Program and identify opportunities to partner with large construction companies to provide training for minority businesses to prepare them for bonding.

Number	Recommendation
3	Require organizations receiving state dollars for venture capital purposes have an approved MBE inclusion plan

**Recommendation**

The State should require organizations receiving state dollars for venture capital purposes have an approved MBE inclusion plan in order to receive funding (including the Third Frontier Program).

Number	Recommendation
4	Target 10% of the Third Frontier Fund for placement with minority venture capital firms

**Recommendation**

The State should target 10% of Third Frontier Fund (\$950M over five years) to be placed with minority venture capital firm(s) with a venture capital history and track record of success, as well as, focused on creating more MBEs of size and scale throughout the state. In addition, the venture capital firm must be focused on first order economic development.

Number	Recommendation
5	The State’s business development programs should include retail and service businesses

**Recommendation**

The State’s business development programs should include retail and service businesses. Actively incorporate professional services like accounting, legal, architectural, and consulting as viable business options for inclusion in the programs.

Number	Recommendation
6	Explore collaborating with prime contractors on setting terms for rapid pay to subcontractors

**Recommendation**

The State should explore collaborating with prime contractors on setting terms for “rapid i.e. every fifteen days” pay to subcontractors.

Number	Recommendation
7	Understand the barriers or major obstacles in the Capital Access program

**Recommendation**

The State should engage banks to understand the barriers or major obstacles in the Capital Access Program in order to increase participation.

Number	Recommendation
8	Communicate and educate businesses on the process for accessing it's financing and bonding programs

**Recommendation**

The State should improve communicating and educating businesses on the process for accessing it's financing and bonding programs. For example, the State could conduct targeted marketing campaigns based on business size.

Number	Recommendation
9	Identify and provide financial support for alternative products and programs that will be beneficial to improving access to capital

**Recommendation**

The State should identify and provide financial support for alternative products and programs that will be beneficial to improving access to capital for minority businesses. Identify alternative programs that are viable options when the State's Capital Access program is not the best fit. The State can fund entities that will support providing capital loans to minority businesses, for example, the MBA Accelerator (Cleveland, OH) and Trial Capital Program (Toledo, OH).

- Encourage the State to tap existing funds from the Department of Development and lead the establishment of the MBA Accelerator Working Capital Fund - \$2.5M. This fund will then approach city, county, foundations, and private entities for 1 to 1 matches.

## IV. Certification Committee

Recognizing the importance of a credible and effective certification program; the primary objective of the Certification Committee is to provide recommendations/ solutions to simplify, streamline and improve the efficiency of the certification process for suppliers in the State of Ohio.

### A. Certification Committee Mission

Provide guidance and feedback about policies and legislation that would favorably impact the growth and development of minority business enterprises and practices that would further increase the number of minority businesses and further contributing to the growth of Ohio's economy.

Keep ODOD and DAS abreast of significant issues and trends in minority business growth, development or ownership.

### B. Certification Committee Composition

<b>Stakeholder Community</b>	<b>Panel Member</b>	<b>Affiliation</b>
Minority Business	Alexis Clark-Amison Verna Lee Judith Anthony Jose M.P. Ramirez Eugene Collins  Bennett Williams	<ul style="list-style-type: none"> <li>• NOMSDC</li> <li>• Lee Testing and Engineering</li> <li>• Comprehensive Human Resource Solution</li> <li>• Lorain Industry &amp; Technology Enterprise</li> <li>• Portsmouth Inner City Development Corporation</li> <li>• Akron Urban League</li> </ul>
State Agencies		<ul style="list-style-type: none"> <li>• DAS</li> <li>• ODOT</li> </ul>
Minority Community	Sybil Edwards McNabb	<ul style="list-style-type: none"> <li>• NAACP</li> </ul>
Subject Matter Experts	Melinda Carter Michaela Peterson	<ul style="list-style-type: none"> <li>• DAS/Equal Opportunity Division</li> <li>• ODOT/Division of Equal Opportunity</li> </ul>

### C. Committee Challenges

The state currently has just over 2,000 certified MBE and EDGE suppliers, but the most recent census data identifies more than 20,000 small businesses located in the State of Ohio. While all of the 20,000 businesses captured by the U.S. Census Bureau do not meet the State's eligibility requirements for certification, those who would make good candidates as certified MBE/EDGE vendors for the State of Ohio have not been targeted by state outreach efforts. As a result, businesses remain unaware of potential contracting opportunities, and those who are aware of contracting opportunities are uncomfortable with the bureaucracy associated with the certification process. Despite these challenges, the ability of the State of Ohio to positively impact the utilization of MBE and EDGE companies begins with creating a pool of available or "certified" companies.

## D. Committee Activity

The committee is currently identifying the certification practices of several cities and organizations within the State of Ohio that provide a certification service. We are documenting and comparing their certification requirements to the requirements for the State of Ohio's MBE and EDGE programs. We will use the certification application to capture the required information for each organization. We will look for commonalities and differences in their processes. The Certification Committee will focus on developing world class industry standards for certifying minority, women and small businesses in Ohio. We will review the certification application and process for the following organizations:

- State of Ohio MBE Certification
- State of Ohio EDGE Certification
- Ohio Unified Certification Program
- The Ohio Turnpike
- City of Cleveland
- City of Toledo
- City of Akron
- City of Cincinnati
- City of Youngstown
- City of Columbus
- City of Canton
- The National Minority Supplier Development Council
- The Women Business Enterprise Council
- The Hispanic Business Association

The Committee will also contact other states to determine best practice and review their solutions for handling multiple certifications. Some states that will be contacted are:

- Illinois
- Maryland
- Texas
- Michigan

The Committee will also examine how other organizations handle multiple certifications. We have identified two organizations for our initial review:

- The North East Ohio Sewer District
- Columbus Chamber – Diversity Bridge

## E. Recommendations Table

Number	Recommendation
1	Multi-Certification Acceptance Solution

## F. Recommendations in Detail

Number	Recommendation
1	Multi-Certification Acceptance Solution

## Recommendation

One possible solution we will explore is a **Multi-Certification Acceptance Solution** (MCA Solution). The MCA Solution is a process where the State of Ohio would accept certification certificates from other certifying organizations, mainly organizations that include site visits and where their certification requirements align closely to the State of Ohio's requirements. Here's how the process could work:

- A supplier presents a certification certificate from one of the States pre-approved MCA Solution providers plus a completed State application with agreed to attachments
- The MCA Solution provider would provide the State with required information to meet State requirements
  - A possible check list of reviewed documents
  - A possible affidavit from the MCA Solution provider affirming a satisfactory site visit was completed
- The State would fast track the request for State Certification and provides State certification within one week of receiving the request.

A possible pilot program would be recommended.

## Impact

Listed below is a review of the impact of the MCA Solution:

- Acceptance of multiple certifications will drive more suppliers to the State's database and creation of a larger resource pool of qualified suppliers;
- Increase of contract opportunities for suppliers;
- Reduce or eliminate redundancy and frustration the applicants experience from completing multiple certification applications;
- Eliminate or reduce duplication of efforts. Time saved equates to a more efficient process and decreased expenses.

## G. Current Status

We are still in the process of collecting data from the various organizations that provide certification services. We will keep the MBAC updated regarding our status.

## Appendices

### **Appendix 1: Resources**

*Purchasing Guidance #9, Purchases with Minority Business Enterprises*, Ohio Department of Transportation Office of Contracts, January 14, 2010

*MBAC DAS Procurement Tour*, Terry Tyler and Jeff Westhoven, March 10, 2010

## Appendix 2: Web Portal Model (State of Maryland Business Resources site)

The screenshot shows a web browser window displaying the Maryland Business Resources website. The browser's address bar shows the URL <http://www.choosemaryland.org/businessresources/pages/default.aspx>. The page title is "Business Resources - Ohio Department of Development".

The website content includes a navigation menu on the left with categories such as "Access To Capital", "Tax Credit Programs", "Recruitment & Training", "Marketing & Promotion", "Commercial Product Dev. Laws & Compliance", "Networking", "Site Selection", and "Certification & Contracts".

The main content area features a large heading "BUSINESS RESOURCES" with a book icon. Below this, a descriptive text reads: "From selecting a site, to legal compliance and incentives, find out everything you need to know to grow your business and market your brand in Maryland." This text is followed by a 3x3 grid of resource categories, each with a brief description:

<b>ACCESS TO CAPITAL</b> Discover state and federal loans, grants and guarantees	<b>TAX CREDIT PROGRAMS</b> Identify business growth options utilizing tax credits	<b>RECRUITMENT &amp; TRAINING</b> Find, motivate and maintain great employees
<b>MARKETING &amp; PROMOTION</b> Reach prospective customers with targeted marketing	<b>COMMERCIAL PRODUCT DEVELOPMENT</b> Acquire technical assistance and secure commercial partners	<b>LAWS &amp; COMPLIANCE</b> Stay compliant with the latest Maryland business laws
<b>NETWORKING</b> Connect with business leaders and trade organizations	<b>SITE SELECTION</b> Locate office and industrial space in 1,500+ property database	<b>CERTIFICATION &amp; CONTRACTS</b> Learn State contract certification requirements and opportunities

On the right side of the page, there are several promotional banners and social media links, including "Mdbiz TV MARYLAND BUSINESS NEWS", "THE CYBER MARYLAND BLOG", and a "Job Creation & Recovery Tax Credit" banner with the text "Putting Maryland to Work" and "Get More Information".

At the bottom of the browser window, the Windows taskbar is visible, showing the Start button, system tray icons, and several open applications: "Inbox - Micro...", "MBAC Annual R...", "Document5 - Mi...", "Business Resour...", and "Microsoft Office...". The system clock shows the time as 12:18 PM.