

Challenges and Opportunities for Working With Small and Diverse Firms

Alliance For Health Equity Work Group

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WBDC's Mission

WBDC's mission is to provide programs and services that stimulate *growth* and *economic impact* for small, women-owned, diverse, and veteran firms.

- **Capacity building** to scale businesses to compete in the marketplace
- **Technical assistance**, financial support, direct lending and debt equity placement
- Woman Business Enterprise (**WBE**) certification
- **Guidance re.** corporate and public sector **contract opportunities**
- Access to **capital**

WBDC Programs and Services



WOMEN'S
BUSINESS
DEVELOPMENT
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Your growth is our business.

- IL Procurement Technical Assistance Center (PTAC)
- IL Small Business Development Center (SBDC)
- InventIllinois Program
- Veteran Business Assistance Services
- ScaleUp Business Acceleration Program
- Access to Capital
- Entrepreneurial Training Courses
- Seminars & Workshops
- WBENC National WBE Certification Service

Action Agenda Components Focus in This Presentation



- **Economic Development**
 - Build entrepreneurship for healthy food
 - Supporting food-related minority-owned businesses
 - Aligning with existing procurement strategies to support local business
- **Hospital Food Access Partnership Pilot**
 - Increase hospital purchasing of healthy foods from a local food business/producer/grower

What Are Certified MBE or WBE Firms?



- MBE - A business that is at least 51% owned *and* controlled by one or more individuals who are African American, Hispanic, Asian and/or Native American
- WBE - A business that is at least 51% owned *and* controlled by one or more women
- MWBE firms tend to be 'small', with annual revenues that can span from a few thousand to as high as \$35+ million.
 - Size thresholds typically determined by federal or local government agencies, and can differ based on industries

(Exception – non-government diverse certifications don't have revenue caps, so many of those firms are quite large)

How is 'Small' Defined?

It depends on who is doing the defining! For example...

- The SBA sets revenue thresholds that differ by industry and are primarily defined by annual revenue; except for manufacturing firms which are defined by number of employees.
- The City of Chicago has a formula they use for non-construction firms based on several factors, with the most recent cap at \$38.9 million. For construction firms they use SBA Size Standards.
- State of Illinois – firms with revenues of \$75 million or less are eligible for MWVBE certification.
- Cook County uses SBA size standards

General Barriers to Growth & Success

1. Under-funded and under-capitalized
 - Cash flow
 - Access to capital
 - Poor credit (often due to limited A2C)
 - No/limited interested from investors
 - No personal or family wealth

General Barriers to Growth & Success

2. Limited capacity and resources
3. Limited or no experience on large projects
4. Lack of access to buyers and decision makers with major entities – so no established relationships
 - Not a part of the ‘good-old-boys’ network
 - People buy from who they know; who’s work they know

Challenges When Targeting Major Entities



1. Even with 'small business' programs, very small 'mom-and-pop' and small community-based business have a hard time competing with larger small businesses.
2. Scope of work often exceeds the capacity of smaller firms
3. Cumbersome, complex and confusing procurement process
 - Lack of understanding of the full range of requirements to fulfill contracts that go beyond just providing a product or service
 - Sophisticated contract management requirements
4. Slow payment practices, often with unexpected requirements and delays
5. No or limited previous experience with large institutions because of barriers faced when competing (i.e. "catch 22")

How Can Hospitals Help Remove or Lesson Barriers

1. Create a partnership or mentor-protegee with/for very small business owners
2. Unbundle large projects
3. Establish (and publicize) thresholds for set-aside/low bid projects for small MBE firms
 - (e.g. IL SBSP, under \$50k; Federal Government under \$25K; City of Chicago SB Construction program)
4. Pay within 30 days or less; clearly explain expectations regarding payment terms when contracts awarded

How Can Hospitals Help Remove or Lesson Barriers



5. Consider an immediate-pay model (e.g. Federal micro program pays with credit card)
6. Streamline the procurement process – at least for small projects (e.g. under \$50k)
7. Group Purchasing Organizations/GPOs and prime contractors – require and monitor diverse spending requirements.

Examples of Small Business/MBE Programs

(Per #2 on previous slide)

- State of IL – Small Business Set-Aside Program
 - Projects \$50,000 and under set-aside for small businesses
- City of Chicago
 - Small Business Initiative I and II, construction projects less than \$3 million set-aside for small firms as defined by SBA
 - Target Market Program offers exclusive opportunities for MWBEs in professional services
- Federal
 - Micro Purchase Threshold - \$10,000, immediate payment via credit card
 - Simplified Acquisition Program (SAP) - \$250,000 or less set-aside for small businesses
 - Under \$25,000 – small businesses and can be awarded without full-and-open competition

How WBDC Can Assist

- Assist in educating and supporting MBE firms through:
 - General business development
 - Strategies focused on growth
 - Understanding the government and corporate procurement process
 - Guidance regarding certification

Resources

- SBA Size Standards: <https://www.sba.gov/federal-contracting/contracting-guide/size-standards>
- Chicago Small Business Initiative (SBI) Construction Program: <https://www.chicago.gov/content/dam/city/depts/dps/RulesRegulations/SBIProgramRules.DPS.102018.pdf>
- State of Illinois Small Business Set-Aside Program: <https://www2.illinois.gov/cpo/PathwayToProcurement/Pages/Programs.aspx>
- Cook County of Illinois – MWBE Certification: <https://www.cookcountyil.gov/service/mbewbevbe-certification>
- Chicago Procurement Services: <https://www.chicago.gov/city/en/depts/dps.html>



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Thank You!

Questions & Discussion

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