



## Minority-Owned Small Businesses Trail as U.S. Contracts Shrink

By Danielle Ivory - Aug 8, 2013

About 17 percent of the [U.S. population](#) is Hispanic, and 13 percent is black. In federal small-business contracting, award ratios for those groups are in the single digits.

Small businesses, called the “drivers and engines of growth” by President [Barack Obama](#), attracted about \$98.2 billion in government awards last year, according to data compiled by Bloomberg. Hispanic-owned companies won about 8.4 percent of that total, or \$8.21 billion, while black-operated small businesses won about 7.2 percent, or \$7.1 billion.

“The needle hasn’t moved,” said Ruth Sandoval, president of the National Hispanic Business Group, a New York-based organization representing business owners.

The gap may reflect stiffer competition over a shrinking pool of contract revenue as agencies cut spending. Black- and Hispanic-owned businesses also may have difficulty breaking into the \$512 billion market because acquisition officers don’t have a mechanism to specifically target those companies.

Small businesses are generally defined by the government as having fewer than 500 employees or less than \$7 million in average annual sales.

Contracts for black-owned small companies declined about 1 percent in the year that ended Sept. 30, 2012 from the previous fiscal year. Awards to the Hispanic-owned businesses rose 1.5 percent -- a gain that wasn’t enough to compensate for a bigger drop in fiscal 2011, according to federal procurement data.

### Racial Gap

Both groups fared better last year than the broader contracting markets. Small business contracts declined 3.7 percent in fiscal 2012, while total awards dipped 4.1 percent.

Still, minority small businesses are playing catch-up following sharp contracting declines in fiscal

2011 that outpaced those of [small businesses](#) and all companies.

Awards to the black-owned businesses plunged 6.5 percent from fiscal 2010 -- more than four times the decline in all contracts. Awards to their Hispanic-owned counterparts fell 4.4 percent, compared with the 3.9 percent drop in small business contracts and 0.2 percent decrease in all awards.

While black- and Hispanic-owned small firms may have experienced a comparatively better year in 2012, the distribution of contracts is far from mirroring the nation's demographics, according to Harry Alford, chief executive officer of the Washington-based National Black Chamber of Commerce

The percentage of small business contracts going to black-owned firms "should be double" what it is now, Alford said.

## Overseas Work

It has been such a tough year for black-owned businesses in the federal contracting market that Alford said he has encouraged some owners to seek commercial and overseas work.

"Is it worth the fight, or should you go and find business elsewhere?" Alford said in an interview. "I don't see a lot of people smiling who do business with the federal government."

One of the biggest hurdles that Hispanic small businesses encounter is a perception that the companies aren't quite American enough, Sandoval said. It's difficult to improve the situation "when the only discussion about the Hispanic community is about immigration," she said.

[Federal budget](#) cuts have made it even harder for the small businesses to win contracts, Sandoval said. The government is facing 10 years of automatic spending cuts that Congress agreed to as part of the 2011 debt-ceiling agreement. The reductions under a process known as sequestration will reduce projected spending by about \$85 billion this year.

## Small Slice

"We had a difficult time getting in to begin with," she said. "When you're talking about such a small piece of the pie as we are given, it's sad to see that we are going backward."

Contracts aren't keeping up with the rapid growth of the U.S. Hispanic population, Sandoval said. By 2050, Hispanic people will make up about 30 percent of the population, according to Census data. Black people will make up about 15 percent.

It may be difficult for agencies to target black and Hispanic-owned businesses for small-business contracts.

Some black-owned and Hispanic-owned companies qualify for a federal plan, called the 8(a) program, that sets aside work for small, “economically and socially disadvantaged” businesses. Yet no contracts are reserved specifically for either minority group.

“Procurement officers cannot see the race/ethnicity of business owners when they select them for a contract award,” said John Shoraka, an associate administrator of government contracting at the [Small Business Administration](#).

## Set-Asides

“Because of that, the SBA has been focusing heavily on recruiting and training firms from underserved communities to compete for and win federal contracts in the various socio-economic set-aside programs,” Shoraka said in an e-mailed statement. “The more qualified firms participating in SBA’s government contracting programs, the greater likelihood for increasing actual contract awards.”

Outside of the 8(a) program, small businesses aren’t required to report their ethnic status, and minority contracting data may not “provide a complete picture of what is going on in the procurement marketplace,” Shoraka said.

“There’s neither incentive nor authority to set aside contracts for any ethnic group,’ said Joe Hornyak, a partner at the Tampa, Florida-based law firm Holland & Knight LLP. The award distribution ends up being “kind of random,” he said.

Obama in 2009 announced efforts to boost contracting opportunities for small and minority-owned businesses, saying they “must play a significant role” in efforts to restore economic growth.

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