

National Minority Supplier Development Council

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**Testimony
of
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before
U.S. Senate Small Business and Entrepreneurship Committee
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Good Morning Chair Snowe, Ranking Member Kerry and other members of the Senate Small Business and Entrepreneurship Committee. It is an honor to be here before one of the truly bipartisan committees operating on Capital Hill. I hope my brief presentation this morning will reinforce successful current practices and support for new initiatives which will utilize the talents of all American individuals and companies as we operate more and more as part of a global economy.

What is NMSDC?

The National Minority Supplier Development Council (NMSDC) is a 34 year old organization created by Corporate America, with the assistance and support of the then U.S. Department of Commerce's Office of Minority Business Enterprises in 1972. NMSDC was created for the specific purpose of providing access and opportunities for corporations and minority-owned businesses to contact and contract with each other. We currently serve more than 3,600, corporations including many of the Fortune 1,000. Our database has more than 16,000 certified minority-owned businesses and they are served through a network of 39 affiliated councils around the United States and in Puerto Rico. In 2004, our corporations reported more than \$89 billion in contracting with minority suppliers. We are considered the pre eminent minority business organization in the United States.

NMSDC provides a wide array of services to its corporate members and certified minority businesses. These services include certifying of minority businesses, access to contracting opportunities, working capital loans, training and mentoring assistance, technical assistance, business opportunity fairs, local and national recognition and awards, research and data sharing, etc. With the changing demographics in America, more corporations are realizing the value of doing business with minority suppliers. They join NMSDC in greater numbers with each passing year to source certified minority-owned firms. Over the last ten years, NMSDC has begun exporting its model of inclusion to countries wrestling with how to include all its citizens in securing or expanding market share in a more competitive and global economy. We now boast sister organizations in Brazil, Canada and the United Kingdom. Additionally, NMSDC is currently responding to request for assistance from business communities in South Africa, Australia and China.

NMSDC OBSERVATIONS

NMSDC has operated a government relations office, in Washington DC since 1990. As director of this office, I have interacted with and sought to work with every SBA Administrator since that time to improve contracting opportunities for small and minority businesses. I was able to attend the confirmation hearing recently of the newest SBA Administrator nominee, Steven Preston. Like you, I hope his tenure will be a change from the confusion, obfuscation and disinterest of the current leadership to the plight of small and minority businesses. To be direct and to the point, the following are the observations of NMSDC:

1. Contract bundling continues to be a serious challenge to the survival and growth of minority businesses. NOT ONE FEDERAL CONTRACT HAS BEEN UNBUNDLED in the 18 months since the President proclaimed his support for unbundling federal contracts. In a roundtable meeting just three weeks ago up here on the hill, I learned of a GAO study which noted no evidence of cost savings resulting from contract bundling.

2. Procurement opportunities, as reported by federal agencies, point to less not more utilization of small and minority owned businesses. Procurement

goals have not been reached over the last five years. The bulk of procurement opportunities are going to a smaller and smaller number of contractors who tend to be larger and larger companies.

3. Certification of minority businesses for participation has been a real SBA failure by the intended goals of this initiative. For years, NMSDC has stated that the SBA small disadvantage business (SDB) database had about 25% of its listing made up of front companies or ineligible companies. SBA acknowledged it could not refute the accusation because it could not and would not set up a process to monitor businesses in this database. The failure of monitoring their database and utilization of a self certification process provided front companies ample entry into its program.

4. Chaos and Turf Wars have occupied the attention of many folks at the SBA national office. NMSDC has enjoyed a strong and productive working relationship with many of the SBA Regional Office and Business Development Centers. I have been impressed with the dedication and cooperation exhibited by our public sector counterparts out in the field. I wish I could say the same for the national headquarters. I believe there are best practices in both the public and private sectors which can and should be shared. Through this sharing, we increase the chances and opportunity to grow and develop the next generation of outstanding entrepreneurs. This has not and will not be possible until the focus of the agency leadership is on small business and not internal battles for power and influence.

5. Minority Business is one of the fastest growth areas of small business in the United States. Small business is touted as the engine moving America forward. Small business not only provides jobs but just as important, promote “the American Dream” of owning a piece of prosperity and success which is a clear motivation for many of our aspiring entrepreneurs. If that is the case, how can we provide a census, of these critical businesses, only once every five years, which is then delayed another two years before the compiled and analyzed data is released to the public? How can you as legislators respond to marketplace challenges, provide legislative and/or regulatory assistance and ensure equal access and opportunity when the information is outdated by the time it arrives in your hands.

While there are other concerns/issues we could share with you, I want to focus on potential solutions to the concerns thus far outlined.

NMSDC Recommendations

NMSDC is willing to work with those public and/or private sector entities committed to small minority business development and utilization. Let me start by saying, I have been assured that some of the following recommendations are included in the SBA Re-authorization legislation current under consideration. The NMSDC believes:

- 1. Federal Agencies need to unbundle contracts. The government needs to unbundle as many federal contracts as possible as quickly as possible. Since no financial benefits or savings have proven to accrue to the government, as a result of bundling, then let's spread the wealth and provide more opportunities to more entrepreneurs. Even as we propose this, it is critical to focus on the other side of the coin and develop strategies and programs which increase the capacity of successful small minority businesses. There is a real need to explore incentives which promote small business growth with a focus on increasing capacity so they can compete with bigger businesses.**
- 2. SBA needs more tools and procedures which make identification and contracting with small minority businesses easier. The problems here are significant and ongoing. There should be tools and procedures which make identification and contracting with small minority businesses easier. Contracting officers must be assisted and encouraged to source databases, as simple and user friendly as possible, for legitimate and certified minority businesses. There needs to be enforcement of laws on the books against companies that list minority suppliers on their team but never contact these vendors after the contract is awarded. The government should seek liquidated damages from these violators, which is a remedy available under the law, and thus set an example that will have more companies obeying the law. Monitor and sanction those no longer eligible for participation in the 8 a program so that large businesses which might have started in the program and outgrown it to assist or those who have gotten in by other means are removed as quickly and as efficiently as possible.**

- 3. SBA needs a reliable proven certifying body for minority businesses.** NMSDC strongly believes the federal government should avail itself of proven leaders in the field of certification for advice and enthusiastic acceptance of their certification policies. NMSDC and WBENC, Women's Business Enterprise National Council, currently are the certifiers of record for corporate America, for minority and women suppliers respectively. It would benefit corporations and minority businesses if there was a process that promoted/supported one place to go for minority or women suppliers for either the public or private sector needs. Many corporations support this idea and would be willing to go on record in supporting public sector acceptance of these private sector certifiers. The states of Colorado, Indiana, Texas and Michigan are just a few that accept NMSDC certification or allow us to do their certification of minority vendors wanting to do business with their state.
- 4. SBA needs leadership with a strong business acumen who can straighten out its house.** Interagency focus on small minority business is not going to happen until some order is brought to the agency. The best Administrator we have seen at SBA was a former business person, Mr. Erskine Bowles, who in the short time at its helm, used his business experience and acumen to provide focus and order sufficient to get some critical things done. Mr. Preston's background may lend itself to providing the same kind of productive movement forward.
- 5. The economic realities require a bi-annual minority and women's business census.** The U.S. Department of Commerce should collect census information on Minority and Women Businesses bi-annually. Results should be compiled, analyzed and disseminated within 18 to 24 months of the census completion. This would better support and assist in formation of programs and policies critical to small minority businesses. This should be viewed as an integral part of keeping our national economic engine running.

Two items not referenced but still important are:

Encourage SBA to continue its efforts to establish a disaster response plan which is grounded in reality and utilizes organizations and procedures that promote small minority business participate and utilization. A focus on local content, making sure local businesses and individuals are contracted with and employed, with a priority on capacity, either directly or through joint ventures that allows them to go after meaningful work and not just as 10th tier contractors. The next disaster is just a matter of time and whether natural or man made will need a better level of governmental reaction and assistance than we saw last year.

Lastly, the magnitude of last year's disaster, in my opinion, requires special oversight on funds allocated to respond to this extraordinary occurrence. While this may be an action undertaken by a different committee like Government Oversight, Housing and Urban Development or Homeland Security, the impact on small business should require maximum transparency and monitoring of dollars provided to the Gulf States for clean up, rebuilding and development. Otherwise the opportunity for cronyism, corruption and malfeasance are multiplied. I would think it particularly important that all businesses and individuals of those states, cities and counties are included regardless of race, ethnicity, gender, etc. Since the tragedy did not exclude anyone based on their racial or ethnic characteristics then the clean up and rebuilding should not either.

Madam Chair, Ranking Member and committee members let me thank you for this opportunity to share NMSDC's concerns and recommendations with you and I would be happy to respond to any questions you might have at the appropriate time.