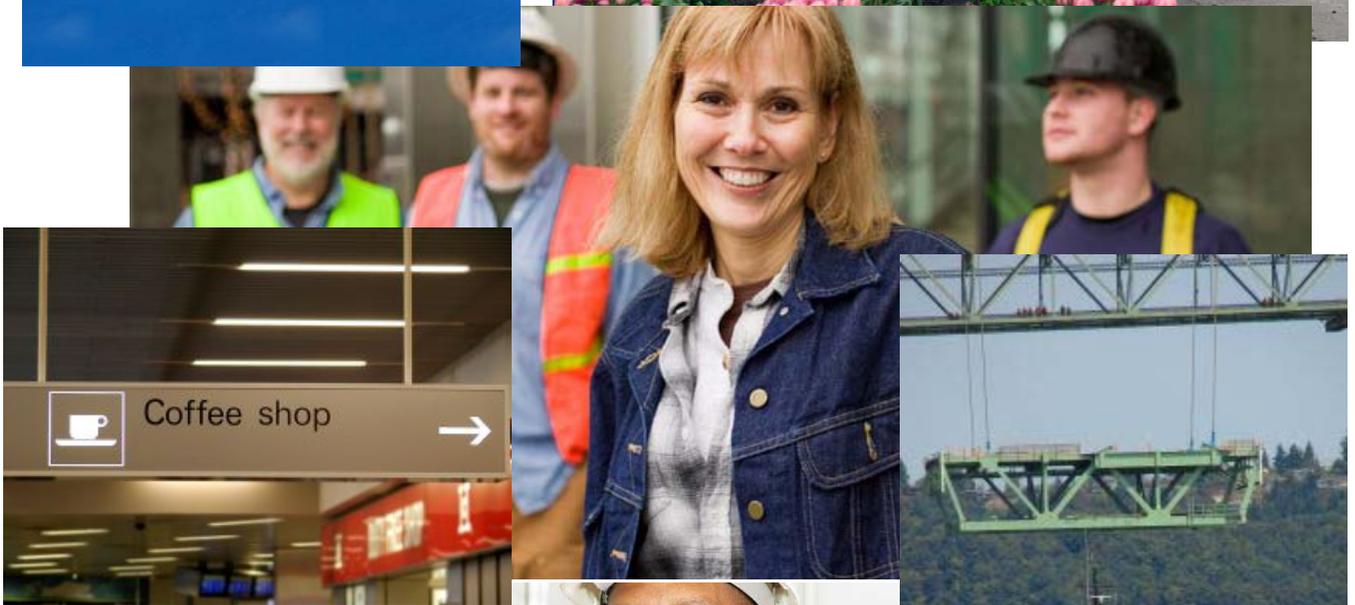


**WASHINGTON STATE OFFICE OF  
MINORITY AND WOMEN'S BUSINESS ENTERPRISES  
STRATEGIC PLAN  
2009-2011 BIENNIUM**



**CYNTHIA COOPER  
DIRECTOR  
JUNE 25, 2008**

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June 2008

**From The Director:**

The State Office of Minority and Women's Business Enterprises (OMWBE) experienced many changes in 2007, the greatest of which involved realigning and recommitting resources and expertise to the crucial work of ensuring that minority and women businesses are included in the state's procurement process. Our work is firmly grounded in the Priorities of Government, specifically, "Improve economic vitality of businesses and individuals."

Toward that end, OMWBE began implementing the State's "Supplier Diversity" Initiative announced by Governor Chris Gregoire in her July 10, 2006 memorandum to executive cabinet level agencies. In her memorandum, the Governor asked State Agencies to be more inclusive of small businesses owned by minorities and women.

As a result, each state agency has appointed a change agent for supplier diversity and developed supplier diversity plans with voluntary goals. While these efforts are meant to increase public contracting with certified minority and women-business enterprises, race or gender is not a determining factor.

Transitioning from the race and gender conscious contracting environment that existed before the passage of I-200 to a broader race and gender neutral economic development perspective has been challenging. We are guided, however, by the principle that society benefits from being inclusive.

OMWBE has a new attitude. As a result, we will initiate two key changes this year. Dubbed *Communicate and Connect* we will establish two advisory bodies. The first body is the Executive Supplier Diversity & Inclusion Council which will be composed of the directors of the six largest state agencies. The other is the Ad Hoc Advisory Committee composed of stakeholders from the business community, local jurisdictions and educational institutions.

The second change will be the establishment of a second tier initiative. This initiative will seek to capture subcontracting dollars not currently reported to OMWBE but allowed under State statute. It is our position that including this data presents a more accurate picture of state dollars spent with minority and women owned businesses.

Washington's minority and women businesses are as diverse as the services they offer. Farmers, bankers, engineers, architects, inventors and many others form the community of small businesses owned and operated by women and minorities. Together they reflect the great depth and breadth of this state; and, all contribute to our State's quality of life and economic vitality. As an example, in 2002 there were a little over 50,000 minority firms in Washington State generating over \$10.7 billion in gross receipts.

OMWBE's focus is on jobs, small business survivability and a competitive and open procurement process yielding a return on the public's investment. One of our flagship services, the Linked Deposit Program (LDP) best illustrates OMWBE's work. The LDP has provided

affordable interest rates at qualified depositories since 1993. In that time, over 600 firms have participated in the program. The total principal amount of the loans exceeds \$306 million. Over 3,500 full time jobs\* have been created and/or saved and approximately \$189 million added to the State's tax base as a result of this program.

OMWBE looks forward to sustaining a competitive and fair business environment for small businesses that is inclusive of firms owned by minorities, women and socially economically disadvantaged entrepreneurs. This strategic plan represents our intent over the next two years to accomplish this important work. OMWBE is reinvigorated by both our internal and external stakeholders whose invaluable insights and work have informed our 2009-2011 Strategic Plan.

Cynthia Cooper, Director  
OMWBE

\*OMWBE began tracking of the number of jobs created and/or saved in FY03.

## Vision Statement

To maximize the contributions of minority, women, and socially and economically disadvantaged businesses to the State's economy.

## Agency Mission

OMWBE's mission is to lead and promote the State of Washington's Supplier Diversity initiative. It is the agency's mission to ensure that "maximum practicable opportunity" in State contracting is afforded to and be inclusive of small businesses owned by minority, women, and socially and economically disadvantaged firms.

### Objectives & Goals:

We achieve this through:

- Educational Products and Services to meet our stakeholders needs.
- Leadership and expertise on Supplier Diversity.
- Certifying companies owned and controlled by minorities, women and disadvantaged persons.
- Working collaboratively with State Agencies, Educational institutions and the business community to identify opportunities.
- Identifying barriers to an inclusive business environment and solutions to remove them.
- Establishing annual voluntary goals.
- Monitoring and reporting the State's supplier diversity achievements.
- Performing our duties ethically and responsibly.

In support of these efforts, we value:

- Responsible public service.
- Diversity.
- Being part of the communities we serve.
- Quality in everything we do.
- Leadership.
- Our employees and their contributions to the agency.

### Statutory Authority

OMWBE was created and empowered by Chapter 512, Washington Laws in 1983, which is codified in Chapter 39.19 of the Revised Code of Washington. In 1993, OMWBE was given further authority by Chapter 512, Washington Laws, for the Linked Deposit Loan Program, which is codified in Chapter 43.86A.060 of the Revised Code of Washington. The rules by which OMWBE exercises its authority are set forth in Title 326 of the Washington Administrative Code.

## **NEW INITIATIVES**

### **The Executive Supplier Diversity & Inclusion Council**

In cooperation with OMWBE, the Executive Council will promote the Governor's Supplier Diversity Initiative<sup>1</sup>. Composed of the Directors of the six (6) largest agencies (based on spend) it will include the following agencies:

- Department of General Administration
- Department of Corrections
- Department of Information Services
- Department of Social and Health Services
- Department of Transportation
- Department of Labor & Industries

A critical role of the Executive Council will be to lead by example encouraging other state agencies to increase their utilization of minority business enterprises (MBEs) as vendors, suppliers and contractors.

The Council will be co-chaired by the Director of GA and the Director of OMWBE and will help OMWBE:

Establish accountability processes and guidelines for:

- a. Overall improvement in procurement from certified minority and women owned businesses,
- b. Self Assessment (GMapping Inclusion),
- c. Communications Plan,
- d. Encouraging Public/Private involvement and implementation (subcontracting).

Subcommittees representing each of the six agencies will be established and composed of the following:

- Agency Deputy or designee
- Agency Buyers
- The agency's Supplier Diversity Change Agent
- An OMWBE Representative

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<sup>1</sup> The Governor's Supplier Diversity initiative was created as a "comprehensive initiative intended to increase the dollars spent and number of firms utilized. It includes purchased services, professional services, construction, and Architecture/Engineering. The program emphasizes opportunities where the Agency chooses the vendor or contractor.

### **The Ad Hoc Advisory Committee**

RCW Chapter 39.19.041 gives OMWBE's Director the authority to establish an ad hoc advisory committee, as necessary, to assist in the development of policies to carry out the purposes of the Office of Minority and Women's Business Enterprises.

The mission of the Advisory Committee will be to connect government to the minority and women business communities and will include leaders of organizations that represent the business interests of ethnic minorities and women business owners throughout the state of Washington.

The committee will exchange best practices for the growth and development of women and minority owned businesses and provide documented feedback on the responsiveness of state agencies to M/WBE participation.

### **The Second Tier Initiative**

Second Tier or subcontracting is a best practice found in the public and private sectors. Simply stated, it is the practice of counting and reporting dollars the State causes a prime contractor to spend with certified minority and women owned businesses in the completion of a State contract. Subcontracting or second tier is an enhancement to, and not a replacement for, direct or first tier contracting. A long standing practice in federal contracting, second tier or subcontracting captures dollars not reported currently by State agencies. This "under" reporting distorts the full value of the State's efforts.

## **PRIORITIES OF GOVERNMENT**

The following reflects how OMWBE's programs and initiatives contribute to "Priorities of Government" (POG) Results areas. There are two main areas of focus: POG Six, "Improve the economic vitality of businesses and individuals" and POG 11, "Improve the ability of state government to achieve its results efficiently and effectively."

### **INITIATIVES INDEXED BY LEAD DIVISION**

#### **Administrative**

Initiative: Implement and monitor the Linked Deposit Program.

#### **Information Services & Administrative Support**

Initiative: Develop a new OMWBE database system that more accurately tracks dollars spent with certified M/WBEs (replace ORS).

Initiative: Continuously improve and maintain OMWBE's client information database (Directory of certified firms).

#### **Agency Support**

Initiative: Increase OMWBE certified firms' participation in contracting and procurement opportunities.

Initiative: Increase the number of OMWBE certified firms doing business with state agencies and institutions.

Initiative: Provide comprehensive and accurate statistical data to state agencies and institutions.

Initiative: Establish and convene State of Washington Executive Supplier Diversity & Inclusion Council.

Initiative: Establish and convene OMWBE Ad Hoc Advisory Committee.

Initiative: Establish a State second tier initiative.

#### **Business Development & DBE Supportive Services**

Initiative: Strategically outreach to diverse, small business representatives and communities.

Initiative: Improve classes, workshops, seminar curriculum and one-to-one counseling provided to small, minority, women and socially and economically disadvantaged firms.

#### **Certification**

Initiative: Increase the number of State certification applications received and processed.

Initiative: Reduce the new certification application processing time.

Initiative: Develop on-line applications.

**Seattle King County**

Initiative: Increase OMWBE certified firms' participation in contracting and procurement opportunities.

Initiative: Develop and implement creative forums to enhance business development.

Initiative: Provide OMWBE certified firms with access to prime contractors and vendors to develop sustainable relationships.

Initiative: Improve classes, workshops, seminar curriculum and one-to-one counseling provided to small, minority, women and socially and economically disadvantaged firms.

Initiative: Deliver key services to local jurisdictions and others in King County.

## STRATEGIC PLAN RELATIONSHIP WITH PRIORITIES OF GOVERNMENT

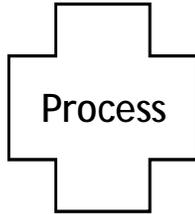
The current strategic plan reflects the breadth of OMWBE's programs and mission. The two areas of focus are “Improve the economic vitality of business and individuals” and “Improve the ability of state government to achieve its results efficiently and effectively”. The strategic plan makes the following linkages with POG:

POG Element	Strategic Plan Initiatives
<b>Improve the economic vitality for businesses and individuals</b>	
Regulate the economy to ensure fairness, security, and efficiency	<ul style="list-style-type: none"> <li>• Implement and monitor the Linked Deposit Program</li> <li>• Increase the number of state certification applications received and processed for certification</li> <li>• Reduce new certification application processing time</li> </ul>
Coordinate government efforts to improve the effectiveness of economic investments	<ul style="list-style-type: none"> <li>• Develop new supplier diversity training to State Agencies</li> <li>• Increase OMWBE certified firms’ participation in contracting and procurement opportunities</li> <li>• Increase the number of OMWBE certified firms doing business with state agencies and educational institutions</li> <li>• Strategically outreach to diverse, small business representatives and communities</li> <li>• Improve classes, workshops, seminar curriculum and one-to-one counseling provided to small, minority, women and socially and economically disadvantaged firms</li> <li>• Develop and implement creative forums to enhance business development</li> <li>• Provide OMWBE certified firms with access to prime contractors and vendors to develop sustainable relationships</li> </ul>
<b>Improve the ability of state government to achieve its results efficiently and effectively</b>	
Improve decision support for government decision makers	<ul style="list-style-type: none"> <li>• Provide comprehensive and accurate statistical data to state agencies and institutions</li> </ul>
Provide logistical support for government agencies	<ul style="list-style-type: none"> <li>• Update OMWBE database systems</li> <li>• Maintain OMWBE’s client information database that identifies all certified firms</li> <li>• Revise OMWBE’s Reporting Systems (ORS)</li> <li>• Provide supplier diversity training</li> <li>• Ensure that all spend data is captured</li> </ul>

Support democratic processes and government accountability	<ul style="list-style-type: none"><li>• Establish and convene State of Washington Executive Supplier Diversity &amp; Inclusion Council</li><li>• Establish and convene OMWBE Ad Hoc Advisory Committee</li><li>• Develop new business relationships that will clarify government's accountability</li><li>• Develop on-line applications</li></ul>
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# Budget Activity Performance Measure Perspectives

⑤ Process characteristics the customers/stakeholders want



⑥ Process characteristics the agency wants

Percent of minority & women's business enterprise state certification applications processed within 45 days

⑤

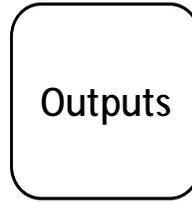
Target: Increase percentage of state applications processed with 45 days to 90% of total state applications received

Number of applications received & processed

⑥

Target: Increase the number of applications received & processed to 250 for FY09

③ Product/service attributes customers/stakeholders want



④ Product/service attributes the agency wants

Number of loans enrolled in the Linked Deposit program

③

Target: Give priority to first-time borrowers of LDP loans

Number of minority & women's business enterprise firms participating in the OMWBE business development program

④

Target: Increase the number of participants completing training, workshops, seminars

Number of state buyers and other employees trained in supplier diversity practices

④

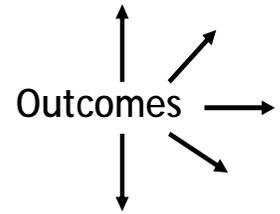
Target: Increase the number of supplier diversity workshops put on for state agencies

Number of Education/Business Development Outreach Contacts/Events to Diverse, Small Business Representatives/Communities

④

Target: Increase the number of outreach events attended

① Customer/stakeholder desired outcomes



② Agency desired outcomes

Percentage of contract & procurement dollars state agencies & institutions contract with minority & women's business enterprise firms

②

Target: Increase percentage of contracting to 5% of total participation base

Percentage of certified minority & women's business enterprise firms contracting with state agencies & higher education institutions

②

Target: Increase percentage of certified firms contracting with the state to 20% of total certified firms

## **PERFORMANCE ASSESSMENT**

OMWBE's performance measures are linked to the Government Management Accountability and Performance (GMAP) and include:

- Increase number of certified firms.
- Issue State certification determination within 45 days from receipt.
- Focus and strategically outreach to diverse communities.
- Increase number of firms doing business with state agencies.
- Give priority to first time borrowers under the Linked Deposit Program.

### **Certification**

During FY07 there were 2,461 certified firms listed in OMWBE's directory. There was no significant net growth in the number of certified firms for any of the eligible groups during FY07.

OMWBE continued its ongoing efforts to improve both the application forms and certification review process, as follows:

- Measure application processing time. OMWBE now identifies the specific internal process-related and other factors contributing to the overall processing time. In so doing, OMWBE is better able to issue more timely final determinations.
- Measure application and assignment intake. The application processing time improved in several respects from FY06 to FY07:
  - Percentage of applications processed in 45 days or less increased by 3%.
  - Percentage of applications processed in 91 days or more decreased by 2%.
  - Streamline recertification forms. The numbers of pages of the Annual Update and Renewal Application forms were reduced.
  - A new shorter 4-page certification application for businesses operating as sole proprietorships was introduced on a pilot basis.

### **Business Development Assistance and Outreach to Firms**

OMWBE continued its outreach to diverse communities, conducting 111 events in communities throughout Washington during FY07. OMWBE also held specific events targeted to veterans.

OMWBE began implementing the State's "Supplier Diversity" Initiative, announced by Governor Chris Gregoire in her July 10, 2006 directive. Each executive cabinet agency appointed a change agent whose responsibilities included:

- Be an advocate to minority and women's owned businesses
- Identify opportunities that are agency driven
- Identify and qualify M/WBE suppliers for these opportunities
- Recommend that opportunities be sized to accommodate small business capacity
- Recommend that M/WBE businesses be included and added to the bid list
- Accept referrals of prospective M/WBE suppliers
- Review existing supplier diversity efforts and assess their effectiveness
- Develop a practical supplier diversity plan and biennial goal that fits the agency
- Identify specific GMAP benchmarks to measure progress
- Obtain management and agency approval of the agency plan and goal
- Publish the plan and goal
- Identify barriers and problems with the implementation process and take corrective action
- Work with prime suppliers and general contractors to participate in the program and report subcontracting

As part of this initiative, OMWBE, along with the State's ethnic commissions and the Governor's Office of Indian Affairs, co-sponsored the Diverse Business Summit in November 2006. Governor Chris Gregoire addressed over 300 small businesses and agency staff in Seattle, Washington. The Governor emphasized the State's commitment to do better in providing its small businesses owned by diverse people with fair access to the State's contracting and procurement opportunities.

OMWBE also developed a specific "supplier diversity" page on its website so that agencies can share best practices and firms can access agencies' plans, change agent contact information, as well as contracting and procurement opportunities. OMWBE also features "Success Stories" each month on its website.

OMWBE continued to administer Washington State Department of Transportation's (WSDOT) Disadvantaged Business Enterprise, Supportive Services program. This program offers customized assistance and training to firms certified as Disadvantaged Business Enterprises engaged in highway-related programs.

### **M/WBE Goal Achievement and State Agency/Institution Reporting**

OMWBE received expenditure data from 117 agencies and educational institutions during FY07. The reported expenditures with vendors selected by State buyers and contracting officers totaled \$2.913 billion. Compared to the amount of the State's expenditures for FY06 subject to the MWBE program, this is an increase of approximately \$189 million in potential opportunities for certified firms.

The State's overall expenditures with certified firms in FY07 were not sufficient to meet its overall annual goals<sup>2</sup>. Expenditures with certified firms totaled \$68,582,045 during FY07 or 2.35% of the total. This total is \$11,643,021 less than the State's total expenditures with certified firms during FY06 of 2.94%.

Approximately 18.4 percent of the available certified firms did business with state agencies in FY07. This represents an increase of 3.9 percent in the number of certified firms doing business with the State over FY06. While the State's actual reported dollars with African American, Native American and women certified firms increased during FY07, there was a significant reduction in the State's expenditures with Asian American and Hispanic certified firms during FY07.

Five agencies/commissions exceeded the State's overall annual average MBE goal. Fourteen agencies/commissions exceeded the State's overall annual average WBE goal. Forty-one agencies/commissions and eight community colleges and two 4-year colleges/universities exceeded one or more of the MBE or WBE contract goals.

Ten agencies/educational institutions account for approximately 81% of the State's expenditures in the areas subject to the MWBE program. The total dollar value of opportunities available with the top ten agencies and educational institutions increased during FY07 by approximately \$533 million over FY06. However, the total dollar amount of expenditures by these agencies/educational institutions with certified firms decreased to \$51,756,482, a decrease of more than \$15.7 million from FY06. The dollar value of procurement and contracting opportunities available with these agencies/educational institutions ranged from \$40.5 million to over \$1.1 billion. The average combined M/WBE percentage utilization for these entities was 2.1 percent. Indeed, five of the entities had a combined MBE and WBE percentage of less than one percent.

Based upon this data, the following observations can be made:

- The State as a whole will not realize any measurable progress until the top ten agencies/educational institutions significantly increase their expenditures with certified firms.
- Certified firms do not always benefit even though overall opportunities increase.

During FY07, twenty-four of the twenty-five Executive Cabinet agencies, nine community colleges and one university submitted supplier diversity plans to OMWBE.

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<sup>2</sup> FY 2007 Statewide Annual Goals	<u>MBE</u>	<u>WBE</u>
Construction/Public Works	10%	6%
Architect/Engineering	10%	6%
Professional Services	10%	4%
Purchased Services	10%	4%
Purchased Goods	8%	4%

### **Linked Deposit Program**

In FY 07, loans enrolled for WBE firms and MBE/MWBE firms were approximately equal. Eighty-eight loans, or 78% of the total number of loans enrolled, were obtained by Western Washington firms. The total principal amount of these loans was \$32,600,525 or 88% of the total principal amount of all loans enrolled. Twenty-five loans, or 22% of the number of enrolled loans, were made to firms located in Eastern Washington. The total principal amount of these loans was \$4,440,662, or 12% of the total principal amount of all loans enrolled.

Loans made to firms located in King and Pierce counties accounted for 50.4% of the total number of loans enrolled in the program and 59.6% of the total dollar amount of all loans enrolled in the program during FY07. Firm concentration in these two populous Washington counties, as well as program promotion by financial institutions, are some of the factors accounting for the concentration of loans in these areas.

OMWBE co-administers the Linked Deposit Program (“Program”) with The Office of State Treasurer. The program is intended to provide an affordable interest rate for commercial financing obtained by certified firms at “qualified depositories.” Since 1993, 603 firms have participated in the program, enrolling over 983 loans, totaling in excess of \$306,674,887. 3,501 full time jobs were created or saved and \$ 125,364,614 were added to the State’s tax base from the firms enrolling loans in the program during the past biennium. Tracking the number of jobs created or saved was initiated in FY 07 and the dollar amount tracked represents the full year of FY 07 and year to date amount for FY 08.

## **ASSESSMENT OF EXTERNAL CHALLENGES AND OPPORTUNITIES**

### **The National and State Economy**

According to the Washington State Office of Financial Management (OFM), national economic indicators point to the growth increase slowing down and credit tightening. Although there is a continuing decrease in the unemployment rate and an increase in hiring, fewer jobs are being advertised. Although not primary indicators, these factors do contribute to lower consumer confidence in the economy.

The small business sector is critical to the U.S. economy. According to “The Small Business Economy, A Report to the President”, from the U.S. Small Business Administration; published in December 2007, small businesses represent 99 percent of all employer firms. They employ half of all private sector employees. These businesses pay 45 percent of total U.S. private payrolls. They generated 60 to 80 percent of net new jobs annually over the last decade and created more than 50 percent of non-farm private gross domestic product.

According to OFM, Washington State economic recoveries and recessions have always lagged behind national economic trends. At the time of the most recent updated economic and revenue forecast published June 2, 2008, Washington wage and salary employment rose. The State’s unemployment rate decreased to 4.5 percent, its lowest rate since before 1990. The State’s initial claims for unemployment continue to drop. In all, the vast majority of economic indicators point to a strengthening and growing economy for the state. In fact, the only indicator pointing to economic weakness is the decline in the number of housing permits requested, an important indicator of a slowing housing market.

### **Client Populations and Demographics, Client Characteristics, and Caseload Trends**

#### **Natural Environment: Changes in Washington State’s Ethnic Makeup**

According to U.S. Census Bureau data and the Washington State Office of Financial Management, the ethnic makeup of Washington’s citizens is changing. Minority groups (including Hispanics of all races) currently account for more than 20 percent of Washington’s population. Of residents who identify themselves as a single race, Hispanics are the fastest growing population in Washington. In U.S. Census 2000, the Hispanic population comprised 7.5 percent of the state population. In 2000, Washington ranked tenth among the states in total Hispanic/Latino population. Asian and Pacific Islander and African Americans continue to increase. The percentage of Washington residents who consider themselves “white” and not of Hispanic heritage has fallen significantly over the last decade.

The U.S. Census Bureau data also reveals that the number of Native Americans in Washington State has fallen slightly over the past decade. The Governor's Office of Indian Affairs reports Washington has 29 federally recognized tribes. However, two other tribes (the Chinook and Duwamish Tribes) have applied for and are currently pending federal recognition; six other tribes have requested inclusion in the Washington State Tribal Directory.

Based on U.S. Census Bureau data, Washington's minority population is projected to increase at a rate exceeding that of the current fiscal growth factor. Over the next twenty years, Washington's minority population is predicted to increase 63.52 percent, or approximately 3.18 percent per year.

### Minorities in Business

As the number of minorities increases, the number of businesses owned by minorities also increases. The U.S. Census Bureau reports that in 1982, 6.8 percent of all U.S. businesses were owned by minorities. That percentage has grown steadily: in 1987, 9.3 percent of businesses were owned by minorities; in 1992 – 12.5 percent; and in 1997, minorities owned 14.6 percent of all businesses. In 2002, there are over 4.1 million minority-owned businesses, or over eighteen percent of all businesses in the country.

According to the U.S. Small Business Administration's publication, "2005 The Small Business Economy, A Report to the President," minority-owned businesses continue to be an important part of the U.S. small business sector.

- African-Americans and Hispanics have lower rates of business ownership and success than Caucasians and Asians. These businesses have lower sales, hire fewer employees, and have smaller payrolls than Caucasian and Asian-owned businesses. African-American and Hispanic-owned businesses also have lower profits and higher closure rates than Caucasian and Asian-owned businesses. The relatively smaller number and weaker performance should be a major concern.
- The federal government and many states are promoting self-employment as a way for some families to leave unemployment insurance and social services program rolls. Business ownership provides a path out of poverty and is an alternative to unemployment. As globalization of the marketplace continues to impact our national economy, higher paying jobs will continue to concentrate in jobs that require an extensive education with technical expertise that requires a physical presence. This is especially true of Washington, the third most trade dependent state in the country. Therefore, business ownership is a viable option under these circumstances for these individuals in those industries that require minimal licensing, minimal capital, and minimal education. Several immigrant groups have experienced economic success in part because of small business ownership.

- Minority-owned businesses hired more than 4.2 million employees nationally during 1997. A significant number of these employees are minorities. Self-employed business ownership is a major alternative to wage-and-salary employment that can exert political influence that comes with small business success. African-American and Caucasian business owners have more upward mobility and less downward mobility in wealth distribution than wage-and-salary workers. This has important implications for earning power and wealth inequity. Minorities with low levels of assets are limited to begin businesses and are more likely to close their businesses. African-Americans and Hispanics have lower levels of family, business and human capital to start businesses.
- Discrimination also plays a factor in business ownership entry and success. Labor market discrimination increases the rate of minority workers becoming business owners. However, discrimination due to limited opportunities to enter industry networks, such as construction, and less favorable terms in credit, such as higher interest rates, can reduce business ownership entry and success. Barriers to business entry and success for minority-owned businesses contribute to a large efficiency loss in the overall economy.

The U.S. Census Bureau data shows that Washington's population is becoming more diverse. This increased diversity has led to an increase in the diversity of business ownership. Between 1992 and 2002, the number of minority-owned businesses increased 92 percent from 25,935 to 50,599. Over the same period, the number of minority-owned businesses with employees increased more than 100 percent from 5,734 to 12,749. The University of Washington Business School "Small Business Growth Opportunities in Washington" report indicates these minority-owned firms contribute more than \$30 billion in sales and more than \$5 billion in payrolls to Washington's economy.

According to the U.S. Census Bureau, in 2002 there were 27,611 Asian and Pacific Islander-owned businesses with revenues over \$7.77 billion, 6,985 African-American-owned businesses with revenues over \$1.05 billion, 10,269 Hispanic-owned businesses with revenues over \$1.54 billion, and 5,734 Native American and Alaska Native-owned businesses with revenues over \$938 million, or 12.3 percent of the total businesses in Washington.

While not all minority and women-owned firms will seek business support services or certification from OMWBE, we expect the number of firms requesting services increase in accordance with the total number of potentially eligible firms in the marketplace.

### Women in Business

The U.S. Census Bureau reports that in 2004, there are an estimated 6.7 million women-owned businesses, or 30 percent of all businesses in the country. These businesses employ 9.8 million workers and generate \$1.19 trillion in sales. Nationally, 85 percent of women-owned businesses are sole proprietorships compared to 68 percent of all other owner sole proprietorships. An estimated 1.4 million minority women-owned businesses employ 1.3 million workers and generate \$147 billion in revenues. The workforce for women-owned businesses shows more gender equity with a balanced workforce.

51 percent of women-owned businesses are in the service sector, compared to fifteen percent in retail trade and nine percent in finance, insurance, or real estate.

Between 1997 and 2004, the number women-owned businesses grew by 23 percent, compared to nine percent total business growth. Employment increased 39 percent compared to twelve percent nationally. Revenues rose by 46 percent compared to 34 percent for all U.S. businesses. During this same period, 424 new women-owned businesses were started every day, accounting for 55 percent of all new business start-ups.

According to the U.S. Small Business Administration's publication, "2005 The Small Business Economy, A Report to the President," one of the key issues for women business owners is access to capital. Most women business owners rely on the earnings of their business and their own private resources for ongoing financial needs. In 2003, women-owned businesses received 4.2 percent of the \$19 billion in venture capital invested that year. The majority of these funds went to women-owned health-care-related businesses with one third located in or near San Francisco.

Women-owned businesses have made gains in two markets: federal government and large corporations. The Department of Defense, which accounts for 59 percent of all federal spending, spent 2.5 percent of their FY 2003 procurement dollars with women-owned firms. In 2002, 72 percent of women owners reported revenues earned from large corporation contracts and procurements.

In a 2003 study conducted by the National Women's Business Council, women-owned businesses received the most benefit from specific types of training in three stages of development:

- Pre-start-ups or start-ups benefit from entrepreneurial training.
- Start-ups or second-stage benefit from mentor-protégé programs.
- Second-stage or established firms benefit from peer-to-peer networking.

According to the U.S. Census Bureau, there are approximately 137,475 women-owned businesses in Washington State generating \$17,471,191,000 in revenues. Over 22,000 of these women-owned businesses employ 127,053 workers with annual payroll of \$3,210,600,000. As of 2002, Washington State ranks ninth place for the greatest number of Asian and Pacific Islander women-owned businesses. The State also ranks in eighth place for Asian and Pacific Islander women-owned businesses comprising the greatest share (eight percent) of all minority women-owned businesses within the state. Washington State also ranks tenth place with the highest survival rate (77 percent) from 1997 to 2000 among African American women-owned employer businesses. As of 2002, Seattle ranked tenth place as the city for the most women-owned businesses as compared to the state. Fifteen percent of women-owned businesses (19,945 businesses) were located in Seattle generating eighteen percent of the receipts (\$3,106 million) of women-owned businesses.

By providing business services and certification to women-owned firms, OMWBE helps these businesses grow and expand. As they do, they will contribute even more to Washington's economy.

## **Client Needs, Preferences, Expectations and Services Delivery**

### **Impact on the Changes in Washington State's Economy**

OMWBE's workload increases both when the economy is vibrant and when it is stagnant. In good economic times, the state spends more money – especially on capital improvements. Businesses apply for certification to increase their likelihood of securing public works and private sector contracts.

In a slow economy, many workers are unable to secure outside employment and instead decide to start their own business. These new business owners request business support services and apply for certification because they believe these services are a key component for their success and will increase the probability that their new company will be able to secure government contracts.

The national economy has begun to impact Washington State: namely, a weak U.S. dollar, the cost of energy, and questionable housing lending practices are impacting our state. Rising fuel costs, increased lack of access to capital and financing is expected to affect the costs of goods and services, employment, and business growth and profitability. Some industries will suffer while others will boom under these conditions. Local governments are expected to face significant short-falls. OMWBE predicts an increased workload. Current data and projections through fiscal year 2011 are contained in the table below.

Table 1 – BUSINESS SUPPORT SERVICES

FISCAL YEAR	BUSINESS OUTREACH, TRAINING, & WORKSHOPS	ATTENDEES
2002	35	414
2003	105	1,006
2004	37*	358
2005	110	2,000
2006	181	5,976
2007	156	5,622
2008**	97	2,985
2009	120	3,500
2010	150	4,000
2011	180	4,500

\*Changes in business support services eligibility criteria resulted in a drop in the number of workshops offered and attendees.

Due to economic conditions and an improved business development programs, business support services requests and certification application rates are expected to increase throughout the 2009-2011 biennium.

## Public Perception and Expectations

Despite OMWBE's continued targeted outreach and education efforts, many Washington State employees and businesses continue to hold misperceptions about the impact of Initiative 200 (I-200) passed in 1998 and codified under RCW 49.60.400 and the difficulty of certification process.

Believing there is no benefit to certification, many non-certified firms elected not to get certified and certified firms allowed their certification to lapse. Immediately after I-200's passage the number of certified firms dropped by approximately one-third. By the end of the first three-year certification cycle following I-200's passage, the number of certified firms had dropped by more than 50 percent. OMWBE has devoted significant staff time to educating firms and increasing the number of certified firms available.

OMWBE revised the recertification and renewal applications. The new applications and process are also being streamlined. OMWBE also continues to devote significant staff time to educating state procurement officers, prime contractors, potential applicants, and the general public as to OMWBE's mission and what practices are permitted or prohibited by the passage of I-200. By correcting common misperceptions, fewer firms mistakenly allow their certifications to lapse.

Table 2 – NUMBER OF CERTIFIED FIRMS RENEWING CERTIFICATION

FISCAL YEAR	FIRM RENEWALS
1999	106
2000	520
2001	647
2002	1,078
2003	941
2004	486
2005	726
2006	574
2007	350
2008*	518
2009	750
2010	725
2011	700

\* Through June 6, 2008

OMWBE will continue its outreach and education efforts related to supplier diversity and will continue to increase the number of qualified certified firms available to perform on public contracting and procurement opportunities.

## Business Demographics Across the State

The traditional urban-rural distinction is particularly noticeable in the area of construction activity. Certified firms located in Eastern Washington, whose primary activities are construction, architecture, and engineering are especially burdened by the fact that construction activity is not as vibrant in Eastern Washington as in the Puget Sound area of Western Washington. Moreover, contracts for work in Eastern Washington are reportedly more likely to be awarded to firms located in urban Western Washington, where larger firms are located. Measures of a firm's performance capacity (*e.g.*, time in business, number of employees, bonding and financial capacity) are often given greater weight in the firm selection process than a firm's geographical location to the project site, even though the project itself may not require the resources of the larger urban firm.

To mitigate these problems, OMWBE will continue to perform outreach to underserved firms, especially those in Eastern Washington. OMWBE will also continue to work with state procurement officers to eliminate unnecessary barriers to certified firms in contracting and procurement.

## Access to Capital

OMWBE co-administers the Linked Deposit Program ("Program") with The Office of State Treasurer.

The program is intended to provide an affordable interest rate for the commercial financing obtained by certified firms at "qualified depositories." Since 1993, 603 firms have participated in the program, enrolling over 983 loans. The total principal amount of the loans receiving the interest rate reduction exceeds \$306 million. During FY07 and FY08, the average principal amount of loans enrolled in the program was \$312,000 and \$377,000 respectively. OWMBE began tracking of the number of jobs created and/or saved relative to this program for the period starting FY03. Over 3,500 full time jobs have been created and/or saved as a result of this program from FY03 through the third quarter, FY08. During FY07, approximately \$62 million was added to the State's tax base as a result of this program. Through the third quarter of FY08, the cumulative dollars added to the State's tax base exceeded \$189 million.

Due to the popularity of the program, a wait list existed whereby qualifying loans had to wait to be enrolled in the program during the past biennium. With the passage of ESHB 1512 by the 2008 Legislature, an additional \$25 million was added to the fund, bringing the fund total to \$175 million. The legislation became effective in July 2008, thereby allowing the loans of firms that had been on the wait list to be immediately enrolled in the Linked Deposit Program. ESHB 1512 also gave OMWBE limited rulemaking authority. The intent of the rulemaking is to increase the number of certified businesses participating in the program and to decrease the waiting period between application approval and funding. OMWBE has adopted rules that establish a funding priority for first time borrowers and limit the dollar amount of loans that any one certified firm or owner of a certified firm may enroll in the program. (See Chapter 326-70 Washington Administrative Code.) During the upcoming biennium, OMWBE will monitor and report on the results of these rules in achieving the intent of ESHB 1512.

## **Law or Regulatory Environment**

Since I-200 Washington State moved from a state race-conscious program to a race-neutral program. Other states, such as California, Florida, Texas and Michigan have experienced similar changes in their programs as well. States that operate race-conscious programs (mandatory goal programs for minority and women's business enterprises) for public contracting and procurement have greater success reaching their overall goals. Those states that operate race-neutral programs (i.e., small business programs) as a result of legislation, initiatives, or lawsuits, have seen significant declines in the utilization of certified minority and women business enterprises without recovery. However, OMWBE expects the performance gap in Washington can begin to close during the next biennium by implementing supplier diversity best practices, incorporating OMWBE into statewide policy and decision-making committees and panels, requiring establishment of performance measures based on agency-specific activities, and other strategies developed in cooperation with other State Agencies.

## **Costs of Doing Business**

### **Related Markets or Industries: Regional and State Small Business Resource and Service Providers**

Organizations similar to OMWBE that perform certification services are limited to a few non-profit entities that provide certification services for the private sector, the SBA, a few local jurisdictions that have unique small business programs, and state and local agencies in other states. Of these entities, only California from the 14 Western States (Region IX of the U.S. Department of Transportation) has a larger federal certification program (measured according to number of certified firm directory). OMWBE has the largest state M/WBE certification program of the 14 Western States, SBA and regional non-profit entities.

The organizations similar to OMWBE that provide business development assistance are limited to a few non-profit organizations, the U.S. Small Business Administration ("SBA"), and state and local agencies in other states. OMWBE counterparts are targeted in their target market and approach. None of these service providers specifically or directly provide full-service assistance to OMWBE certified firms with state procurement and contracting opportunities. Therefore, in order to meet the increasing demand for needed client services with minimal budget impacts, OMWBE is expanding its strategic and tactical partnerships with those business development assistance providers that can also assist OMWBE certified firms.

OMWBE is the only entity currently providing state agency and institution support services concerning supplier diversity.

## State Agencies

OMWBE has two interagency agreements with the Washington State Department of Transportation (“WSDOT”). One of these agreements is to provide specialized certification services for the U.S. Department of Transportation’s DBE Program; the other is to administer the USDOT DBE Supportive Services Program. These agreements contribute significantly to OMWBE’s ability to achieve its goals.

Recognizing Washington State Department of General Administration’s (GA) role as the State’s lead procurement agency, OMWBE works with the Office of State Procurement to develop and maintain an electronic vendor list of certified firms. Updates of this list are electronically transmitted to GA each month. OMWBE will continue to work with GA and the Office of Financial Management to create a system that links OMWBE databases with other state purchasing and procurement systems (*e.g.*, GA’s “WEBS” system).

OMWBE works with Washington Office of State Treasurer to administer the State’s Linked Deposit Program pursuant to RCW 43.86A.060. This partnership requires ongoing reporting, program monitoring and marketing efforts to be accomplished by these agencies in a collaborative cost-effective manner, as the statute provides no program administration budget.

## Other Private and Non-Profit Organizations

The Urban League of Metropolitan Seattle/Contractor’s Development and Competitiveness Center (ULMS/CDCC) seeks to identify and encourage both public and private sector procurement opportunities for its membership, many of whom are certified minority contractors. The ULMS/CDCC also provides business development services to its membership. OMWBE’s partnership with the ULMS/CDCC has been very productive over the past two years. Office co-location agreements between OMWBE and the ULMS/CDCC’s location in Seattle allowed OMWBE to open and maintain a second office in the Central Area without incurring any direct financial cost for office space or overhead. Without this arrangement, OMWBE would have had to spend more than \$75,000 to provide the same services and additional locations to our customers. Maintaining this satellite location also allowed the agency to redirect support services funds from administrative expenses to actual services to certified firms. This partnership has also facilitated more comprehensive service delivery to the firms in this location by encouraging firm referrals and co-sponsored business development events.

The Northwest Minority Business Council (“NMBC”) seeks to identify and encourage private sector procurement opportunities for its membership... OMWBE has actively pursued partnering opportunities with this nonprofit organization to assist the private sector in identifying certified firms available to compete for particular procurement opportunities.

Likewise, OMWBE has actively pursued partnering opportunities with Astra Women’s Business Alliance (“Astra”), an affiliate of the Women’s Business Enterprise National Council. Astra seeks to provide personal, professional and income development skills for women business owners throughout the Pacific Northwest. OMWBE is working with Astra to identify certified firms available to compete for particular procurement opportunities.

## Local Jurisdictions

Since the passage of I-200, a number of local jurisdictions in Western Washington established small business and geographic programs (as an alternative to firms certified by OMWBE). However, these programs have failed to attract the number of minority and women businesses that were participating in their previous programs and the levels of expenditures with businesses owned by minorities and women in these new programs have not reached their targets. As a result, OMWBE has the opportunity to partner with local jurisdictions and to lead a coordinated regional effort toward equity in public contracting and procurement.

## Federal Agencies

OMWBE's partnership with the U.S. Small Business Administration has been very productive over the past seven years. Office co-location agreements between OMWBE and the SBA's locations in Seattle and Tacoma allowed OMWBE to open and maintain offices in locations where most certified firms are located without incurring any cost for office space or overhead. Without this arrangement, OMWBE would have had to spend more than \$75,000 to provide the same services and additional locations to our customers. Maintaining these satellite locations also allowed the agency to redirect support services funds from administrative expenses to actual services to certified firms. This partnership has also facilitated more comprehensive service delivery to the firms in these locations, as well as firms in Eastern Washington by encouraging firm referrals and co-sponsored business development events.

Because of its role as the Washington State certifying entity for the DBE program, OMWBE is also closely connected to the U.S. Department of Transportation Department of Civil Rights, the Federal Highway Administration, and Washington State Office of Equal Opportunity. OMWBE maintains beneficial relationships with each of these agencies to further benefit Disadvantaged Business Enterprises in Washington State.

## Tribal Entities

OMWBE will continue to expand outreach and business development services to firms owned by tribal entities and Native Americans through the Tribal Employment Rights Offices ("TERO") of various Northwest tribes.

## **ASSESSMENT OF INTERNAL CAPACITY AND FINANCIAL HEALTH**

OMWBE has adopted a number of new strategies to provide better services to a larger customer base with fewer staff and financial resources.

### **OMWBE's Operational Strategy**

During Fiscal Year 2008, OMWBE leadership changed with a new director and a reorganization of the office. Both management and professional staff were re-assigned to address workloads. M/WBE applications were re-designed. Certification staffing was increased to meet the workload and case management issues. Staffing for business development and agency assistance became more defined. The Seattle/King County office expanded geographically, strategically and tactically in scope.

OMWBE has four divisions: agency support, business development, certification, and information services, with offices in Seattle and Tacoma. The shift from a "compliance" division to an "agency support and business development" division reflects the agency's fundamental commitment to assist state agencies in identifying profitable contracting and procurement opportunities for certified minority and women's business enterprises. This underscores the agency's recognition that certified firms play a significant role in the state's economy. By assisting certified minority and women- business enterprises to develop their businesses and expand their ability to successfully perform on public works and procurement contracts, the firms and the state as a whole benefit.

### **OMWBE's Workforce and Staffing**

OMWBE does not contemplate any noteworthy changes to its workforce. Civil service reform has not had any significant impact on agency staffing. Because no other entity provides the same services as OMWBE, we do not expect any of the agency's services will be subject to competitive contracting.

### **Technology Strategies**

OMWBE's technology strategy focuses on providing sufficient internal technological resources to meet our customer's needs. OMWBE's certification division will expand its use of technological resources to detect and prevent certification fraud.

OMWBE's participation with the State's Business Portal interface will also help provide better service to all small businesses in the state of Washington.

## Financial Health Assessment

OMWBE is a fee-for-service agency and receives payments from state agencies and institutions, political subdivisions, and certification applicants. OMWBE also entered into WSDOT interagency agreements to provide business development assistance to a select group of firms certified as Disadvantaged Business Enterprises (DBE) that are engaged in highway-related activities. The DBE Support Services contract will expire September 30, 2008.

According to OMWBE's past budget appropriation instructions, OMWBE restructured the proportion of fees paid by state agencies as compared to other service recipients and increased application fees for applicants. Effective May 6, 2004, the processing fee for certification applications increased from \$20 to \$25-\$100 (depending on the type of certification requested and the legal structure of the applicant business). The certification application fees collected during fiscal year 2005 more than tripled. Data collected by OMWBE shows an increase in the number of new applications received for processing, but a greater decrease in the number of renewal and Annual Update applications returned for recertification and renewal. This resulted in the net decrease of fees collected during fiscal year 2007. To compensate for this negative impact, OMWBE is focusing on its outreach and education programs to increase the number of applications received.

Table 3 – APPLICATION FEES COLLECTED BY FISCAL YEAR

FISCAL YEAR	APPLICATION FEES
FY 04	\$ 22,505
FY 05	\$ 69,855
FY 06	\$ 77,925
FY 07	\$ 64,065
FY 08	\$ 56,250*
FY 09	\$ 65,000
FY 10	\$ 70,000
FY 11	\$ 75,000
FY 12	\$ 80,000
FY 13	\$ 85,000
FY 14	\$ 90,000
FY 15	\$ 95,000

\* Actual through May 13, 2008.

While the agency does expect the number of businesses requesting services will increase, we expect the agency's income to remain stable and not significantly increase.

## Cost Reduction Strategies

OMWBE continues to develop cost reduction strategies. Some of these strategies include:

- Developing strategic and tactical relationships with other government agencies, private sector and non-profit organizations. These relationships allow OMWBE to provide additional services for minimal financial cost. Examples include the expanded co-location of Seattle offices and the maintenance of the Tacoma offices without paying rent.
- Coordinating business development products with other resource and service providers. OMWBE expanded its business development program while remaining within budget.
- Through state grants and large agency sponsorship, OMWBE obtained a new website, upgrades in computer hardware and software, and staff training for minimal cost.
- Agency has 17 FTEs.

## **DATA SOURCES**

All data contained in the OMWBE Strategic Plan came from the following sources:

1. “Economy” and “Population Estimates and Forecasts”, Washington State Office of Financial Management, Forecasting Division; <http://www.ofm.wa.gov/>; Last modified: April 17, 2008.
2. “The Small Business Economy, A Report to the President”, U.S. Small Business Administration; 2005 and December 2007.
3. U.S. Census 1997 Economic Census Minority- and Women-Owned Businesses United States; <http://www.census.gov>.
4. U.S. Census 2002 Survey of Business Owners (SBO); <http://www.census.gov>; Revised August 29, 2006;
  - American Indian- and Alaska Native-Owned Firms: 2002
  - Asian-Owned Firms: 2002
  - Black-Owned Firms: 2002
  - Hispanic-Owned Firms: 2002
  - Native Hawaiian- and Other Pacific Islander-Owned Firms: 2002
  - Women-Owned Firms: 2002
5. U.S. Census Characteristics of Business Owners (CBO); <http://www.census.gov>; Released September 27, 2006.
6. U.S. Census Characteristics of Businesses (CB); <http://www.census.gov>; Released September 27, 2006.
7. U.S. Census Company Summary: 2002; <http://www.census.gov>; Released September 14, 2006.
8. William Bradford, Vandra Huber and Richard Yalch. “Small Business Growth Opportunities in Washington,” Michael G. Foster School of Business, University of Washington, 2008.