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Why Don't Minorities Businesses Expand

Many people of color are reluctant to take on outside investors
By Louise Witt (Excerpts Taken) Fortune Small Business

August 29, 2005—"The total number of minority-owned businesses has risen dramatically, and minorities' desire to be entrepreneurial is real," says James Lowry, a vice president with The Boston Consulting Group and co-author of a recent study, *The New Agenda for Minority Business Development*, which was commissioned by the Ewing Marion Kauffman Foundation. "But how minority-owned businesses conduct business is preventing them from growing and becoming key players."

Harriet Michel, president of the National Minority Supplier Development Council (NMSDC), which tries to increase procurement and business opportunities for minority businesses, says that her group is working with other organizations and members of Congress to have the 8(a) limit on net worth raised. "We do see that as a barrier." Michel says the NMSDC is focusing more of its attention on changing the government's practice of bundling smaller contracts into larger ones, which

makes it more difficult for small businesses to bid for them competitively.

In the meantime, to help minority-owned businesses land larger contracts in the private sector, the NMSDC created a program to certify that businesses with non-minority equity partners are still minority controlled. Many of NMSDC's corporate members, which include Ford, General Motors, Coca-Cola, IBM, Cisco, Hewlett-Packard and John Deere, want to promote the fact that they do business with minority firms, but it is difficult for them work with small suppliers. Getting certified as minority controlled gives these businesses a chance to take on investors and still land contracts with minority-friendly corporations. So far, only two of the group's 15,000 firms have this new designation.

"Most corporations understand and practice workplace diversity better than they practice supplier diversity. From our perspective, supplier diversity is where the real transfer of wealth to the minority communities occurs. One minority CEO affects one family, but a minority-owned business, which is more likely to have minority employees, has a greater affect on the community. That's why we're really pushing this."

Fed Contracts Short of Small Business Target

House Democrats say fewer prime contracts went to small companies last year
By Angus Loten (Excerpts Taken) Inc

Oct. 24, 2005--The federal government failed to meet contracting goals for small and minority-owned businesses last year, costing owners a record \$1.6 billion and raising concerns that they will be squeezed out of Gulf Coast recovery work, a House Democrat report said Thursday.

While the federal contract marketplace grew by 3% to \$295 billion in 2004, those awarded to small businesses dropped by 31% from the previous year, according to the so-called scorecard report, in which Democrats on the House Small Business Committee grade 22 federal agencies on meeting congressional contracting targets for small businesses.

Overall, the report gave the Bush administration a "D", its lowest grade in five years, along with failing grades for half of all government agencies on the scorecard. As many as five have earned failing grades in all six scorecards to date.

Earlier this year, the U.S. Small Business Administration, which oversees the contracts, confirmed that roughly \$2 billion in federal money believed to have gone to small businesses in 2002 instead went to much larger companies.

The agency has since sought public input on how to improve small-business contracting. It also implemented a monitoring system that requires companies to reaffirm their small business status after being acquired by a larger firm.

Yet Thursday's report claimed small businesses received 22.36% of all federal contracts last year, with 3.78% going to disadvantaged businesses, 3.11% to women-owned businesses, and 3% to those classified as being in Historically Underutilized Business Zones, or HUBZones.

According to goals set by Congress, small businesses should get a full 23% of all federal contracts in any given year, with 5% for disadvantaged businesses, 5% for women-owned businesses, and 3% for HUBZone businesses.

In August, a report by the Federal Procurement Data Center said the government had not only met, but surpassed its goals, awarding some \$69.23 billion in contracts to small businesses last year. That translates into a full 23.1% of all federal contracting last year, according to the SBA.

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Minority Companies Avoid Label

Some fear potential stigma of registering
By Yvette Armendariz (Excerpts Taken) The Arizona Republic

Sept. 26, 2005—Ron Williams, who heads a Phoenix-based group that advocates for minority businesses, began a project this year that he thought would be simple to pull off. He e-mailed 350 successful minority entrepreneurs and asked them if he could post their stories on the Web site for the Grand Canyon Minority Supplier Development Council. The goal was to inspire others. At least six e-mail blasts later, no one would agree.

The reason in many cases: The owners didn't want to advertise the fact that they were minorities, fearing it would stigmatize their business and potentially lead to a loss of future contracts. "It's an interesting phenomenon. I thought there were a few, but not so many," Williams said.

The refusals indicate that despite gains made over years by firms whose minority ownership is openly acknowledged, many owners still feel that a "minority" label is of limited benefit. The exception is in government contracts, where diversity goals have pressed contractors to bring in more minority- and women-owned

firms on projects. From 2002 to 2004, businesses that qualified for a federal program aiding small, disadvantaged firms grew their share of dollars by more than 16 percent, to \$18.5 billion.

But some minority owners refuse to seek certification. Some get certified only at the urging of corporate clients whose chances of winning a government bid sometimes improve the more minority subcontractors they have. Minority owners say they otherwise don't promote their identity because some corporate and government buyers wrongly perceive that minorities do inferior work.

"Sometimes people think because of that wording (minority) that you aren't capable of some things," said Maxine Jones, the Filipino owner of aerospace parts supplier AIMCO Precision Inc. She resisted official minority designation for years but now advocates the status as a tool to win contracts. If her client Honeywell hadn't urged her to certify, Jones doubts she would have.

"I think I would have just kept going on our merits of quality and delivery," she said. "I do not feel that I'm disadvantaged (as a minority). That puts a stigma on

you. If you give these (minority-owned) shops a chance, they can compete with anybody."

Lupe Barto, who oversees supplier diversity for JPMorgan Chase, said corporations are recognizing the frustration a "minority" designation can generate. "At Chase, we no longer use minority. We use diverse," Barto said.

Michael Gausden of Hunt Construction says they often have to convince good companies that are minority-owned to get certified so their construction firms can count them toward their double-digit diversity goals. "I don't know why they don't want to take advantage of a program," said Gausden, Hunt's western division manager. "I wish I knew."

The bottom line for the business owners is they just want to be known as quality businesses.

"I don't ever use minority," said Luther Patton, owner of Tempe-based Compac Design, an electronics manufacturing company. Patton, who is Black and has chosen not to seek minority certification for his company, recently won a Minority Enterprise Development Week award for his success as a manufacturer. So far, none of his clients has asked him to certify, and since business continues to grow, he finds it unnecessary.

New Research Confirms Viability and Unique Advantages of Streaming Video as an Ad Medium

94 million Americans viewed online videos in June
StreamingMedia.com (Excerpts Taken)

Oct 13, 2005—comScore Media Metrix today released the first publicly available analysis of consumer usage of online streaming video content, based on the comScore Media Metrix Online Video Ratings service. In June 2005, more than 94 million people in the U.S., or 56 percent of the domestic Internet population, viewed a streaming video online. Over the three months ending June 2005, the average consumer viewed 73 minutes of streaming video content per month.

comScore Media Metrix Online Video Ratings deliver key metrics and analysis across specific Web sites and content providers, providing visibility into the rapidly-growing streaming media landscape.

"This research confirms that streaming video is now part of the Web experience for a broad base of consumers," said Peter Daboll, president and CEO of comScore Media Metrix. "This technology is changing advertising on the Web, by allowing richer, more emotive connections between brands and consumers."

"Online video is uniquely positioned to break through clutter, changing media preferences, and other obstacles facing advertisers today," noted Mr. Daboll. "comScore is excited to have developed the only technology that can measure this revolutionary change in the advertising landscape."



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