

Written Testimony of
Mr. Kenneth E. Clark
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Capital Region Minority Supplier Development Council
Before the
Senate Small Business Committee at a hearing in
Morgan State University, Baltimore, MD
Friday, September 14, 2018.

Good Morning, Senator Cardin. I am Kenneth Clark, Business Consultant in the Minority Business Development Agency Business Center – Capital Region. This business center is operated by the Capital Region Minority Supplier Development Council under the leadership of Sharon Pinder, President and CEO who could not be here today. I am delighted to be here at Morgan State as both Ms. Pinder and I are alumni of this great institution.

For clarity, I would like to explain the roles of the Capital Region Minority Supplier Development Council and its relationship with Minority Business Development Agency in the operation of an MBDA Business Centers.

The Capital Region Minority Supplier Development Council (CRMSDC) is one of the 23 regional councils of the National Minority Supplier Development Council (NMSDC). NMSDC was founded in the aftermath of the riots following the assassination of Dr. Martin Luther King. As various federal commissions undertook studies to determine the root causes of violence in the cities, so did corporate America. Their studies determined that the root cause of unrest was lack of access to the American Dream of life liberty and the pursuit of happiness. This dream requires money, i.e., jobs, income and business revenue. The study led those corporate executives to the implementation of trade fairs and job fairs to provide jobs for residents and business opportunities for minority businesses. Their activities coalesced into the establishment of the corporate-led National Minority Purchasing Council with regional affiliates. The Greater Baltimore Minority Purchasing Council was founded in 1972. It later merged with the Great Washington Minority Purchasing Council and with subsequent national name changes became the MD/DC Minority Supplier Development Council. I had the privilege of serving as a Board Member, including a term as board chair and later president of this council.

The significance of the establishment of NMSDC was that it was built of the idea of economic development and wealth creation in the minority communities. It was the hope of NMSDC's corporate founders that an employed minority community and a vibrant business community would help to generate income that could be spent by that community to buy the products and services of corporate America. It would also create an economic sense of wellness that would lessen chances for violence in the streets. NMSDC established the regional councils to certify minority businesses and to provide a linkage to their corporate procurement departments. The regional councils continue to host trades fairs, conferences, one-on-one matching, and various networking events to foster interaction between MBEs and corporate buyers, most often through corporate supplier diversity professionals. CRMSDC also offers highly impactful training to the leadership of MBE firms at business schools such as Kellogg, Tuck and others. Additionally, it has offered similar training locally with the result that many minority business leaders are able to move their firms from start-up and sub-contractor status to fully sustainable

businesses. The impact of CRMSDC's activities is that its nearly 350 MBE firms generate over \$3Billion in revenue and employ approximately 20,000 people. This tracks well with the data from NMSDC nationally where 1,595 corporations work with 12,000 certified minority firms to create \$400 Billion in output and 2.2 million jobs. (See attached graphic data from NMSDC)

The Minority Business Development Agency developed along a similar path within the Department of Commerce under Executive Order 11625 over 45 years ago. Since 1972, MBDA has been working aggressively to support the growth of MBEs. MBDA serves as the only federal agency tasked to help MBEs realize their full economic potential through technical assistance, public and private contracting opportunities, advocacy, research, and education for MBE growth and development. The bulk of this work is accomplished through a nationwide network of now 35 MBDA Business Centers. Included in that number are four Manufacturing Centers, which promote capacity building of minority manufacturers, and one Federal Procurement Center. There is an MBDA Manufacturing Center operated by the City of Baltimore here at Morgan State. Each center provides services that assist businesses in accessing capital, contracts, and new markets, as well as helping them to grow in size and scale. In 2016, CRMSDC competed to win an MBDA grant to run a business center in the Washington, DC area. Later, in 2016, CRMSDC also won the bid to run a Federal Procurement Center, the only one of its kind in the Nation. The Federal Procurement Center is designed to specifically help MBEs with access to federal and federally funded contracts. The Business Centers can work with MBEs seeking federal, state and local as well as corporate contracts. Both teams use information systems tools provided by MBDA, personal contacts and knowledge of the various commercial and governmental sectors to help their clients find and win contracts. They also assist their clients in finding loans, working capital and other financial instruments from minority-friendly sources of which they have become aware. At the recent MBDA National Training Conference, both the Business Center and the Federal Procurement Center were recognized as "Outstanding" for meetings or exceeding the rigorous contract, financial and job creation and retention goals required in the MBDA grants. In order to create greater synergy for business development and support to minority businesses, Sharon Pinder has created a Minority Business Consortium in which the three organizations collaborate to offer a more full slate of services to regional minority businesses. In addition to the economic impact of CRMSDC stated above, together our Capital Region MBDA business centers helped its 220 clients win over \$240 million in contracts that created 1700 jobs in the last program year.

While both CRMSDC and its MBDA centers, and MBDA and NMSDC as a whole, work hard at assisting minority enterprises grow their businesses and develop their teams, there are still many barriers to minority contracting. A summarization of disparity studies from several state and local jurisdictions was released in January by MBDA. It showed that very significant disparity still exists in minority contracting. It was most distressing to see that the disparities still existed even after remedies proposed from prior disparity studies had been implemented in these areas. The barriers to contracting were the following based on specific and verifiable data and anecdotal experiences:

- At the Prime level - timely bid notification, explicit discrimination due to stereotypes, and higher and double standards, MBE/DBE stigma.
- Prime level non-discriminatory – large project sizes, bonding/insurance requirements, timely payment
- Sub-contractor – timely bid notification, bid shopping, held bid, lack of good faith effort to use, only taking an MBE if required, explicit discrimination (same as above), MBD/DBE stigma (See Attached graphic from MBDA website for details)

Basically this boils down to Access to capital, contract network access, and marketplace discrimination.

To help address issues around access to capital, our business center held a finance seminar to educate MBEs on the intricacies of working with various sources. Mr. Tim Smoot, on this panel, was one of those experts along with four national and regional banks and an alternative lender. These “minority business friendly” institutions shared how to best work with banks, when to go to alternative sources, how to develop the relationships that might help off-set some of the stereotypes associated with being an MBE or DBE. One client said that this was exactly what she needed to hear to be better prepared.

This is the environment in which CRMSDC, the MBDA Business Centers and the Federal Procurement Center work to try to alleviate as many of these barriers as possible. It is work that is done in the field, holding hands with MBEs, and talking to, calling and visiting contracting personnel in the corporations and state and federal agencies to help get deals done. Policy personnel in the federal or state capitals do not and cannot impact the problems faced daily by MBEs. I say this because, as you aware, it has been proposed that MBDA discontinue the funding of business centers and that the agency becomes strictly a policy organization. This action will be done to the great detriment of the minority business community. I urge your strong support to continue funding of the MBDA Business Centers and the Federal Procurement Center.

Thank you, Senator Cardin, for the opportunity to speak. I thank you for your interest and leadership in this important area of supporting minority business growth and development. In 20 years, the complexion of the Nation will reach a major transition. Many people fear a future in which minorities are a majority and trying to hold back the tide. If we don’t create strong and viable minority businesses and build wealth in the minority communities, the cycle of economic life in these United States will spin out of control into a downward spiral. Effective leadership can guide the Nation to great future.

Thank you again,

Respectfully submitted,

Kenneth Clark