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Small Business Development: A Comparison of Programs in American Cities and Counties

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Abstract

This article focuses on local government small business development programs in the United States and their evolution as policy institutions over time, and examines the basis for local government provision of such services. The article examines a variety of race-conscious (minority and women-owned programs) and race-neutral (small business) policy approaches in large counties and cities in the United States, and finds a range of approaches and eligibility standards. While there is diversity in approach, it is not evident that such variety yields optimal results in all cases. The article suggests a need for greater focus on the outcomes of such programs, given resources expended and the political context of the decisions that lead to their creation, to determine whether programs provide ample benefit for cost. This may result in identification of best practices in framing business development initiatives, greater clarity of purpose, and accountability/transparency, leading to more informed and reasonable expectations from the client small business community.

Introduction

> "Small businesses are the backbone of our economy and the cornerstones of our communities." – Barack Obama (Sabochik, 2010)

For many, the success of the small business community is important to the strength of the overall economy of the United States and to the health of the national mindset. It is a common view that small businesses are the source of growth in an economy otherwise inclined to a brooding stasis; small businesses are also arguably a source of confidence for the American public in that being one's own boss instills a sense of controlling one's own economic destiny. While the importance of small business to the American mindset in the normative sense is well accepted, the idea of government intervention in the market to support small businesses, for economic growth purposes, is less well understood. That small businesses are important has led to policy choices that may seem based more in the emotional importance of small businesses, and in serving the small business community symbolically, than in government's ability to help the small business community in constructive and measurable ways.

This article begins with a discussion of the historical basis of government small business programs in the United States. We then move on to a basic overview of such programs and an examination of institutional roles and constraints of official and unofficial actors in the context of program delivery. Finally, a comparison of common methods that local governments employ to support small businesses in larger cities and counties through the United States is offered; elements noting both commonality and creativity in approach are discussed. The findings suggest that these programs have significant symbolic and political value, but in terms of actual performance measurement, it is not clear that the programs provide intended or optimal benefit to the targeted populations, given the stated rationale for the programs as originally conceived. There is a need to focus more on measuring the outcomes of such programs to determine what results are due to the presence of small business certification and opportunity programs, and what outcomes are the results of market or business decisions. Such focus will allow local governments to enhance program elements that work in supporting small business growth, and eliminate those elements that have little value for the business community, beyond their perceived symbolic appeal.

Small Business Assistance as a Public Good

Jeremy Bentham is usually credited with being the modern source of the idea of utility, in which he suggested that the concept of "good" was providing for the greatest number the most happiness, and that each person pursuing happiness would result in "the greatest happiness of the greatest number" (Steintrager, 2004: 22). Continuing the philosophical tradition, dating back to the Epicurean sensibilities, J.S. Mill wrote of utilitarianism: "The creed which accepts as the foundation of morals, Utility, or the Greatest-Happiness Principle, holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness. By happiness is intended pleasure, and the absence of pain; by unhappiness, pain, and the privation of pleasure" (Brown, 1996: 56). Extending from utilitarianism is the concept that it is not just one's happiness that should be pursued, but "the greatest amount of happiness altogether" (Raeder, 2002: 275).

Bentham continued this notion of utility to the economic sphere, noting that the greatest good for the greatest number would also be the best guiding force for economic practices of employment (Spiegel, 1991). This is contrasted by both Adam Smith and David Ricardo, who opposed concepts of protectionism, which might be warranted under the principles of utilitarianism if market forces prove themselves incapable of maximising utility for all (Case & Fair, 1999).

David Hume's work on ethics is a strong reference point in the early literature for why programs exist and how protections find their way into public policy even today. He writes in his *Treatise on Human Nature*: "Morals excite passions, and produce or prevent actions. Reason of itself is utterly impotent in this particular. The rules of morality, therefore, are not conclusions of our reason" (Shafer-Landau, 2007: 12). Perhaps the moral basis for providing for the general welfare does not simply reside in providing for the "greatest good", but in the moral impetus of right and wrong itself.

That all the benefit should reside with the few, for example, seldom rings true to the many.

In Rousseau and Hobbes, morality does not rest with the savage, but is only achieved through the workings of a civil society through education and the consent to the social contract (Rousseau, 1920: 16). In Hobbes, it is the right of all against all in a world without a government, where we are resigned to lead lives that are "solitary, poor, nasty, brutish, and short," unless we give a modicum of our rights so that all may have a right to lead lives worth living (Newey, 2008: 51). If all of us are not protected in a civil society, then perhaps none of us have protection.

It is no surprise, in context of the flowering of philosophy that triumphed at the time, that the United States Constitution, Article 1, Section 8, notes that the Congress of the United States has the right to "lay and collect taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States." Out of the discussions amongst the philosophical community, it became evident that a state of nature must not exist when it came to the government of the new United States, and that the general welfare must be provided for through centralised governmental authority.

But what does "general welfare" mean? It would appear to be intentionally ambiguous. Certainly, one notion of general welfare may not be the same as another. The definition one employs can be subject to one's personal philosophy or religious leanings. This has shifted over time given the contexts of the intervening years, and is an evolving concept. For example, Lowi (1995) notes that the patronage system in the 19th century was quite different than the concepts of welfare in evidence under the New Deal of Franklin D. Roosevelt. As a founding principle, Madison "insisted that to place no restriction on the means Congress might choose to achieve its constitutional ends destroyed the whole notion of limited government" (Ketcham, 1990: 632). This limited federal scope was more and more left behind in favor of an increasingly "unbounded federal state," free to determine concepts of the general welfare without such concrete grounding in existing law (Sky, 2005). In application to small business development programs, we may see options for government intervention ranging from attempts to insure equality of opportunity (a leveling of the playing field) to forms of distributive justice that attempt to rectify past discrimination or simply serve to "spread around the wealth".

The concept of fairness in public procurement extends from theories on social or economic justice – what Fleischacker (2004) calls *distributive justice*. He argues that these theories do not extend back to theories of justice offered by Aristotle, who focused on who should hold office rather than how property should be divided in a just society. Instead, these theories extend to the work of Smith and Kant. Distributive justice "calls on the state to guarantee that property is distributed throughout society so that everyone is supplied with a certain level of means. Debates about distributive justice tend to center on the amount of means to be guaranteed and on the degree to which state intervention is necessary for those means to be distributed" (Fleischacker, 2004: 4). This thinking is counter to the idea of the minimal state; Nozick, for instance, claimed that anything more extensive would violate individual rights (1974: 149). Nozick's argument is frequently utilized by those who quarrel with governmental intervention in markets to assist certain businesses, such as small businesses, that might otherwise lack capacity or competitive means to survive and win contracts in public procurement.

An alternative to assuring a level of means to everyone is guaranteeing equality of opportunity. A frequent portrayal is that of a level playing field, in situations where all the participants cannot participate as well because the "playing field" favors certain participants, or participants with certain backgrounds (Cavanagh, 2002; Connerly, 2008; Eastland, 1997). This is the belief behind the federal disadvantaged business enterprise (DBE) program operated by the US Department of Transportation (2010), which serves as a basis for many state and local programs. Leveling the competitive field equalises the situation, at least in theory, through government intervention in market forces. This action presumably allows underutilized businesses to compete on their own merits providing equality of opportunity. The regulation actually includes the language of the level playing field: "This part seeks to…create a level playing field on which DBEs can compete fairly for DOT-assisted contracts" (U.S. Department of Transportation, 2010: 49 CFR 26.1).

When such programs invoke policy choices that seem like quotas, there can be complaints of reverse discrimination (Anderson, Behney & Lubart, 2007: 432). Those who argue against such programs think about it more as a race, where certain participants are just better at running than others. Should those better runners be faulted to insure a good outcome by weaker participants? Forcing them to participate in such a race is a violation of their rights to become better off through their own efforts – in effect stealing from them or at the least impeding their progress in their race (Nozick, 1974: 237). Enforcing a right to equal opportunity, Nozick writes, requires a "substructure of things and materials and actions, and other people may have rights and entitlements over these" (238). This is echoed throughout the literature that counters government involvement in providing equal opportunity or access to government procurement opportunities (Cavanagh, 2002; Eastland, 1997).

Beyond fairness, the reasons for intervention extend to economics. As Audretsch states, "when viewed through the static lens provided by industrial organizations, small firms place an efficiency burden on the economy. Their small scale of production inflicts a substantial loss in terms of higher production costs. However…such static losses…are more than offset in gains in dynamic efficiency…the greatest contribution to economic efficiency by small firms [is that they] serve as agents of change" (2006: 248).

Given such an impetus, local governments find reason, beyond providing equality of opportunity for contracting, to support small business initiatives. Of primary importance is the role of such programs as economic development instruments (Audretsch, 2006; Diochon, 2003; Harper, 2003; Shane, 2005; Walzer, 2007). The small business program is a tool, beyond opening up contract opportunities to small businesses that would otherwise be edged out by large businesses. Ensuring ample representation of local small businesses accomplishes economic development ends – it keeps public money in the local economy (Woods &

Muske, 2007: 191), where it is spent by locally employed people. It helps to keep businesses going so that they can maintain and add to the employment base, and it encourages growth and innovation in the local economy. Such a program may accomplish this through direct contracting, preferences for selection and award, or goals for expected subcontracting levels.

Small business programs focus on one aspect of economic development, in that they encourage entrepreneurship and expansion of local businesses. This is consistent with the reasons local governments engage in efforts to support small businesses, among them job creation and innovation. While this is a widely held belief, and is supported in the literature (Birch, 1987; Black, 2004; Griffin, 2008) and in the policy dialogue of proponents like the US Small Business Administration, others question whether claims in support of small business are true.

Davis, Haltiwanger, and Schuh suggest that such claims are based on misinterpreted statistics and find the common wisdom on the subject of small businesses as job creation engines to be flawed (1993). Elsewhere, they question the use of certain databases, such as that maintained by Dun & Bradstreet (2012), to analyse small business market trends (Davis, Haltiwanger, and Schuh, 1996: 70-72). Haltiwanger and Krizan (1999) suggest that new businesses are the source of great volatility, and ways of counting new jobs, such as net versus gross new jobs, confound our ability to calculate the real effect of small businesses relative to large businesses. Others suggest that small business policy can be an important part of job creation, but efforts should be targeted toward those firms most likely to succeed and grow (Landstrom, 2005: 183).

While there is disagreement on how small businesses impact the economy of a city or county, and the extent of the impact, the cumulative influence of many small firms hiring a few people each (Ács, 1999: 3) is, to political interests, undeniable. Small firms are also great in their cumulative numbers and are motivated to vote, and this can help to focus diverse interests and set an agenda that favors small business development.

Eligibility and Exclusivity

As emphasis shifts away from minority and women-owned business programs as treatments of institutional disparity in public contract practices, toward race- and gender-neutral alternatives, the programs become fundamentally different and more like economic development instruments and less like means of addressing an institutional transgression. Business owners of all racial and gender groups may like the resulting programs (Kinder & Sanders, 1996: 193) – a different result than the more divisive race-conscious programs. Local governments can be very creative with these new programs and their eligibility requirements and operations are as diverse as the communities that establish them.

Local small business programs typically suggest that certain contracts be limited for competition to small businesses deemed eligible by the local government, for economic, size, and/or geographic reasons. These situations constitute governmental intervention in a market activity, which will for that reason alone alarm those that claim primacy of market forces above all else, and who do not believe that market failures (Mankiw, 2008: 152) occur. These programs are redistributive in the sense that they involve the outlay of public resources (tax dollars) in ways not necessarily governed strictly by capitalism, market forces, and the "low bid". But in considering what America's founders contemplated, the "general welfare," small businesses may deserve to be treated fairly and such programs might be justified on that basis.

This is not a radical argument, and is supported by sound economic practices; it appears in model procurement codes supporting competition (American Bar Association, 2008: 59). As Lowi puts it, "exclusiveness is softened with equity" (Lowi, 2005: xvii). Small business programs, because they do not invoke constitutional issues of equal protection as do minority and gender-based "rights" programs, are less challengeable in court and thus far more common. This is increasingly the case as minority and women-owned business programs are successfully challenged by threatened groups, including those representing majority contractors.

The primary argument against such programs is that somewhere a boundary for eligibility has to be drawn. These programs do involve a policy action intended to include and encourage one group at the exclusion of others. In the case of small business programs, an eligible firm may be local (geographical preference), or of a certain size in gross receipts or number of employees (size limitation), or both. In a regional economy, geographic prohibitions might set other neighboring entities to erect similar barriers. This is counter to the idea of a regional economy, where market habits pay little attention to political boundaries (Stimson, Stough & Roberts, 2006). Federal agencies may prohibit the imposition of such geographic barriers by local governments using Federal grants, given the national reach of their programs – for example, see Title 44 CFR 13.36(c)(2) (U.S. Department of Homeland Security, 2010).

A primary reason for limitations and leveling of the playing field is that there are many more small firms than large firms in an economy, and they account for a substantial portion of the population for employment purposes (U.S. Small Business Administration, 2010a). Another reason is that small firms tend to surpass large firms in their efficiency (Ács & Audretsch, 1990), and efficiency is worth supporting. Further, large firms tend to take over small firms to reduce transaction costs (Williamson, 1975). Nevertheless, leaving large firms out of development programs can make powerful political enemies for local government. Political players must consider this, as large firms are substantial employers in their own right and can speak powerfully through the votes of their employees. There is also a mutually beneficial relationship that small and large firms have for one another, working in proximity as suppliers and subcontractors (Young, Francis & Young, 1999), to create and grow supply chains that make a local economy more resilient.

Whatever the limitations, there are some firms that will not be eligible for a program as established; this may create a politically unpalatable situation. The countering firms might be large, well connected, and have considerable resources to fight such public policy initiatives. This is suggested by the literature that considered equality of opportunity as beyond the scope of good government (Nozick, 1974), and detrimental to the general welfare, in that it can promote "mediocrity, inefficiency, and resentment" (Beckwith, 1996). Firms that are deemed ineligible make arguments such as that put forward by Amselle and Todd (2003), accusing "state and local governments [of] looking to please special interests and preserve a reputation for diversity" through institution of what they feel to be illegal (in the case of minority and women-owned business) or just inefficient and unworkable (in the case of race-neutral) programs.

Small Business Programs in Practice

Business development programs may deviate from the normal lowest qualified bid procurement standard specifically for the purpose of accomplishing some socioeconomic goal set by the governing board. This may be a local small business program, or some other preference program that seeks to modify procurement from where normal institutional processes and the market would naturally lead, toward some specific goal. The goal could be more participation by local small businesses in certain fields or specialties, or all fields and specialties. It could be the elimination of disparity in municipal procurement – meaning that all firms seeking to participate in government procurement have an equal chance of gaining such opportunity, without regard to the race or gender of their owners (Reardon, Nicosia & Moore, 2007).

Businesses, especially those not well versed in how government operates, encounter significant difficulty navigating the landscape of public procurement – with its processes and procedures far different than those encountered in the private sector. Small businesses may require technical assistance in completing bidding forms; some even require assistance with deciding how much to bid for a product or service, in order to be successful in working the government contract if it is awarded to them. One of the aspects of working with small businesses provided by economic development groups, that is important to the growth of stage one firms (firms with less than ten employees), is the provision of technical assistance, including contract information, marketing and business plans (McFarland, McConnell & Geary, 2010). A lack of technical assistance may impede the access of new firms to procurement processes and inhibit business growth.

Government forms can be daunting for a small business; the language used in them is often complex, and the regulations that support procurement processes can be difficult to understand, if not contradictory within themselves. In government's attempt to account for every possible contracting situation that may arise, or at least the greatest portion of them, through regulations (Thai, 2008), working within these rules, and benefitting from their protections, is complicated. To further obscure the issue, some governmental agencies have knotty bid protest procedures (Cushman, 2001). Firms may feel that they must go along with the way government works, if they ever wish to work with government. They accept what they feel they cannot change, when the behavior of the government procurement apparatus as a whole is incomprehensible.

Officials have their own roles to play in the success or failure of public procurement. How a program is designed has implications for implementation, and perhaps nowhere is this clearer than in determining eligibility for certification. Depending on where the line is drawn for small business certification eligibility, a government may include too few firms in the targeted market, in instances where the eligibility standard is very restrictive; this may result in a program that does not work well in practice, as agencies will complain that there are few or no eligible certified firms that can perform the work or provide the products needed. The opposite is also possible: governments may set the standard for what constitutes a "small" business at such a level that practically all firms are eligible. The result is a dilution of potential benefit for smaller firms, and a better chance that the program is more symbolic. For example, current Small Business Administration size standards suggest that an office supply store with gross receipts less than $30 million per year is a small business (Small Business Administration, 2010a). The vast majority of firms in this category would be considered small, as a result, and the benefit of limited entry into consideration for a given procurement on the basis of size would be less meaningful. If all firms are small, then there is no special consideration associated with being a certified small business; credit can be taken that a program serves most of the businesses in that category, even though the actual benefit to most firms is negligible. Although the SBA has a method for calculating size standards (U.S. Small Business Administration, 2009), the pressure from local small business communities against the imposition of national standards on a local basis can be considerable. Entrepreneurs may differ significantly in their personal definitions of small businesses, and ask that government officials further protect the level playing field as they see it by defining small business size in a manner that corresponds to local interests. Large businesses may seek to abuse size restrictions and create front or sham affiliate companies to gain consideration for small business-focused projects.

Certification itself is typically a check for whether an applicant firm meets eligibility requirements and does not constitute a pre-qualification of the firm for any specific project that might be bid, or act as a stand-in for an individual vendor's responsibility to provide a product or service in a given instance. The North Central Texas Regional Certifying Agency, for example, indicates that "certification merely states that a firm meets the established criteria to be certified as a disadvantaged/minority/woman-owned business. The NCTRCA does not recommend or imply that a particular firm is qualified or not qualified to perform the services stated in the application" (2011). Qualification of a firm for a specific project is more a procurement matter and is handled under local procurement codes or other regulations and rules that govern responsibility of bidders. The Federal disadvantaged business enterprise (DBE) program only allows pre-qualification if all firms are pre-qualified, noting that "[The recipient] must not require a DBE firm to be prequalified as a condition for certification unless the recipient requires all firms that participate in its contracts and subcontracts to be prequalified" (49 CFR 26.73).

Certification and responsibility are not interchangeable; the assumption of correspondence can create policy problems in implementation. Certification approaches may involve the use of affidavits (where the applicant asserts their eligibility) or full reviews with site visits. Affidavit programs only work with adequate enforcement; if there are no repercussions for misrepresentation of an affidavit in a self-certification situation, the integrity of the program is necessarily in question. Full reviews by certification staff of each applicant firm take time and resources frequently not available, and even with full reviews there is no guarantee that a firm will not misuse certification for unfair advantage to bid work for which it lacks specific capacity.

In applying small business objectives in procurement, we may expect that government officials want all procurements to be as fair and impartial as possible – that the process should be a disinterested look at the firms proposing to the local government for award, and the best firm, the one that gives the best value for money, should win the project. Officials within agencies who support small business initiatives may see a local small business development program from the perspective of its potential programmatic outcomes, and how it may support local economic development. Elected officials may see it as a means of assisting constituents in either obtaining work for their existing businesses or going into business for themselves. Because available contracts are finite in number, the belief that opportunity exists through the program is as important as receiving a contract award, from a pure political standpoint. If one favors elite explanations of action, those that are more aware of the symbolic power of a local business preference program in the context of public procurement may attempt to enforce the program as a means of achieving other more individual goals – whether to steer work to certain favored firms, or to punish firms and prevent them from moving any further in a contracting opportunity, because they did not pay appropriate heed to a responsiveness criterion. Constraint or encouragement of such behavior on the part of actors within an institution is a hallmark of the specific institutional context.

Small businesses are, in the minds of some project managers in operational agencies, unable to perform because they lack capital to survive from check to check on a project. These firms, project managers have noted, fail to understand what is required of them legally to work as a sub-contractor on a government project, and in some cases on any project, for that matter. This can lead to the certified firm being removed from the project and replaced with another subcontractor or worse – the certified firm declaring bankruptcy or otherwise losing control of their business because they have not been adequately prepared for the financial challenges and requirements of government contracting. A reason for a subcontractor's failure may be as simple as a lack of payment from a prime contractor, where the prime contractor is not required to pay a subcontractor because no invoice has been presented to the city or county and paid. For a large firm, regular and consistent billing may not be an issue, but for small businesses, their margins do not allow for gaps in payment, or the holding of individual retainage at the completion of their scope of work to the time of total project completion. What is seen as failure on the part of a small business as a subcontractor may have been hastened by practices on the part of a prime contractor that are fundamentally hostile to small businesses. The countering argument is that government has a compelling interest to assist these businesses and should not take the result of an unfair system and the net effects of marginalisation in the market –

that is, that small firms lack capacity and cannot compete as effectively as well-established, large businesses – as a reason for doubting the cause of supporting small businesses (Wainwright & Holt, 2010). Nevertheless, unless both sides of the debate are understood, a small business's participation in an unregulated public contracting environment, to meet a small business goal, may result in their overextension and failure.

Small firms may be undercapitalised, lack experience, and otherwise match the criticism leveled against them. Project managers are, too, sometimes seen from a skeptical viewpoint, by both the small business advocates within the process and those on governing boards, who may question their views on the abilities of smaller firms that lead to lowered expectations of business development-type participation on a given project. Project managers may complain of projects with high percentage goals for small businesses, because they have had negative experiences in the past with certified subcontractors, who were ill-equipped to perform to project specifications and expectations. They may simply not want incompetent subcontractors to slow and potentially disrupt a project for which they are responsible. This is not true in every case, of course. They may be favoring the prime contractor because the project manager's goal is to complete the project on time and within budget. There are project managers who do not agree with programs that seek to tip the scale in favor of local vendors, because it requires more work on their part to communicate with the certified local firms, seeking a foothold in county or municipal procurement, who may not be as versed in government contracting work as seasoned contractors. It also may potentially break up existing prime contractor-subcontractor relationships, even as it creates new opportunity. The additional administration necessary, including the tracking of small business utilization, is named as a burden, but without it the program cannot meet its intent.

Small business development staff members might be concerned with their concept of "fighting the good fight", or defending the interests of those that cannot defend themselves. This is a feature of institutional culture in many organisations; government officials and administrators often truly believe in what they are doing and try to do the best they can, given available resources. However, in constantly fighting this battle, the small business advocates may not consider perfectly reasonable suggestions from project experts. The business development program's outcomes might ignore the peculiarities of a given project, for instance. Advocate staff may insist on small business goals where their inclusion is anticompetitive: "While it may be reasonable to award some local preference in cases where there are plenty of local vendors of a good or service, it is anticompetitive to provide such preferences when it results in a substantial restriction in competition or in only a handful of local bidders being eligible for the award" (O'Looney, 1998: 159). Sheltering a market for local small businesses may drive up the price paid by local government for small purchases; the goals of the governing board to include small businesses come up against the cold reality of budgets and resources that are available. The program itself may not have the effect(s) intended by the enacting legislation.

A Diversity of Approaches

Local governments engage in a variety of programmatic approaches to serving small businesses, including certification programs, goals identifying certain projects or proportions of contracting for the participation of small businesses, procurement preference, training and technical assistance. For this article, we examine some approaches taken by some of the largest counties and cities in the United States.

The final list of 15 locales[1] with small business development programs includes both race-conscious and race-neutral program approaches. The list of counties initially targeted for review included the top 20 counties in the United States by population. For each, a search was conducted for small-business related programs, including race-conscious (with minority and women-owned business focus) or race-neutral (for small businesses, exclusive of race or gender criteria). Three counties were part of the City of New York (Kings, Queens and New York Counties) and were evaluated under the City of New York program. Five instances (Harris County, Texas; Maricopa County, Arizona; San Diego, California; Dallas, Texas; Fort Worth, Texas) were evaluated through the program of the county seat given the program's prominence. For example, the small business program of the City of Houston was used in place of a Harris County program. Information was largely derived from a review of program information available via the Internet, though several inquiries were sent for clarification. A report created by the San Francisco Human Rights Commission (2011) provided a broad overview of programs in California. Orange County, California, did not respond to an inquiry via email for information about their program; a review of material readily available on the website did not show clear indication of small business development programs of the types discussed here. Clark County, Nevada, does not offer preference programs for small business. A county official responded to an inquiry regarding programs as follows: "Clark County by law cannot make preferences for small, minority, and/or women-owned businesses but does make every good faith effort to support these types of businesses within the scope of the law."

The list of cities and counties, and information about the small business programs offered by each as of October 2011, is included as Table 1. Many also offer DBE certification (for the U.S. Department of Transportation program), but the focus here is on the provision of local small business programs, outside federal or state-level programs.

One item of interest is how the programs are constructed. There is clear reliance on the federal small business programs as a basis for constructing local programs. As noted, several locales make direct reference to the federal small business size standards, for eligibility in their local programs. The enacting legislation for programs echoes the sentiment of federal law, in voicing a desire for a level playing field. Phoenix, for example, indicates that their Small Business Enterprise program "ensures that small business owners in the community have an equal economic opportunity to obtain city business" (2011). In discussing their price preference, Los Angeles County touts their SBE program as helping to "level the playing field for certified small businesses" (2011). The stated purpose of the King County, Washington, program is to "increase the competitiveness of Small Contractors and Suppliers…proposing on King County contracts" (2011). Wayne County, Michigan,

Table 1: Comparison of Local Business Programs

County/City	Race-Conscious (MWBE) Program	Race Neutral (Local Small Business) Program	Uses Locally Defined or National Eligibility Standards	Certifying Authority	Bid Preference for County Procurement	Contract Goals Program	Mentor-Protégé Program
Los Angeles County (CA)	Yes	Yes	Local	Los Angeles County Office of Small Business	Yes	No	No
Cook County (IL)	Yes (MBE/WBE/ VBE)	No	Local	Cook County Office of Contract Compliance	No	Yes	Yes
City of Houston (TX)	Yes (MWDBE)	Yes	National (SBA)	City of Houston Mayor's Office of Business Opportunity	No	Yes	Yes
City of Phoenix (AZ)	No	Yes	National (SBA)	Equal Opportunity, City of Phoenix	Yes (Reserve Program)	Yes	No (Disparity Study Recommended)
City of San Diego (CA)	No	Yes	Local	San Diego Equal Opportunity Contracting	Yes	Yes	Yes
New York City (NY)	Yes – MWBE, EBE, LBE (social/economic disadvantage)	No	Local	City of New York Small Business Services	Yes (Targeted Solicitations)	Yes	No
Miami-Dade County (FL)	No	Yes	Local	Miami-Dade Certification Unit	Yes	Yes	Yes
Dallas County (TX), City of Dallas	Yes (M/WBE)	No	National (USDOT DBE)	North Central Texas Regional Certification Agency	No	Yes	Yes
Riverside County (CA)	No	Yes	Local	County of Riverside Purchasing	Yes	No	No
Sand Bernardino County (CA)	Yes (UDBE)	No	National (USDOT DBE)	San Bernardino Associated Governments	No	Yes	No
Clark County (NV)	No	No	None	N/A	No	No	No
King County (WA)	No	Yes – Small Contractor & Supplier	Local (% of National SBA size standard)	King County Business Development	Yes (Incentive)	Yes (for Construction projects)	No
Wayne County (MI)	Yes	Yes	Local	Wayne County Human Relations	Yes (Equalization Credits)	No	No
City of Fort Worth, Texas (Tarrant County)	Yes (MWBE)	No	National	North Central Texas Regional Certification Agency	No	Yes	Yes
Broward County (FL)	No	Yes	Local	Broward County Office of Economic & Small Business Development	Yes (Reserve)	Yes (% Goals, overall and project)	No
Bexar County (TX)	Yes (M/WBE)	Yes (SBE, ESBE)	Local (% of National SBA size standard); 49 CFR 26 for DBE	South Central Texas Regional Certification Authority	No	Yes	Yes

goes further in their mission: "To help ensure equal access and opportunity to all businesses that seek to provide goods and services to Wayne County – while fostering inclusion, diversity, integrity and encouraging the entrepreneurial spirit" (2011).

Ten of the 15 local governments reviewed have established local size standards for small business development that are locally, rather than nationally, defined. Five adopted eligibility standards that are reflective of either Title 13 CFR Part 121 , which governs size standards established by the U.S. Small Business Administration (SBA) (2010b), or Title 49 CFR Part 26, the regulation governing the U.S. Department of Transportation Disadvantaged Business Enterprise (DBE) Program, which makes use of the SBA size standards (U.S. Department of Transportation, 2010). The eligibility standards for certification vary widely, from locally designated small business sizes of USD$500,000 in annual gross receipts, to federally-designated size standards that can range to many millions of dollars for general construction work. With such disparity in eligibility standards, comparison between programs for outcomes (i.e. dollars awarded to certified firms) is problematic.

Certification in Texas is generally accomplished through regional certifying authorities (i.e. the North Central Texas Regional Certifying Agency, or NCTRCA). "The NCTRCA was formally incorporated in October 1992, to provide the function of a more efficient regional certification," and is a nonprofit 501(c)(3) corporation (2011). Other cities and counties offer certification services through their own staff, and offer a form, process and regulatory structure to facilitate such reviews. King County, Washington, offers a streamlined certification program that relies on the affidavits of certified public accountants to assure program eligibility (2011).

There is variety in the programs that local governments have for serving the small business community. Nine local governments reviewed offer race-conscious programs (minority/women-owned); we presume this indicates a finding of disparity in city or county procurement. Ten offer race-neutral (small business) programs. In terms of the decision to offer race-conscious and race-neutral programs, only three locales reviewed offer both. Disparity studies have recommended the adoption of both race-conscious and race-neutral measures[2], so this result is somewhat unexpected. There are more instances of race-neutral measures than there are of race-conscious measures, but the notion that race-neutral measures are replacing race-conscious programs entirely is not in evidence among the large, diverse cities/counties reviewed here.

The typical benefit of becoming certified in one of these programs is some kind of advantage in pursuing local government contracts. In nine of the 15 cases, bid or procurement preferences are utilized. The bid or procurement preferences take the form of additional percentage points or a bid discount for selection purposes, for consideration of a bid from an eligible small business. Some projects may be reserved in a sheltered market exclusively for competition among local small businesses prior to the local government testing the open market. In 12 cases, local governments have put forward some framework to establish goals for inclusion of certified small businesses.

In the case of race-conscious programs, this is as expected as operating a race-conscious program requires that actions taken to address the disparity must be narrowly tailored to serve the interests of those firms that have been disadvantaged, and this means establishing goals in a limited way to directly address identified disparity. For race-neutral programs, the establishment of percentage goals in some sense follows the race-conscious program structure, in that a certain proportion of work is expected for inclusion of certified firms. Unlike the requirements of a race-conscious program, though, a race-neutral program goal merely has to be reasonable, and is subject to a much lower standard of legal review than a race-conscious goal. A race-neutral program, because it does not invoke equal protection or other constitutional issues, may have goals established, to great extent, where the local government sees fit.

There has been suggestion that the inclusion of certified firms, in either race-conscious or race-neutral settings, perhaps would not occur if not for the presence of goals established by a city or county. Particularly in construction projects, the establishment of a goal at the project level ensures that at least some portion of the work will not be done "in-house" by a large prime contractor, even if scopes of work that will allow the goal to be obtained can be provided by the prime contractor's own forces. Prime contractors may argue against such intervention, frequently citing inexperienced certified firms that lack capacity to participate on larger projects, and demanding counties and cities evaluate goals based on the exhibited and available capacity of certified firms. Small firms demand higher percentage goals because they see capacity as something gained from working on projects of increasing size. To them, a low percentage goal is a low mandate for a prime contractor in selecting certified subcontractors for their team – one that results in attainment of participation levels far below the level of actual availability among all certified firms.

Six cities/counties have instituted mentor-protégé programs to assist local small businesses. One approach for such programs is taken up in the Associated General Contractors' sponsored "Stempel Plan", which seeks to "build a broad base of emerging business enterprises capable of performing high quality construction at competitive prices."[3] While the AGC plan focuses on "building, highway, heavy, industrial and utility sectors of the industry", the general idea behind mentor protégé programs is the need to grow and sustain small or "emerging" businesses and is more broadly applicable. The General Services Administration, for example, has as its goal for such programs:

> *to encourage and motivate GSA prime contractors to assist small businesses and enhance their capability of performing successfully on GSA contracts and subcontracts. The goal is to increase the overall number of small businesses receiving GSA prime contract and subcontract awards, resulting from mentorship and refined business practices. The mentors receive exposure to new business ideas and technology, a higher profile within the GSA community, as well as the satisfaction of helping mentors to reach their subcontracting goals (General Services Administration, 2011).*

The intervention through mentor-protégé relationships clearly goes beyond an expectation for teamwork on a city or county project, but the measurement of outcomes in such programs can be more difficult because it is subject to creativity in how mentorship occurs, and what the short and long-term benefits may be for the protégé.

A Question of Purpose

If programs for small business have as their primary intent the goal of leveling the playing field, or increasing their competitiveness, such outcomes should be carefully measured. Local governments may utilise systems to track certified business participation as part of their e-procurement solution package. Off-the-shelf software systems track contract compliance and certified firm utilisation to discern program outcomes. Without some effort to track overall participation in a small business program, beyond the volume of work to certified firms, program usefulness is vague at best. Ideas to consider for performance measurement include:

1. Which firms are receiving city/county work? Why are they receiving the work? Is it because of certification, existing patterns of business relationships, or something else?
2. Is the program actually expanding opportunity and making certified firms more competitive? What percentage of all certified firms actually are awarded projects? In what kinds of work?
3. Are certified firms working as prime contractors, subcontractors, or both? How do these proportions change over time?
4. Are certified firms moving toward greater capacity as part of the program?
5. How does certified firm participation compare to the participation of non-certified firms, especially on larger projects?
6. How frequently do certified firms participate in local contracts? Are there firms that are common participants in the program, where their relationships with larger firms are more a determining factor for their selection than their certification?
7. Are the relationships between prime contractors and subcontractors supportive or detrimental?
8. Are certain prime contractor serial offenders when it comes to slow payments to subcontractors, removing/replacing certified firms without their agreement, or other program abuses? Are those firms dealt with appropriately?
9. For preference programs, to what extent do preferences or points allow for local firms to be selected? What is the economic benefit or impact of the program?

10. How many jobs are added or retained as a result of this work from the city or county, through the small business development program?
11. If the program is race-conscious, is the program addressing disparity as identified in the city/county's commissioned disparity study?
12. If the city or county is operating a mentor-protégé program, do protégé firms experience growth, increases in capacity, and enhanced knowledge, consistent with the mission of such programs? Can these outcomes be quantified, through periodic surveys of past participants or other means?

While some programs produce reports about their services and impact on their communities, not many fully address the implications of offering a certification program to small businesses that seeks to intervene in public procurement outcomes, supporting the local small business community as a self-evident "public good" in and of itself. Governments may enact programs for small business development without understanding the extent of the resource commitment necessary to make the program effective. Further, the program may not be seen as the city/county's program, and may instead be associated, negatively, with the agency that is responsible for implementing the rules or tracking progress. Communication of the vision for program success, and responsibility of all departments to contribute, would be essential.

Periodic reporting is vital to tracking success in any program for small businesses, whether race-conscious or race-neutral. This perhaps goes beyond merely reporting the number of firms that are certified, or the number of outreach events that are conducted, to a greater focus on outcomes from the perspective of the individual certified small business. A certified small business that has no greater competitive advantage due to certification, because the selection of this or that firm is already a foregone conclusion, or because the firm's specialty is not needed by local government, is done a disservice by being told that a certification will be helpful to them. Tracking of overall program performance, including what specific projects, products or services the local government has available to the potentially certifiable market, will allow potential participants to make informed decisions about their participation in such programs. Greater accountability will allow small business development programs to improve their offerings, focus more intently on their strengths, and provide greater value for the taxpayer dollar. Making the connection between the strengths of a small business development program and the operational context provides for more realistic expectations among participants, elected officials and administrators, and the public, about what each program can and cannot accomplish.

Conclusion

It is generally accepted that small business development is a public good, given the popularity of conceptions of self-determination and individualism coupled with the hope that accompanies owning one's own business. There is a belief that the majority of new jobs stem from small business growth, and supporting the development of emerging businesses may make good public policy sense for those reasons. However, public policies supporting a small business community should be clear in purpose and given to measurement of performance. Considering the range of approaches to serving small business development, from eligibility criteria to benefits offered for becoming a certified vendor, greater care in tracking and transparency in reporting program outcomes at the city and county level may lead to consistency in approach and delineation of best practices across programs.

Given the diversity of small business programs and the creativity of eligibility requirements and limitations utilised by cities and counties, it is difficult to benchmark the effectiveness of programs against one another. Programs may seem effective by showing large volumes of work to certified small businesses, but the number of small businesses actually served may be very small. Local government efforts to spread around contract opportunities to more certified small businesses may be seen as anticompetitive, further complicating an already difficult policy landscape. Analysis of these programs as policy mechanisms is far outpaced by their policy design and implementation. Mission statements with broad promises to assist all small businesses are exaggerations of what a local small business program can reasonably accomplish.

The results of a small business program may be due to the opportunity that certification provides, or merely the machinations of the market or political forces disguising themselves as progressive policy outcomes. Well-intended small business development policies may hinder, rather than assist, firms, depending on how they are implemented. It is up to an organisation at its highest levels to be aware how these programs work, and how the organisation itself is playing a role in the success or failure of a given program. This understanding can provide for a removal of constraints, more effective service for small firms, and enhanced potential for growth as a result of policy.

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Notes

1 Los Angeles County, CA; Cook County, IL; City of Houston, TX; City of Phoenix, AZ; City of San Diego, CA; New York City, NY; Miami-Dade County, FL; Dallas County/City of Dallas, TX; Riverside County, CA; San Bernardino; King County, WA; Wayne County, MI; Tarrant County, TX; Broward County, FL; Bexar County, TX. Clark County, NV was included

in the review but does not offer bid preference/goal/certification programs for small businesses.

2 For example, the 2001 disparity study for Broward County, Florida recommended adoption of both race-conscious and race-neutral program measures. This recommendation was accepted and enacted by the county governing board.

3 http://www.bexar.org/smwbe/SMWBENew_uploads/The_Stempel_Plan.pdf