

Affirmative Action Programs and Minority Construction Firm Growth and Development

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Transportation agencies experience significant cost variation because of variability in construction market and Minority-owned businesses are on the rise in various markets including the construction industry. According to the Minority Business Development Agency (MBDA), small businesses are experiencing growth from government spending. By 2050, minorities are expected to represent nearly 50% of the U.S. population having an even greater influence on the gross domestic product (GDP) including the construction market sector, which provides nearly \$1 trillion annually in structures (AGC 2016) and \$3.4 billion (AGC 2016) to the GDP. The U.S. Department of Labor (DOL 2015) reports that minority groups comprised of African-Americans, Hispanic or Latino, Asian and women represent less than 50% total employed by the construction industry. Furthermore, minority-owned firms represent only nine percent of the construction market sector (MBDA 2016). As the number of minority firms continues to increase, the development and growth of these firms in construction are not comparable to non-minority firms. Minority firms contend issues such as firm size and age, inadequate training and development, and limited financial and talent resources contribute to underperformance and lack of growth (Shrestha et al 2016). The overall intent of federal, state and local government affirmative action programs is to increase participation and provide contracting opportunities for minority-owned businesses, but the current program model does not prepare firms for transitioning or competing in the open market.

Since the start of affirmative action programs like the federal Disadvantaged Business Enterprises (DBE) program administered by the U.S. Department of Transportation (DOT), there have been a number of issues with the program model. Local government equal business opportunity (EBO) programs seem to have similar issues with their minority business programs. One consistent issue for minority firms certified in federal and local programs is the growth and development of participants and the hindrances that prevent them from becoming prime contractors. Since growth of minorities-owned firms continues to rise, this issue could potentially have a significant impact on the quality of the built environment. Providing appropriate education and training resources to DBEs may establish new construction practice efficiency among construction minority groups that increases performance and enhances business development now and in the future. This study surveyed minority certified contractors in the Atlanta metro area including the City of Atlanta, Fulton County and DeKalb County to identify areas of improvement for local government programs and a framework for developing the growth and development of minority firms in the construction industry. The results categorize the improvement areas from local certified minority firms, determine if minority firms desire to be prime contractors, and identify the factors that impede development.

Keywords: DBE, EBO, local, government, growth, development, minority, contractors

References

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