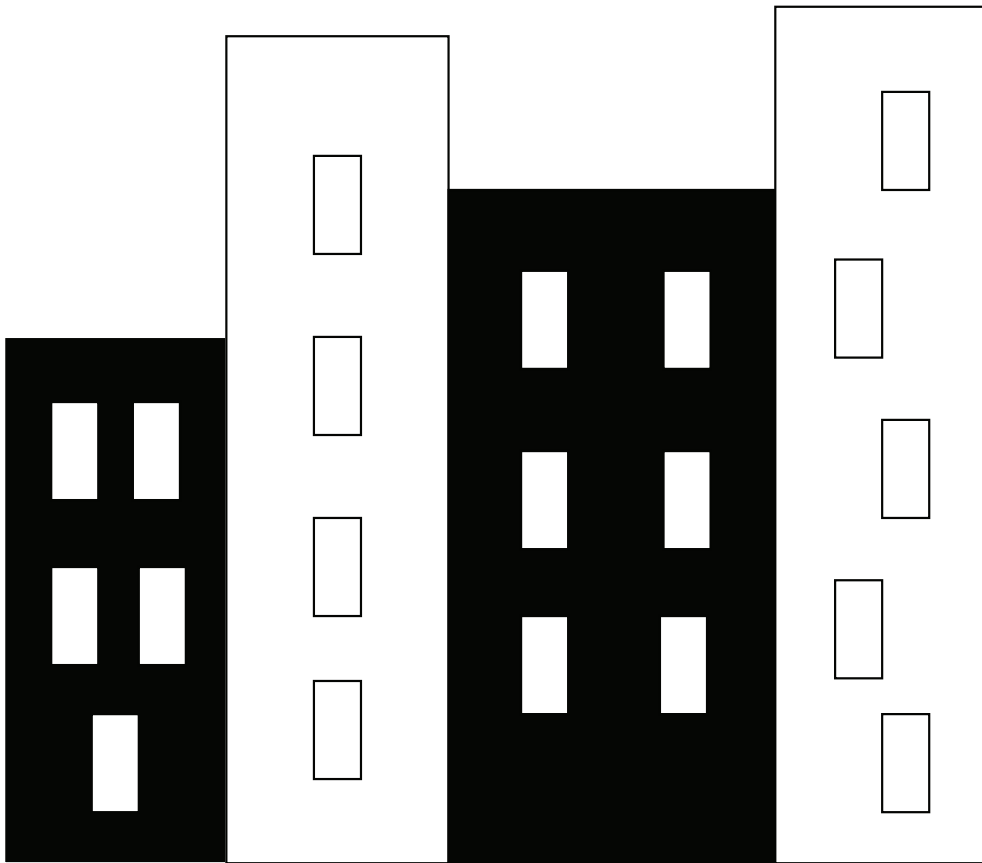


SURVEY OF CERTIFIED M/WBES IN NEW YORK CITY

AN UPDATE TO THE "2017 CAPACITY ANALYSIS OF
CERTIFIED M/WBES IN NEW YORK CITY"



2017

By: EUQUANT, INC.

In April of 2017, Euquant completed a landmark study entitled “2017 Capacity Analysis of Certified M/WBEs in New York City.” The study examined the capacity of over 3,000 certified firms in construction related industries. The results were broken down by industry, race, ethnicity and gender.

As a follow up to the capacity study, Euquant conducted this survey of certified M/WBEs in New York. The purpose of this survey is to understand the biggest challenges encountered by New York’s M/WBEs in growing business capacity. For the purpose of this survey, the research team defines capacity as the “volume of work a firm can perform efficiently during a given period of time.”



Background on the Respondents:

- For the survey, 87 complete responses were received. Of the 87 respondents, 79 or 90% had knowledge of the day to day business operations of the company.
- Businesses in the survey had operated for as few as 3 years to as many as 77 years. The average length of time a business had been in operation was 19 years.
- Regarding employment, survey respondents had as few as 0 employees to as many as 250 employees with an average of 7 full and part-time employees.
- In terms of skill trade, 62% of respondents reported that the primary owner of the business had worked in the skill trades at some point in their career. In terms of the highest level of craft achieved 2% of respondents said they were certified journeyman, 24% said they were fully-certified masters, 41% indicated this was not applicable to their business, and 21% of respondent provided comments or presented other forms of skills training. Additional forms of professional skills included professional engineering licenses, graduate degrees, master’s degrees, and bachelor’s degrees.
- Regarding work permits, 60% of survey respondents stated their line of business does not require a license or work permit, while 36% said it does.
- 68% of respondents operated female-owned business while 30% operated male-owned businesses and 1% were equally male and female-owned businesses. Furthermore, 60% of the female-owned businesses were owned by white women.
- In terms of race and ethnicity, 16% of respondents identified their ethnicity as Hispanic, Latino, or Spanish origin.
- The racial breakdown of the primary owner of the businesses indicated 6% Asian Indian, 5% Asian Pacific Islander, 24% Black, 5% Multi-racial, 45% were white.

Business Characteristics:

The survey asked respondents to select the category which best described their company’s revenue growth over the last three years: 19% of respondents reported that their company’s revenue had decreased or remained the same over the last 3 years; 21% said it had increased between 1% and 9%, 28% reported that their revenue had increased between 10% and 49%, 11% said their revenue had increased between 50% and 100%; and 12% of respondents said revenue had increased more than 100% (i.e. more than doubled). The remaining respondents, either provided comments, didn’t know how much their revenue had increased or provided no answer. The research team grouped the firms into three categories based on their reported revenue. These include low-performers (revenue had decreased or remained the same over a 3 year period), mid performers (revenue had increased from 1% to 49%), and high performers (revenue had increased by 50% to 100%, or doubled).

Respondents were asked to think about the major roadblocks they face inside their business (i.e. internally) when it comes to building greater scale and capacity. They were then asked to score each challenge on a scale of 1 to 10, where 1 indicates it is not a significant challenge at all, and 10 indicates it is a very significant challenge to increasing the scale and capacity of their business. In table 1 below we have ranked the most important challenges for low, mid, and high performing businesses.

Table 1. Rank of Internal Factors Based on Reported Revenue of Firms			
	High Performer	Mid Performer	Low-Performer
Attracting and retaining high-quality workers	1st	1st	1st
Controlling operating costs	2nd	2nd	2nd
Improving project management skills	5th	3rd	6th
Improving internal controls, e, g, financial, inventory, human resource management	4th	4th	4th
Meeting union shop requirements	12th	11th	13th
Competing with non-union contractors	10th	13th	12th
Competing with union contractors	13th	12th	10th
Hiring and managing subcontractors	6th	8th	11th
Managing project risks	8th	7th	7th
Marketing and advertising	7th	6th	3rd
Cost estimation and proposal preparation	3rd	5th	5th
Complying with industry regulations	9th	9th	8th
Other or add comments	11th	10th	9th

For low, mid, and high performing businesses the two biggest challenges to growing the capacity of their firms are attracting and retaining high-quality workers and controlling operating costs. After the top two issues the firms differ on the third most important challenge. For high performing firms, the third most significant challenge to growing capacity is cost estimation and proposal preparation, For mid performing firms, it is improving project management skills; and for low performing firms it is marketing and advertising. For all three growth categories of firms, the fourth challenge to growing capacity is improving internal controls e.g. financial, inventory, and human resource management. The fifth most significant challenge for high performing firms is improving project management skills, while for mid and low performing firms its cost estimation and proposal preparation. It is worth noting that complying with industry regulations, meeting union shop requirements, and competing with union and non-union contractors are of lower significance than one would anticipate.

M/WBEs were also asked to describe other notable challenges to increasing capacity. The responses varied but generally, most firms again referenced the ability to train and retain college graduates within their organizational structure, the competitiveness of the M/WBE market, managing cash flow, getting feedback on whether or not their company is qualified to conduct the work, and bidding against larger companies.

Next, the survey asked respondents to think about the major roadblocks they face outside their business (i.e. externally) when it comes to building greater scale and capacity. They were then asked to score each challenge on a scale of 1 to 10, where 1 indicates it is not a significant challenge at all, and 10 indicates it is a very significant challenge to increasing the scale and capacity of their business. In table 2 below we have ranked the most important challenge for low, mid, and high performing businesses.

	High Performer	Mid Performer	Low-Performer
<i>The slow-growing economy or bad industry/market conditions</i>	5th	1st	1st
Meeting surety bond requirements	8th	10th	10th
<i>Getting loans or capital</i>	2nd	2nd	6th
Project Labor Agreements	11th	9th	8th
Discriminatory hiring practices by primes	3rd	5th	5th
Being hired to perform unimportant work tasks	7th	6th	7th
<i>Prime contractors self-performing work that can be done by subs</i>	4th	4th	3rd
Getting labor union referrals	10th	8th	9th
Unnecessary contract bundling by the agency	6th	7th	11th
<i>Slow payments from prime contractors</i>	1st	2nd	2nd
Other or add comments	9th	11th	4th

Analysis of external factors shows less consensus among the three growth categories of firms than in the previous section. According to high performing firms, the number one issues is slow payments from prime contractors, while for mid and low performing firms it is the slow growing economy or bad industry/ market conditions. The second most significant factor for high and mid performing firms is getting loans and capital while this is the sixth most important issues for low performing firms. However for high, mid, and low performing firms the 3rd and 4th most significant challenge is prime contractors self-performing work that can be done by subcontractors.

M/WBEs were also asked to other significant challenges to increasing capacity. The responses varied but generally most, firms again referenced slow payments from prime contractors. Although some said this had improved, the perception that there are limited opportunities for M/WBEs, a small number of firms get most of the work, and frustration with how the city structures contracts. Specifically that contracts are not broken down into smaller pieces for them to perform.

The analysis that was conducted for high, mid and low performing firms was conducted for small and large firms. Small firms were defined as those with less than 30 employees while large firms are defined as those with greater than 30 employees. Firms were asked to rank the internal and external factors that were most significant challenges to growing the capacity of their firms.

Table 3. Rank of Internal Factors based on Reported Firm Size		
	Large Firms	Small Firms
Attracting and retaining high-quality workers	1st	1st
Controlling operating costs	2nd	2nd
Improving project management skills	13th	13th
Improving internal controls, e, g, financial, inventory, human resource management	3rd	3rd
Meeting union shop requirements	9th	9th
Competing with non-union contractors	7th	6th
Competing with union contractors	6th	10th
Hiring and managing subcontractors	10th	11th
Managing project risks	11th	8th
Marketing and advertising	12th	12th
Cost estimation and proposal preparation	4th	5th
Complying with industry regulations	5th	7th
Other or add comments	8th	4th

According to table 3 above both large and, small firms consider the same three issues to be the biggest challenges to growing their capacity. These include: (1) attracting and retaining high-quality workers, (2) controlling operating costs, and (3) improving internal controls (e.g. financial, inventory, human resources management). However, responses diverge for the 4th most important factors; which is cost estimation and proposal preparation for large firms. Complying with industry regulations is the 5th most important issue for large firms and the 7th most significant for small ones.

	Large Firms	Small Firms
The slow-growing economy or bad industry/ market conditions	4th	2nd
Meeting surety bond requirements	8th	11th
Getting loans or capital	2nd	3rd
Project Labor Agreements	11th	9th
Discriminatory hiring practices by primes	5th	5th
Being hired to perform unimportant work tasks	6th	7th
Prime contractors self-performing work that can be done by subs	3rd	4th
Getting labor union referrals	10th	10th
Unnecessary contract bundling by the agency	9th	6th
Slow payments from prime contractors	1st	1st
Other or add comments	7th	8th

According to table 4, which ranks how firms perceive external factors, there is a greater divergence between small and large firms. However, for both small and large firms, the number one issue is slow payments from prime contractors. The second most important issue for large firms is getting loans or capital, which happens to be the 3rd most important for small businesses. However, small firms indicate the slow-growing economy or bad industry/market conditions is the second most significant challenge to growing firm capacity. Small and large firms find prime contractors self-performing work that can be done by subs to be the 4th and 3rd most important factors respectively.

The research team also asked questions about the effectiveness of the M/WBE program in the City of New York. This question was for certified M/WBEs only. The firms were asked to think about their participation in New York City's M/WBE program and to select the answer which best reflected how they felt. The survey found that 3% of respondents said the program has made their company less successful, 25% said the program had no impact on their company's success and a combined 57% percent of respondents said the program has either made their company significantly more successful (22%) or somewhat more successful (35%). The analysis found the outcome of this questions was not influenced by the revenue of M/WBEs.

Finally, the research team asked firms how they would respond to the statement that getting access to loans and external financing "has not" been a problem for my company? A combined 57% of respondents either disagreed (26%) or strongly disagreed (31%) with this statement, 28% neither agreed nor disagreed, and 15% agreed with this statement. These findings seem to mirror how firms ranked the significance of external challenges to growing capacity. Specifically, for both large and small firms, getting access to capital ranked 2nd and 3rd respectively. It also ranked 2nd for both high and mid performing firms.