Women and Minority Federal Small Business Contractors: Greater Challenges, Deeper Motivations, Different Strategies, and Equal Success

A Research Summary for the American Express OPEN for Government Contracts Victory in ProcurementSM (VIP) for Small Business Program

The US government is the world’s largest single purchaser of goods and services, spending $500 billion or more each year.\(^1\) Given the government goal of awarding 23% of their spending to small firms – some $115 billion annually – Federal contracting is an important avenue of growth for many small businesses to consider. The federal government also directs 5% of its spending to women-owned small businesses and minority-owned firms, making these two populations of special interest in examining opportunities and challenges in federal procurement.

This report is the second of three summaries to be published from a groundbreaking survey conducted for the American Express OPEN for Government Contracts: Victory in Procurement for Small Business program.\(^2\) The first report summarized the strategies for success employed by successful small business contractors, the level of effort required to achieve success, and the difficulties faced by those still seeking their first prime contract. This report focuses on the unique successes and challenges seen among women and minority small business owners in Federal procurement. The third and final report will focus on the experiences that small business owners have had with such procurement strategies as teaming and subcontracting.

Are women and minorities who are actively engaged in Federal contracting finding equal success? How do their strategies and success tips differ from majority business owners? And are women and minority small business owners finding it harder to gain entry into the Federal procurement arena? Those questions are the main focus of this report.

**Quick Facts**

- Women and minority small business owners who are active prime contractors are achieving success in the Federal marketplace. Their firms are equal to their peers both in terms of business size AND in level of contracting success.

- While equally successful, minority business owners who are active Federal contractors have had to work much harder – and are making a greater investment – to achieve that success.

- Success strategies employed by women and minorities differ. For women, the GSA\(^3\) schedule has proven to be a fruitful route to contract success. For minorities, personal connections are driving success.

- Even though women and minorities are just as successful once they have joined the ranks of active Federal contractors, they are both still far more likely than average to be left at the starting gate.

- Achieving Federal procurement success means more than revenue to women and minority would-be contractors – they are also striving to make an impact in their local communities and to hone their personal leadership skills.

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\(^1\) Federal Procurement Data System.  
\(^2\) See Methodology Note and program description at the end of this report for additional details.  
\(^3\) General Services Administration.
Key Findings

Active women and minority small business contractors have achieved business success in the Federal procurement marketplace in equal measure to their peers. Once they’ve become active prime contractors, their firms match the average small business contractor both in terms of business size and with respect to the total value of Federal contract awards.

- Once they’ve gained access to the Federal marketplace, and are performing as prime Federal contractors, both women- and minority-owned small businesses are matching their peers dollar for dollar and employee for employee. Nearly two-thirds (65%) of small businesses that are prime Federal contractors generate over $1 million in sales – including 63% of women-owned small business prime contractors and 63% of prime contracting firms owned by persons of color. Similarly, approximately one-quarter of each group (21% of women, 25% of minorities and 24% of all small prime contractors) employs 50 or more workers. So, when looking specifically at the population of small business prime contractors, women- and minority-owned firms have achieved very similar levels of overall business success.

- It is also the case that women and minority business owners took a similar period of time to land their first Federal contract. Overall, active contractors report that it took nearly two years of trying (an average of 1.7 years, or 20 months) before they scored their first Federal contracting success. The result is similar for both women and minority business owners, who took 1.6 and 1.7 years, respectively, to receive their first Federal contract award.

- Perhaps just as importantly as the amount of time it took to achieve their first success and their overall level of business accomplishment, women and minority small business owners have achieved virtually the same level of success in terms of the overall amount of the Federal contract awards they’ve received. When asked to tally the total dollar value of all Federal contracts they’ve been awarded to date, one-quarter (27%) estimate that it has been less than $100,000, another quarter (22%) estimate between $100,000 and $1 million, but nearly half (46%) of all small prime contractors estimate that they have sold $1 million or more in goods or services to Federal government agencies – including 21% who say they’ve won more than $10 million in contracts over the years.
This level of success is more than matched by minority business owners – just over half (51%) of whom report receiving $1 million or more in Federal contract dollars since they landed their first contract, including 24% who report winning $10 million or more since they’ve become active in Federal procurement. Women, though nearly as successful, have not reached quite the same high levels of contracting success as their male peers. Forty-two percent (42%) of active women contractors estimate that they’ve received $1 million or more in Federal contracts, including 16% who’ve won $10 million or more. This compares to 47% and 23% among active men contractors.

While equally successful in terms of results, minority business owners are working harder to achieve that success. They report investing much more time and money in seeking Federal procurement opportunities, and submit significantly more bids than the average active small business contractor does.

• As discussed in an earlier report, it takes time and money to achieve Federal procurement success, and active contractors in general are committing much more of both than are business owners who are not currently actively performing on a prime Federal contract. However, among the population of active contractors, there is a significant difference in the amount of time and effort expended to seek Federal procurement opportunities seen among both women and business owners of color.

Looking at differences in bidding activity, minority business owners report having submitted an average of 27.7 bids for prime contracts over the past three years (9.2 bids annually). On average, active small business contractors submitted 19.5 prime bids during that same time frame (6.5 bids annually). Thus, minority business owners are significantly more active in the bidding process.

Women business owners, in contrast, match the overall average with respect to bidding for prime contracting opportunities (an average of 19 bids over the past three years, 6.3 annually), and are just under the annual average of 6.6 bids per year submitted by active male contractors.

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4 In this report, “minority” and “business owners of color” includes refers to African Americans, Asian Americans, Hispanics/Latinas, Native Americans/Alaska Natives, and all other non-Caucasian ethnic groups as self-identified by survey respondents.

5 Active contractors invested $86,124 seeking Federal contracts in 2009, compared to only $16,896 among currently inactive contractors. See the report, “Strategies for Success from Federal Small Business Contractors,” for more detailed information.
• Comparing the reported number of times small business owners have bid over the past three years with the number of contracts they have won, they have accumulated an impressive “batting average” of .410. Women-owned firms report a slightly better success rate of 43% (8.2 successes out of 19 bids submitted), for a batting average of .432, compared to a batting average of .401 among men. Minority bidders, in contrast – although they’ve reported more “at bats” (27.7 bids) and more “hits” (10.9 contracts) – have a slightly lower batting average of .394. Still, overall, the success rates of women and minority prime contractors who already have past contract performance under their belts are not only quite impressive but also very similar to all small prime contractors.

• With respect to the investment made in submitting those bids, active contractors say that they invested just over $86,000 last year in staff time and money seeking Federal contracts – $86,124 to be exact. Firms owned by persons of color invested significantly more in terms of staff time and out-of-pocket expenses – $108,368 on average during 2009. Women business owners report investing a lower than average amount last year, $70,512. In comparison, men business owners say they invested $92,308 seeking Federal contracts in 2009. However, when factoring in the average number of bids per year that these business owners have made, there is not a significant difference in the approximate investment made per bid. On average, active contractors are investing $13,250 in staff time and money per bid, compared to an $11,741 average among minority contractors and $11,139 among women contractors.

The gender and ethnic differences in the level of investments being made seeking Federal contracting opportunities may be due in part to the strategies that each group is employing. For women, seeking contracts through the GSA schedule is proving successful. For minority business owners, it’s all about building relationships and making personal connections.

• Why might women be making a lower overall investment in seeking Federal contracts while at the same time submitting the same number of bids? One reason may be that women business owners are far more likely than average to be seeking Federal contracts through the GSA schedule purchase vehicle. This pre-approved bidders list allows Federal agencies to purchase goods and services in a more streamlined manner at a fixed price. Fully 40% of active women-owned business contractors say they’ve gotten on
the GSA schedule, compared to just 31% of men business owners, 33% of minority-owned businesses, and 34% of all active small business contractors.

- In contrast, for minority business owners, it’s all about building relationships and making personal connections. Business owners of color are far more likely than average to have:
  - Attended an agency-led procurement seminar (58% have done so, compared to 44% of all active small business contractors);
  - Met with an agency OSDBU or procurement official (58% vs. 37%);
  - Attended a procurement match-making event (55% vs. 38%);
  - Attended a class offered by an association or consultant (44% vs. 28%); and
  - Met with fellow business owners to discuss strategies or lessons learned (40% vs. 27%).

- And, when asked what advice they would pass along to business owners seeking their first Federal contract success, minority business owners put much greater faith in building relationships and being persistent in their pursuit of contract opportunities. The top tip offered by minority business owners (32% compared to 23% of all small business contractors) is to “be persistent; don’t give up, you’ll get there eventually.” For all small business contractors, as well as for women business owners, their top piece of advice (offered by 26% and 29%, respectively) is to “start small and work your way up; small contracts performed well will lead to bigger opportunities.” Similarly, one-quarter (24%) of minority business owners would also echo that advice.

Even though women and minorities are just as successful once they have joined the ranks of active Federal contractors, they are both still far more likely than average to be left at the starting gate.

- The gender and racial composition of active small business contractors closely mirrors the overall business population. Twenty-eight percent (28%) of active small business contractors are women, identical to their 28% share in the business population. Twenty-four percent (24%) of active small business contractors are persons of color, somewhat greater than their 20%.

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6 Business population figures from the US Census Bureau.
share in the overall business population.

- In stark contrast, when looking at the population of non-contractors – that is, those businesses that have not yet won a prime Federal contract – nearly half of them (48%) are minority business owners, and 39% are women. Clearly, while the successes of active small business contractors appear to be gender blind and racially representative, the entryway into the procurement pipeline currently holds a greater than average share of women and minority small business owners still seeking that first prime Federal contracting success.

- It is unclear from this survey what may account for this imbalance – there may be roadblocks unique to these particular owners or it may simply be that more and more women and minorities are exploring this market opportunity. However, it can be said that this gender and racial imbalance is most certainly NOT caused by:
  - **Lower levels of effort:** Women and minority non-contractors are submitting the same number of bids for prime and subcontracting opportunities as are all non-contractors. While non-contractors in general are submitting fewer bids than are active contractors (1.7 per year compared to 6.5 among active contractors), women and minority business owners who are still waiting for their first prime contract success are no less active than average in seeking Federal contracts.
  - **Smaller, less capable businesses:** Women- and minority-owned firms that are still at the starting gate in terms of prime contract performance are no smaller than the average non-contracting firm. While they are much smaller than active prime contractors, they are not different from one another: 6% of each employs 50 or more workers, and approximately 1 in 5 (21% on average) generate $1 million or more in revenues.

Achieving federal procurement success means more than money to women and minority would-be contractors – they also strive to make an impact in their local community and to develop their personal leadership skills.

- Again looking only at the survey population of currently inactive Federal contractors (not currently performing on a prime contract), most report that they are proactively seeking to enter the Federal procurement marketplace as a conscious growth strategy for their business – fully 70% say that winning that

![Growth Goals of Women & Minorities Broader](image)
first prime contract will give them the change to grow their business to the next level in
terms of jobs and revenues. Further, business growth is the primary reason they are
pursuing Federal contracts, with 37% offering that as their primary reason (the same
level as the 39% of active contractors answering that question).

• In that respect – the proactive search for business growth opportunities – women and
minority small business owners are no different from all small business owners in their
motivation for entering the Federal marketplace. Fully 74% of minority business owners,
and 71% of women business owners, say that winning Federal contracts will help them
get to the next level in their business’ growth path, and 36% and 41% of them,
respectively, say that pursuing Federal contracts is a conscious growth strategy for their
business.

• However, beyond the goal of business growth, women and minority business owners
differ from the average inactive contractor in two very important ways, which indicate
that the motivations for these business owners run deeper than business growth:

   o First, women business owners are significantly more likely than the average
small business owner (and their male counterparts) to say that winning Federal
contracts will allow them to gain valuable personal leadership and management
opportunities – 41% feel that winning Federal contracts will foster their personal
leadership development, compared to 35% of all small business owners and 31%
of currently inactive male contractors;

   o Secondly, business owners of color are not only equally as interested as women
are in honing their personal management skills (41% say that winning that first
contract will help propel them on this journey, equal to the share reported by
women), but they are far more likely to also say that winning Federal contracts
will “allow me to make a bigger impact in my community.” Nearly half (49%) of
minority business owners offer that as a hoped-for benefit of winning Federal
contracts, compared to 46% of women business owners and just 43% of all
inactive small business contractors.

Methodology Note
A total of 1,508 small business owners responded to an online survey launched between January 19 and
February 2, 2010. The survey population is randomly drawn and representative of small businesses that
are either currently engaged in or actively interested in seeking Federal procurement opportunities. These
business owners are a specialized population: those who are contained in the Federal Procurement Data
System (FPDS) and registered on the Central Contractor Registration (CCR) database. There are three
distinct populations:

1. **Active contractors** – small businesses that have been awarded a prime Federal contract within
   the past three years (N=698 business owners). Among this population, 198 respondents are
   women and 168 are persons of color;

2. **Currently inactive contractors** – small businesses that are registered on CCR, but who have
   either a) never landed a prime Federal contract or b) may have done so in the past but who are
designated as inactive (in terms of performing on contracts) in the FPDS (N=810 business
owners). Among this population, 317 are women and 377 are persons of color; and

3. **Non-contractors** – a subset of inactive contractors: 644 business owners who are registered on
   CCR but who have not yet landed a prime Federal contract. Among this population, 253 are
   women and 311 are persons of color.
The survey is thus representative of all of the small businesses in the Federal procurement system, but is not nationally representative of all small businesses. The sampling errors of each of the three distinct samples are: +/- 3.7% among 698 active contractors; +/- 3.5% among 810 inactive contractors; and +/- 3.9% among 644 non-contractors. This means that, 95 times out of 100, the survey findings will be within those ranges of true population values.

About American Express OPEN
American Express OPEN is the leading payment card issuer for small businesses in the United States and supports business owners with products and services to help them run and grow their businesses. This includes business charge and credit cards that deliver purchasing power, flexibility, rewards, savings on business services from an expanded lineup of partners and online tools and services designed to help improve profitability. Learn more at www.OPEN.com and connect with us at openforum.com and twitter.com/openforum.


The American Express OPEN for Government Contracts: Victory in ProcurementSM (VIP) for Small Business program helps small business owners get the insight and experience they need to win government contracts. The program provides business owners with invaluable information on connections with procurement officials, forming teaming relationships with other small businesses, coaching and mentoring opportunities, procurement events, and online training and other resources. VIP’s new interactive Web site, www.OPEN.com/governmentcontracts, provides step-by-step access to hands-on training and education resources, in-depth guides, case studies and checklists to assist in the various steps of the contracting process.

This analysis report was prepared for American Express OPEN in May 2010 by Womenable. Womenable is a research, program and policy development consultancy enabling women’s entrepreneurship worldwide. Womenable’s mission is to improve the policies and programs enabling women’s entrepreneurship by providing fact-based information, thoughtful and insightful analysis and actionable recommendations. To learn more, visit www.womenable.com.

Summary Tables

Active women and minority small business contractors have achieved the same level of business success as all small business contractors, both in terms of overall business success and with respect to level of contracting success.

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Active Small Business Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>&lt;10</td>
<td>43</td>
</tr>
<tr>
<td>10-49</td>
<td>32</td>
</tr>
<tr>
<td>50+</td>
<td>24</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2009 Revenues</th>
<th>Active Small Business Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>&lt;$250,000</td>
<td>19</td>
</tr>
<tr>
<td>$250,000-$999,999</td>
<td>15</td>
</tr>
<tr>
<td>$1-4 million</td>
<td>29</td>
</tr>
<tr>
<td>$5 million+</td>
<td>36</td>
</tr>
</tbody>
</table>
While equally successful in terms of results, minority business owners are working much harder to achieve that success.

### Active Small Business Contractors

<table>
<thead>
<tr>
<th>Over the past three years, how many times have you...</th>
<th>Total</th>
<th>Business Owners of Color</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submitted a bid for a prime Federal contract</td>
<td>19.5</td>
<td>27.7</td>
<td>19.0</td>
<td>19.7</td>
</tr>
<tr>
<td>Won a prime Federal contract</td>
<td>8.0</td>
<td>10.9</td>
<td>8.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Participated in a bid as a subcontractor for a Federal contract</td>
<td>7.9</td>
<td>9.8</td>
<td>6.9</td>
<td>8.2</td>
</tr>
<tr>
<td>Contributed products or services as a subcontractor</td>
<td>7.1</td>
<td>7.5</td>
<td>6.8</td>
<td>7.1</td>
</tr>
<tr>
<td>Batting average (percentage of prime wins to bids)</td>
<td>.410</td>
<td>.394</td>
<td>.432</td>
<td>.401</td>
</tr>
</tbody>
</table>

### Estimated investment made in 2009 (including cash outlays & staff time) pursuing Federal contracting opportunities

- Total: $86,124
- Business Owners of Color: $108,368
- Women: $70,512
- Men: $92,308

Strategies employed by women and minorities differ. For women, the GSA schedule has proven to be a fruitful avenue. For minorities, it’s all about making personal connections.

### Active Small Business Contractors

<table>
<thead>
<tr>
<th>Percent who say they have...</th>
<th>Total</th>
<th>Business Owners of Color</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attended an agency-led seminar</td>
<td>44</td>
<td>58</td>
<td>48</td>
<td>43</td>
</tr>
<tr>
<td>Attended a procurement match-making event</td>
<td>38</td>
<td>55</td>
<td>41</td>
<td>37</td>
</tr>
<tr>
<td>Met with an agency OSDBU official</td>
<td>37</td>
<td>58</td>
<td>39</td>
<td>36</td>
</tr>
<tr>
<td>Gotten on the GSA schedule</td>
<td>34</td>
<td>33</td>
<td>40</td>
<td>31</td>
</tr>
<tr>
<td>Attended class/session offered by a business association or a consultant</td>
<td>28</td>
<td>44</td>
<td>30</td>
<td>27</td>
</tr>
<tr>
<td>Met with fellow business owners to discuss strategies/lessons learned</td>
<td>27</td>
<td>40</td>
<td>30</td>
<td>26</td>
</tr>
</tbody>
</table>

### Single best piece of advice to offer those seeking contracts

- Start small and work your way up; small contracts performed well lead to bigger opportunities
- Be persistent, don’t give up; you’ll get there eventually
- Focus your efforts on one key agency or type of contract that’s best suited to your business
- Develop relationships with program offices, OSDBUs, and Federal officials
- Get as many “representations and certifications” as you can

- Total: 24
- Business Owners of Color: 26
- Women: 13
- Men: 14
- Focus your efforts on one key agency or type of contract that’s best suited to your business
- Develop relationships with program offices, OSDBUs, and Federal officials
- Get as many “representations and certifications” as you can
Even though women- and minority-owned small firms are just as successful as the average small business once they have joined the ranks of active Federal contractors, they are both still far more likely than average to be left at the starting gate.

<table>
<thead>
<tr>
<th></th>
<th>All US Firms⁷</th>
<th>Active Contractors</th>
<th>Non-Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women as a share of ...</td>
<td>28</td>
<td>28</td>
<td>39</td>
</tr>
<tr>
<td>Minorities as a share of</td>
<td>20</td>
<td>24</td>
<td>48</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Currently Inactive Small Business Contractors</th>
<th>Business Owners of Color</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Business Owners of Color</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over the past three years, how many times have you...</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Submitted a bid for a prime Federal contract</td>
<td>5.1</td>
<td>5.3</td>
<td>5.1</td>
</tr>
<tr>
<td>Won a prime Federal contract</td>
<td>1.1</td>
<td>0.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Participated in a bid as a subcontractor for a Federal contract</td>
<td>2.2</td>
<td>2.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Contributed products or services as a subcontractor</td>
<td>2.4</td>
<td>1.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Percent with 50 or more employees</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Percent with $1 million or more in sales</td>
<td>21</td>
<td>17</td>
<td>18</td>
</tr>
</tbody>
</table>

Achieving federal procurement success means more than money to women and minority would-be contractors – they also strive to make an impact in their local community and to develop their personal leadership and management skills.

<table>
<thead>
<tr>
<th>Currently Inactive Small Business Contractors</th>
<th>Business Owners of Color</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Business Owners of Color</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What will Federal contracts do for your business?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Give me a chance to really grow my business to the next level in terms of jobs and revenues</td>
<td>70</td>
<td>74</td>
<td>71</td>
</tr>
<tr>
<td>Allow my business to recover from sales and customer losses we've incurred during the recession</td>
<td>53</td>
<td>51</td>
<td>55</td>
</tr>
<tr>
<td>Allow me to make a bigger impact in my local community</td>
<td>43</td>
<td>49</td>
<td>46</td>
</tr>
<tr>
<td>Provide new leadership and management opportunities for me personally</td>
<td>35</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Provide tremendous learning and growth opportunities for my employees</td>
<td>30</td>
<td>35</td>
<td>32</td>
</tr>
</tbody>
</table>

MOST important reason why pursuing Federal contracts

| Growth: Federal contracting has been a conscious growth strategy for my business | 37 | 41 | 36 | 37 |
| Filling a need: I have a product/service that meets a need in a particular niche of the federal marketplace | 29 | 32 | 31 | 28 |
| Client diversity: Federal work is a buffer against the ebb and flow of other business | 21 | 15 | 20 | 22 |
| Cash flow: Federal contracts pay more promptly | 8 | 8 | 9 | 7 |

⁷ US Census Bureau.