

**JOURNAL OF SMALL BUSINESS
STRATEGY****MINORITY AND WOMEN ENTREPRENEURS
CONTRACTING WITH THE FEDERAL GOVERNMENT****Todd D. Mick**Missouri Western State College
mick@mWSC.edu**Patricia G. Greene**Babson College
greene@babson.edu**ABSTRACT**

This article uses learning network theory as a foundation upon which the assistance and barriers minority and women entrepreneurs face when attempting to contract with the federal government may be studied. The public policy programs analyzed for this study were the SBA's 8(a) program and the Department of Defense's Procurement Technical Assistance Program (PTAC).

The methodology utilized was an in-depth analysis of government contracting experiences in two states, Missouri and Kansas, in the greater Kansas City area via formalized interviews and government data.

Research results revealed strong responses to the 8(a) program and its overall effectiveness. Racial issues were of a particular concern, as well as the perceived lack of strength behind 8(a) contracting incentives. The PTAC program was revealed to be reaching a significantly increasing percentage of woman owned businesses, and to a lesser extent, minority-owned businesses while providing a more effective learning strategy for gaining government contracts.

INTRODUCTION

As the largest market place in the world, the U.S. federal government is an obvious context for studying business and public policy relationships. In addition, the various laws and regulations encompassing doing business with the federal government creates a singular market unlike any other. The result is a meeting point of entrepreneurs and public policy providing an opportunity to study their interaction. This article studies government contracts and the public policies created to assist minority and women entrepreneurs in gaining government business. The study examines a group of historically disadvantaged entrepreneurs and their attempts to gain government contracts either by themselves or with outside professional assistance. This examination is founded upon learning network theory. Learning network theory provides a basis for developing an understanding of external actors while developing options for organization learning (Poell et al. 2000).

FEDERAL BUSINESS RELATIONSHIPS – THE 8(A) PROGRAM

The 8(a) program, administered by the U.S. Small Business Administration, was created to increase disadvantaged small business contracting with the federal government and educate disadvantaged small firms for future success. The federal government's support of the 8(a) program and increasing disadvantaged small business contracting levels was evidenced by the Gray Amendment, passed in the late 1980s, that mandated fixed percentages of federal contracts to be set aside for 8(a) firms (Stough et al. 1998). As part of its program, 8(a) educates disadvantaged small business owners on the federal procurement process and supports their introduction into the public marketplace. The 8(a) program was created and supported to educate these owners to compete in an environment where the chances for success (i.e. winning contracts) would be increased (Brown 1994).

Brown's (1994) research found, however, that the educational needs of the 8(a) population were not being met in this area, as the firms were forced to learn on their own or potentially fail without further learning assistance. One criticism of the 8(a) program, voiced by those advocating for disadvantaged business concerns, has been the lack of competent technical assistance in contracting with the federal government (Lick 1993). As Brown (1994) found, significant numbers of small disadvantaged business owners were not aware of how to pursue federal contracting opportunities. As a result, government contracting education and marketing were major needs for 8(a) firms. Government marketing needs are both a serious issue and a major shortfall; SBA does not have the resources, the personnel, or the time to fully educate 8(a) firms on marketing to the government (Brown 1994).

THE PROCUREMENT TECHNICAL ASSISTANCE PROGRAM

In 1984, in order to increase competitiveness and broaden the reach of federal buying activity, Procurement Technical Assistance Centers (PTACs) were created by an act of Congress to be administered by the Department of Defense. However, it was not until the early 1990s that PTAC funding and grants were solicited and awarded on a national scale. Grants were made available and awarded to institutions able and willing to service target populations of small and minority- and/or women-owned businesses within specific service boundaries (Hudson 2000).

The basis for the focus on small business was the prevalence of small business in the U.S. economy and also a lack of real competitiveness in the government marketplace. Recognizing the potential cost savings and the seeming lack of effective procurement support elsewhere, the DoD supported broadening the base of government product and service providers (Hudson 2000).

PROCUREMENT, MINORITY-OWNED, AND WOMAN-OWNED BUSINESSES

Recently, the U.S. General Accounting Office (GAO) completed a report to Congress regarding procurement and woman-owned small businesses. The report was generated over concern that woman-owned small businesses were receiving only 2.2 percent of government business procurements when the federal mandate is five percent. The Department of Defense (DoD) is vital to the federal government reaching the five percent goal, since DoD accounts for 64 percent of federal business procurement as of 1999. Since DoD's level of contracting with woman-owned small businesses was less than 2.5 percent, the overall federal goal of five percent is only possible if all remaining agencies substantially exceed the five percent goal (U.S. GAO 2001).

The GAO report (2001) believed that the development of training programs and seminars for woman-owned small businesses would increase their participation in the federal procurement process. The end result of such outreach programs would be a broader base of qualified woman-owned small businesses willing and able to compete and win government contracts. The first recommendation made by the GAO in 2001 was the consolidation of such outreach efforts for greater efficiency and effectiveness.

RESEARCH GOAL

The research goal of this paper is to assess the impact and improve the performance of minority-owned and/or woman-owned firms seeking to contract with the federal government via two competing federal programs using the analytical tool of learning network theory (Van der Krogt 1998).

PUBLIC POLICY AND ENTREPRENEURSHIP LITERATURE REVIEW

The purpose of this section is to detail the research linking public policy and procurement with woman and minority-owned entrepreneurs. Entrepreneurship can be created as a response to the environment, and the government is a prime influence. Public policy, introduced in support of entrepreneurship, can affect the environment either directly or indirectly by supporting or suppressing entrepreneurship (Dana 1987). Women, who own 38 percent of businesses in the U.S., are not even receiving two percent of federal contracts. This is in spite of a goal set by Congress of five percent of federal contracting dollars to be awarded to woman-owned businesses (Nelton 1998a). During this last decade, legislators, public administrators, and even the women's movement have failed to fully address the needs and barriers facing women and minority women entrepreneurs. Ironically, the result of this failure has increasingly pushed women entrepreneurship to the top of the agenda for public policy and advocacy by the very bodies responsible (Glenn 1992).

The link between public policy and entrepreneurship created government action in many parts of the world (Goodman et al. 1992). The evidence supports the idea that government can have a significant impact on altering business environments via regulation or deregulation and legislative authority (Goodman et al. 1992).

One of the two problems most often cited by minority entrepreneurs was a lack of business training (Hisrich and Bruch 1986). Auster (1988) also used lack of business training as an approach but expanded the coverage to three urban areas, concluding with a public policy suggestion and its ensuing implications; increased funding and business training to minority entrepreneurs has the potential to improve the profitability of their business and ultimately answering, at least partially, the underlying problems of the urban core.

However, empirical research is lacking, and without such research detailing government's role impacting new ventures, informed policy adjustments are difficult. Compounding the problem, long term nationwide business assistance and resource programs in the U.S. have rarely been studied. The norm has been one-on-one contact with specific businesses, not a regional or national research program (Goodman et al. 1992). Yet, those who create and implement policy must have the necessary knowledge regarding sources of entrepreneurial assistance so that policy initiatives will have the needed impact on the populations for which public action is aimed (Greene 1996).

Public policy is more productive for entrepreneurs if the policy is focused on a specific geographical region or population. The end result is a need to uncover the needs of a given

territory or population and then create public policies to answer these needs (Dubini 1989). Research focusing on entrepreneurial formation and the environmental factors impacting this formation in urbanized areas discovered that one predictor was the presence of a university. A call was made to investigate this finding further (Pennings 1982, Friedman 1995). Unfortunately, the call for further research has not been answered.

One result of this increased awareness was the report issued by the National Women's Business Council (NWBC) (Nelton 1986a). NWBC, headquartered in Washington D.C., was created by an act of Congress in 1994 to serve as an independent advisory organization for the President, Congress, and the Interagency Committee on Women's Business Enterprise. In 1998, the NWBC called for a Small Business Master Plan, supported by the federal government and administered by the Small Business Administration. The goal would be linking federal, state, and private resources in support of female entrepreneurship (Nelton 1998a).

Historical cross-cultural studies discovered that the laws and regulations governing entrepreneurship have changed, sometimes dramatically, over time. The end result is the behavior of entrepreneurs also adjusts dramatically to fit these same rules and regulations. Thus, the distribution of entrepreneurship between productive and unproductive behavior will influence the creativity and adaptability of the underlying economy. The end result is the pace of technological advancement of society; the greater the support or productivity of entrepreneurship, the greater a culture's innovation and creativity. A society does not have to wait for the inevitable gradual changes of time, but through conscious decisions and policy, move to support and encourage entrepreneurship in a positive manner that benefits the society as a whole (Baumol 1990).

While the amount and quality of research on female entrepreneurs is increasing, discovering why women may need special programs is sorely lacking. Future research is thus called to determine what types of support and advocacy are effective (or not effective as the case may be) in assisting women with exposure and experience (Fischer et al. 1993).

Research has also been conducted on minority entrepreneurship and public policy. Over ten percent of all minority businesses sell to at least one level of government – federal, state, or local, and research has examined the impact. The finding was that minority businesses relying heavily (more than 25% of revenue) on government sales were more likely to go out of business. Government contracting has the potential to negatively impact a minority business (Bates and Williams 1996).

Two explanations can be offered for this phenomenon based upon the fact that 39 percent of the businesses studied that failed had been in business two years or less. First, these firms may be too inexperienced to handle large contracts and simply get in over their heads. Second, these firms could be front businesses for large and/or non-minority firms wishing to do business with the government (Bates and Williams 1996).

Finally, entrepreneurs, their businesses, and their respective sociological and economic impact are regarded as vital to economic growth, positive social impact, and revitalization. Public policy makers must always be on the search for policy improvements or new ways of supporting entrepreneurship as long as these goals exist (Taub and Gaglio 1995). What has made research relevance unique is the continued focus on multiple stakeholders. Research responds to the needs of entrepreneurs and academia as well as to public policy makers and their needs in creating and implementing policy (Hoy 1997). Public policy makers have traditionally turned to universities for accurate and objective research studies to assist in the

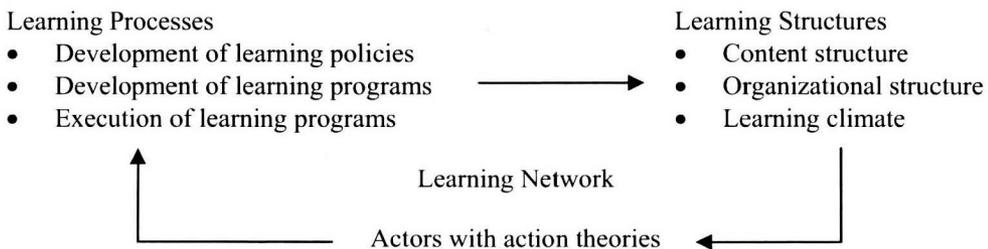
formulation of legislation, regulation, and general policy. Examples could be cited from medicine, science, agriculture, engineering, and other fields. The most influential business field to date has been economics. Entrepreneurship scholars have the potential of having a major impact on government actions (Hoy 1997, 363). The most eye-catching area for entrepreneurship research in attracting public policy maker attention is in the area of economic development. Entrepreneurship research must continue to promote results, theory and implications as tools for the public policy maker given the economic role entrepreneurship plays in the economy (Hoy 1989).

Public policy is thus challenged to create and implement entrepreneurial assistance that is cost effective while attracting entrepreneurs who are reluctant to use external assistance (Taub and Gaglio 1995). Public policy can thus be created and supported that encourages minority efforts (Parnell 1998). If, indeed, the PTACs are effective at increasing minority exposure in the government marketplace, the PTACs may be fostering a decrease in discrimination and increasing minority involvement in the local and national economy (Parnell 1998).

LEARNING NETWORK THEORY

Learning network theory conceptualizes the environment and all its actors as a network (See Figure 1). Actors include individuals, groups, and other organizations that interact with the organization. Included in the actor category are government agencies and assistance programs. The relationships created by the interactions of the actors create an organization’s learning network. Learning networks are not static, but are dynamic structures serving to guide actor behavior while, at the same time, being influenced by actor behavior (Van der Krogt 1998).

Figure 1 - The Learning Network of an Organization



From the above model, three main components are present: the learning actors, the learning processes that the actors organize, and the learning structures the actors create (Poell et al. 2000).

1. Learning actors. Learning actors lie at the center of the learning network; however, the actor can be internal or external to the organization. External actors may include public policy or government personnel. Learning occurs when any of these actors acquire knowledge and then create action theories (Poell et al. 2000). Action theories entail the norms, ideas, and rules serving to structure and legitimize actor behavior (Argyris and Schon 1978, Van der Krogt 1998, Poell et al. 2000). Actors may not be able to fully act as their particular action theory dictates each and every time, so actors are free to deploy a range of action theories according to the situation presented (Poell et al. 2000).

2. Learning processes. When interacting with each other, the learning actors work to create three learning processes: learning policies, programs and execution. Developing learning processes is setting the agenda for the learning network – what people should learn and in what way they should learn it (Poell et al. 2000, 33). Learning programs entail creating organization behavior within which other actors may learn, and execution encompasses the actual learning. While all actors participate in all three processes, their level of involvement and influence can vary dramatically (Poell et al. 2000).
3. Learning structures. As the learning network operates within the organization, patterns will emerge that will be maintained over time. Content structure is learning program structure and the range of options available to organization members. Organization structure delineates learning tasks and responsibilities to a range of actors. Learning climate reflects the norms and values of the organization (Van der Krogt 1998, Poell et al. 2000).

The viewpoint taken in this study agrees with the culture of learning; learning organizations have instilled learning into their very structure to become almost routine. Testing whether or not an organization is a learning organization and examining the effectiveness of the organization's learning can be done by researching the culture of learning within an organization and the end results of such a culture, the organization's performance (Popper and Lipshitz 2000). This research is an expansion of learning network theory that has not been done before on such a scale. Until this research, learning network theory had limited exposure in the U.S. and even less research utility.

METHODOLOGY

Until this study, the PTACs were an excellent example of a nation-wide business assistance and resource center that had not been studied other than in conceptual format using anecdotal information. For a study of this type, the metropolitan area frames a more appropriate sample than other geographic divisions (Boyd 1991). Reynolds (1992) justifies selecting the greater Kansas City metropolitan area by refuting state boundaries as natural study boundaries, preferring socioeconomic regions, i.e. metropolitan areas. Kansas City is unique in being the only major metropolitan area divided equally between two states; Missouri and Kansas.

The authors worked with the U.S. Small Business Administration in Kansas City to compile a listing of all 8(a) certified firms since January 1, 1996, the year the Missouri and Kansas PTACs began full operation. Using 8(a) firms in the greater Kansas City metropolitan area, a data set of forty-three firms was created, with thirty-five participating; eighteen in Kansas and seventeen in Missouri for a participation rate of 81.4 percent. Each participant was the business owner, with each owner asked a standardized interview questionnaire. Results were then entered into a qualitative analysis software package, QSR's Nudist. The interview script questions are summarized by category in the Results section with the full interview script available from the authors. PTAC annual report data was requested from all eighty PTAC centers across the U.S. for the previous three years, 1997-1999.

RESULTS

The National PTAC Environment

Seventy-nine annual reports were received for a participation rate of 98.8 percent. PTAC funding has remained constant at \$18.5 million for each studied year, 1997 through 1999. In

1999, the PTAC program assisted small businesses with \$4.3 billion worth of Department of Defense (DoD) prime contracts, \$1.0 billion non-defense or other federal agency prime contracts, \$900 million state or local prime contracts, \$400 million DoD sub-contracts, \$200 million non-defense or other federal agency sub-contracts, and \$100 million state or local sub-contracts. Overall, in 1999, the PTAC program assisted with \$6.6 billion in contracts with a cost ratio of just of 0.3 percent.

The Interviews

8(a) and Government Contracting

The first interview section dealt with historical information, 8(a) contracting experiences, government bidding, training, and disadvantaged status.

Regarding their 8(a) training, there were positive responses from thirteen participants compared with twenty-two negatives. Some responses, while positive, were not specific regarding training components even though the entrepreneurs felt positively about the 8(a) and SBA training. Other responses simply stated they had nothing negative to say while not offering any positive experiences either.

Comments regarding general education overview were the most common positive theme. Three participants mentioned developing a business plan, the only positive aspect of their training mentioned more than once. Other positive reflections were quite specific, overall, regarding the components of their 8(a) training that the participant found educational. These included such aspects as personal contact, conferences and educational opportunities. Respondents reported that the training, while informative, was basic and not the information needed to take the firm to the next level of government contracting.

“The initial training was positive in that, when we knew so little, any information was positive. It was all new. It was positive because you are hungry for information at the very beginning. That, however, passed quickly. Once we had the basics, I did not want to hear the basics again. And it seems like there is a lot of basic information out there. How do you get involved? How do you contract with the government? How do you do this, how do you do that? But it is the same regurgitated stuff over and over again.”

One response attempted to straddle the line between positive and negative without naming any negative components; yet the firm had no take-away from their 8(a) training to improve their organization. Unable to name any new behaviors or knowledge brought to the organization, the participant still felt the experience worthwhile.

The negative responses were specific in refuting the idea of 8(a) training. “No training” or “I have not found anything as far as being a positive; we did not get any real training in 8(a)” were typical responses. Many of the entrepreneurs did continue that if they received any kind of training contact, the training was not appropriate and was too broad and general for any applicability with the end result being the responsibility for educating their firm on government contracting fell back to the entrepreneur. “I do not know if I have had any 8(a) training. All the training I get, I get it myself. 8(a) has not given me any training,” exemplified the typical response.

Others, while negative, did suggest that they may not have taken advantage of the training available or were not aware of the scope or type of training available; “There was no training. I did not even know there was training available. Still unaware of it. We were briefed about it at SBA, but that was the outline of the program, but that was all of an hour.” This was not

due to a lack of needing or wanting training. Often, the entrepreneur simply found it elsewhere including other networking opportunities such as local business groups and the Small Business Development Centers. Summing up the negatives and the challenges facing the 8(a) program is the following:

“We have had no 8(a) training. I do not even know what 8(a) training is. We filled out a lot of paperwork, we sent it in, we got it approved. We attended different seminars in various states that talked about some minority business or minority contracting things, but as far as 8(a) training, there has never been anything that we have received specifically from 8(a) or through 8(a) training that would have done anything for us, one way or the other.”

The training discussion continued with the next interview question series reviewing 8(a) firms and government contracting. The first questions brought up the issue of training again when participants were asked what information they gained from their 8(a) training specific to government contracting. Those firms stating they had received no or little training that was relevant continued their negative stance. Other firms, with positive experiences, were not pleased with the government contracting aspects of their training, and only one firm voiced pleasure all around with their 8(a) experience by learning how to better understand government contracting.

Examining the other positive responses, three mentioned learning the basics of government contracting, giving them a new knowledge base via the training SBA provided and new access to government contracting information and contacts. For these firms, such knowledge was new and original.

Three firms mentioned being registered on Pro-Net, the web site maintained by the SBA to promote small businesses. Pro-Net has proven to be a powerful marketing tool for small businesses both to government buyers and prime contract holders seeking sub-contract bidders. However, the most popular training aspect reviewed in positive terms was receiving a listing of government buyers in the product or service line in which the 8(a) firm sold. Six different firms mentioned the relevancy of having names and numbers to market their firm directly and how best to market their firms.

However, the number of negative comments exceeded the number of positive or negative comments regarding training. “There is really not a lot to talk about” said one owner. While many firms acknowledged training within the 8(a) program, far fewer believed this was a positive or needed experience in regard to government contracting. “If I am going to get an 8(a) contract, it is going to be on me. They are not going to do it for you,” was the general tone, continuing with “as far as training goes, I do not feel there is any training there.” Training, if it existed, did not then follow through on government contracting training for a significant majority of firms.

Given the nature of the 8(a) program, the studied firms have all had access and have been, supposedly, well trained in how to bid competitively and be awarded government contracts. Yet, the firms tell a different story; one firm had a single government sale in seven years for only \$30,000, while another bid on fifty contracts, was awarded one for only \$19,000, and nearly went out of business pursuing 8(a) government contracting that never materialized. Notably, the latter firm does a majority of its business with the government, but outside the 8(a) program.

A common complaint was the amount of time, resources and energy spent researching and bidding on government contracts only to be continually rejected. The number of government bids prepared and submitted always outnumbered awards received, sometimes as high as eight

or ten to one. All the firms interviewed had at least considered bidding on projects, with most firms submitting bids. Another entrepreneur said, "Part of what is negative with the government contracting is that we will go out and bid a particular product, because when they make the request they will ask for equal to or same-as. We will have the equal to and we will send it out. They will like it, they will love it, and they will tell us that that was exactly what they were looking for. The price will be, in many cases, considerably less. The product will last longer, but the next level up from them does not want to go through and change the paperwork to adjust the original spec to take this same-as product. And so they will throw out our bid and accept a bid that costs more because our bid was the same-as, even though it matches their description word-for-word."

Yet, only two firms presented themselves as having mastered government marketing and contracting using the 8(a) program, when after several years of 8(a) status their business began to increase. "We found that there was a marketing effort that was required earlier on and that marketing effort has taken about a year to materialize and start to boost contracts for us, but now it is doing it. It is doing it in a big way, and it is doing it to the point that we are going to ease off on our marketing for a while. We are just...we are just overwhelmed with work at this point. It is a good problem to have, but it is also a worrisome problem."

The other firm added that they were primarily engaged in 8(a) contracting, but had only been certified 8(a) for two years. The result of such experiences should be rich learning opportunities, both pro and con, for the organizations. For the majority of firms, government contracting had been a learning experience but a frustrating and trying one.

For several firms, discrimination is a very real and current concern. Some concern lies with minimal 8(a) contracting requirements and the lack of consequences when these requirements are not met. Making government buyers accountable for their contracting decisions was discussed in length by several entrepreneurs. Two clients relayed lengthy discussions on current discrimination, one based on race and the other based on gender.

Firms were asked about the impact their disadvantaged status had on their firm and their government contracting efforts. For many firms, without their disadvantaged status, they firmly believe they would not have won any government contracts. Disadvantaged status was also viewed in a positive light by most firms, although SBA size standards did arise several times. Currently, a business is considered small if it employs less than 500 people. For a number of the study subjects, a firm this size or one with several hundred employees is large no matter what the SBA may believe. Even within the majority of firms believing in the positive aspects of their disadvantaged status, it was simply viewed more as an icebreaker or a means of opening the door to government contracting opportunities; however, disadvantaged status was not viewed as a means of winning a contract. For these firms, being disadvantaged may open the door, but walking through was up to them.

However, a small, but vocal, number of firms felt their disadvantaged status was a negative or not a means of gaining a contract. In their view, a competitive bid is all that matters and competition for the low bid is colorblind. One firm split the difference with their disadvantaged status, using it with the public sector, completely dropping it for the private sector. In their view, carrying a disadvantaged approved label from the federal government was more a liability than an asset. However, upon dealing with prime government contractors when the disadvantaged firm was seeking sub-contracting opportunities, the firm broadcast their disadvantaged status in hopes of assisting the prime with sub-contracting goals.

Only one firm had a clearly negative view on their disadvantaged status, which had more to do with the 8(a) program in general than their individual disadvantaged status experiences.

Procurement Technical Assistance Centers (PTACs)

The second interview section covered PTAC awareness and usage.

A comparison was made between PTAC assistance and 8(a) training. Was PTAC data complementary to their 8(a) training or a new body of knowledge, and then how did the two knowledge bases compare? Concerning complementary knowledge or a new body of knowledge, there was no comparison. Only one firm considered PTAC data supplemental to their 8(a) training. All other entrepreneurs viewed the PTAC knowledge base as an additional body of knowledge.

Comparing the 8(a) and PTAC training endeavors was not as clear-cut. Fully half of the respondents simply replied that without any 8(a) training, a comparison was moot. The other responses included PTAC training providing more of a resource base and means of contact than 8(a), the entrepreneurs liked the greater personalization PTAC interaction offered, or 8(a) and PTAC training were regarded as two sides of the same coin. However, one entrepreneur believed PTAC training is a different kind of assistance, comparable in some ways, but not a comparison of similar programs. Two firms found 8(a) data superior to PTAC data.

The participation rate of 8(a) firms in the PTAC program after a referral was 100% and none of the entrepreneurs offered any negative comments regarding their PTAC experience. Positive changes focused upon adapting their organization to handle incoming data from their PTAC and this often required minor organization change and restructuring. All the firms who underwent this change referred to it as positive. Several attributed PTAC assistance to opening doors, furthering opportunities, and winning contracts.

What recommendation would the study participant firms then have for other disadvantaged firms in using their local PTAC? Given that all the firms asked this question had utilized PTAC services, constructive feedback for improving their local PTAC was expected. On the contrary, the entrepreneurs all pushed for any firm to take advantage of PTAC services and "really work it." And reinforcing the aim of PTAC services, their local PTAC was also regarded as a launching point for exploring government contracting in greater depth.

Recommendations for other firms to use PTACs brought about the strongest string of positive comments elicited from the entrepreneurs. The entrepreneurs spoke of no downside, and rated PTAC services as only positive and highly recommended. Other entrepreneurs reflected that they had continued to promote the PTAC program to others and felt they had acted as advocates on the PTAC program's behalf.

DISCUSSION

National PTAC Program

The conclusion most readily apparent after examining the quantitative data based upon program cost and program impact is cost effectiveness. One surprising factor is that the PTAC program has continued to be effective, even extending their outreach over the three-year period, without any increase in funding or outside assistance. Given an effective learning organization, the learning actor of PTAC assistance offers a learning process that will enhance the government contracting learning structure of minority- and woman-owned small businesses.

On a national level, the share of DoD's business contracting budget being awarded to PTAC clients has increased significantly over the studied three years, 43 percent. This compares to incremental DoD contracting growth for women and decreased contracting growth with disadvantaged businesses. Given the significant increase in PTAC contracting growth relative to the DoD business contracting budget, the learning action theory presented by the PTAC program appears to be increasingly effective. PTAC effectiveness is based upon the incremental growth of DoD contracting outreach to minority-owned and woman-owned small businesses versus the growth of PTAC contracting outreach. The theoretical model would posit that of the learning actors DoD has utilized for contract outreach, the PTACs as learning actors offer an effective means for disadvantaged woman-owned small businesses to compete effectively.

8(a) Program

Learning network theory provides a means of critically examining an outside assistance program by the impact the assistance has on the entrepreneurial organization's learning processes. The 8(a) program was designed to be an entrepreneurial resource for disadvantaged firms, allowing external actors the opportunity to develop learning interventions in support of disadvantaged firms and federal contracting.

The 8(a) program has problems, problems that can be addressed and solved. But issues that need to be dealt with if the program hopes to be continued and to serve the disadvantaged business community. Using the conclusions of this study, learning network theory validates that those organizations 8(a) has supported in learning have succeeded beyond those organizations that 8(a) has not been able or willing to assist with organization learning. Organization learning can propel an organization to places it has never been before and facilitate how best to survive the unknown (Kuwada 1998).

Learning network theory also provides a framework within which learning organizations can be fostered and developed. The 8(a) program was not validated as accomplishing training that fosters and develops organizations. The 8(a) action theory is not supporting or encouraging effective long term learning process changes in the studied organizations. Training was a main focus of the interviews, since the assumption was made that these disadvantaged entrepreneurs, because of their 8(a) status, were the most highly trained disadvantaged entrepreneurs SBA could offer. However, according to this research, the highest level of training needs to be improved. Data supports the contention that there is a lack of learning process change from the learning action theory deployed by 8(a), echoing other strong statements from clients that were obviously expecting more, wanting more, and needing more. A perception of service not meeting expectations, when shared repeatedly by many sources, will doom a program.

One challenge facing SBA's 8(a) program is that government marketing is difficult and challenging with so many agencies and even more buying contacts within all of these different agencies. Finding the right contact person is nearly impossible without some outside assistance for the entrepreneur. The proper action theory creating an effective learning process would support government contracting. Since the SBA 8(a) program is geared for organizations seeking government business, 8(a) employees should be well trained and aware of government contracting regulations and personnel. Granted, these are myriad and the personnel diverse, but the PTAC program successfully assists small businesses. Learning network theory supports strong learning actors, however, this should be paired with an effective learning theory.

Regarding their disadvantaged status, the bottom line for those firms not utilizing their disadvantaged status seems to be that they market product or service, not ethnic status and not disadvantaged status. We do not live in a colorblind society, as several entrepreneurs discussed, and to ignore this fact may cost you business. As unfortunate as this may be, the government has proven with past policy that a strong affirmative action program can be effective in supporting minority growth and development. For many firms, affirmative action was an effective action theory; however, the entrepreneurs also called for the government as actor in the procurement process. While the action theory of affirmative action has fulfilled two out of three learning processes, development of learning policies and development of learning programs, the entrepreneurs regarded the execution of the affirmative action learning program to be lacking. In their view, the government has not done enough to execute the legal components and the social benefits of affirmative action as a learning process.

For those firms winning government contracts, while increasing sales can be assumed to have changed the organization, the entrepreneurs did not mention this explicitly. By increasing their ability to compete, organizational change could also be assumed, much like increasing sales. If this approach is taken, all the positive organizational changes the entrepreneurs attribute to their government contracting efforts and training can be related to how their respective organizations were impacted and adapted to the public marketplace. Learning network theory supports organizations entering environments where the organization has not been before and succeeding if given the proper learning assistance (Kuwada 1998). Thus, firms creating new ways of communicating regarding government certifications or registrations, hiring new personnel, learning government expectations and standards, and so on can all be predicated on learning network theory. Organization supports created at the PTAC level or within the 8(a) program or some other public policy source to encourage organizational learning can be better understood when considered in the context of learning assistance theory.

Procurement Technical Assistance Centers

The strongest applicability and validation of the predictive utility of learning network theory was achieved when studying the PTAC program in detail via the Kansas and Missouri programs. While the impact of the PTAC program was presented on a national scale, the interviews informed as to how PTACs are effective with learning organizations in support of learning network theory.

Based upon this research, the PTAC program is far more effective at working with small businesses regarding government contracting than the SBA. As discovered in the interviews, PTAC assistance is a more proactive approach than the entrepreneurs had been receiving. The reviews of the PTAC program were nearly unanimous in their positive and supportive tone. No other SBA program was given such a positive review by the entrepreneurs. If public policy were to follow the learning assistance program that is viewed as most effective based upon current clients, the PTAC program would be doing government procurement assistance with disadvantaged firms. The action theory PTAC employs is fulfilling Poell et al's (2000) and Van der Krogt's (1998) model of an external actor deploying an effective action theory. A primary component of the learning network theory model is the influence the learning actor has on the dynamic learning system of an organization. Dynamic being pivotal, since the majority of studied entrepreneurs were exposed to both the 8(a) and PTAC program, but were more successful developing the learning processes deployed by the PTAC program.

For the future, more effective assistance to learning organizations needs to be created to aid entrepreneurial organizations in working with the increasingly virtual world of government contracting. While this study has supported the current value of learning network theory

when applied to government contracting, the public marketplace is not a static environment. Learning network theory also needs to lend a predictive component in support of future public policy initiatives. The assistance needed to maintain long-term competitive advantage will not be the same assistance needed today. Learning action theories, as Poell et al. (2000) and Van der Krogt (1998) believed, will not be able to remain static, but must create dynamic learning processes that are continually refined by the learning network.

Public Policy

8(a) is not viewed, for the most part, as affirmative action by the very firms who have so much invested in 8(a) contracting when asked what public policy has assisted them. 8(a), for all its trouble, is not regarded as an entitlement program nor one with the affirmative action label attached.

However, racism is a factor for disadvantaged firms when contracting with the federal government, and entrepreneurs have definite opinions and stories to relate. Only one firm brought up the subject of front companies, and that was based upon gender. Since there are no quick solutions to racism, stricter enforcement and in-depth investigation using existing policy regulations is the most immediate solution. However, even when discussing discrimination towards their race, entrepreneurs saw advantages to being a different minority, which was quite interesting. Furthermore, nobody discussed wanting to be white or viewed majority owned businesses as a threat; the threat came from other minority groups that were either not deserving of affirmative action or received too much attention over other minority groups. The clash was at the disadvantaged level, not society at large. Here, SBA can take a more proactive approach; present clearly the definitions of disadvantaged, what preferences are given for any type of minority, and how these preferences compare. Given the current information age, the inability for citizens to have federal regulations defined and accessible is not excusable.

Based upon the learning network model, the potential for influence carried by the SBA is great, i.e. a potent learning actor. The failure would be in not exploiting their learning action theory through the three stages of learning process: development of learning policies, development of learning programs, and execution of learning programs. Herein lies the dilemma facing SBA when paired with the PTAC program. PTACs are more effective at exploiting the learning process of minority-owned and woman-owned entrepreneurial organizations regarding government procurement; SBA should be more influential promoting social and public policy regarding contracting with minority-owned and woman-owned businesses. PTACs exist for a well-defined purpose and have developed a range of ideas and rules guiding behavior, i.e. their learning action theory, accordingly. SBA, by virtue of being a federal agency, has the implicit authority to establish well-defined definitions and policies regarding contracting levels, screening procedures, and enforcement of contracting. Yet it has failed to develop the needed behavior norms – the required learning action theory.

As expressed by the participants, disadvantaged firms are not looking for contracts without competition, but they are seeking a level playing field where the government is an active participant – a participant with teeth, as one person stated. Currently, that is not the case as much as it was years ago. Contracting requirements have become contracting recommendations for both prime contract holders and government agencies. While many buyers and contractors work to maintain or even exceed their requirements, the consequences for not doing so and oversight in how contracts are awarded is sorely lacking. As learning network theory hypothesized, the more powerful the actor, the greater their influence on the

learning network. Public policy can be a very powerful actor, and to a lesser degree, so can 8(a) and the PTAC program.

Public Policy Implications

Overall, current public policy is viewed as being in place to assist the disadvantaged entrepreneur; however, government agencies are not implementing public policy in support of disadvantaged firms. Racism is regarded as a reality for these firms, with a strong belief that the federal government is still needed to pursue those who still practice racial and gender discrimination with government contracting. While believing such action is necessary may be difficult for some, for these entrepreneurs, discrimination is real.

Using a PTAC has substantial impact on minority-owned and woman-owned small businesses. None of the firms related negative experiences regarding their PTAC experience; in addition, a significant majority regarded PTAC learning as an additional body of knowledge over their 8(a) training and strongly encouraged other 8(a) firms to utilize their local PTAC. Using a PTAC was strongly inferred by the respondents to be connected with winning government contracts, and the research supports this belief. The downside to this aspect is the lack of coordination between the SBA and local PTACs. This returns to the other point made previously regarding conflicting learning actors and action theories.

Public policy is not a major player with learning organizations. Public entities should be there to provide knowledge and training, but the entrepreneurs saw organization learning as their responsibility. However, that does not mean that public entities are doing a good job on educating their client base. SBA and 8(a) in particular were exemplified as public policy entities needing to improve their education and training delivery. The fact that the majority of firms denied ever having even received the basics of government contracting training upon their acceptance into the 8(a) program should encourage improvement in service delivery.

Business performance and public policy were examined and how disadvantaged entrepreneurs assess both. Not surprising given their previous responses, money is important; service is more important. Making business performance a matter of public policy was not an option for most of the entrepreneurs. Their level of entrepreneurial success is not a public policy issue except when issues that should be public concerns – racism, for example – are not dealt with in the manner society previously decided. In other words, this study found strong support for affirmative action programs and putting the teeth back into preference programs with clear disadvantaged contracting goals that are enforced. None of the entrepreneurs stated any opposition to enforcing existing affirmative action policy; rather, they would prefer such policy be more actively enforced and publicized over new policy. The same held true when assessing the public policy factors that have supported or hindered entrepreneurial success. Lack of affirmative action policy enforcement was most frequently cited as the greatest hindrance.

The implications for public policy are two fold from this research. First, disadvantaged firms need assistance in the contracting world by strongly enforcing current disadvantaged business contracting goals and policy. The call here is not for new policy; rather, educating firms and government buyers on government disadvantaged policy. Using learning network theory, we are beginning to establish a more identifiable cause and effect relationship between educational efforts, successful entrepreneurship, and effective government contracting by revealing effective learning action theories. Second, one means of relatively quickly establishing these efforts is to coordinate government contracting training between SBA and PTAC, two on-going organizations with existing clients, many of whom are anxious to

improve their government contracting program. In particular, using learning network theory and this research, the PTAC program comes the closest to showing how best to assist entrepreneurs towards successfully winning government contracts by creating a quality relationship with the entrepreneur (Sapienza 1992, Van der Krogt 1998, Poell et al 2000). Such a relationship is key to predicting effective learning organizations using learning network theory.

CONCLUSION

This research is an extension in understanding how best to assist disadvantaged small business owners' learning organizations with government contracting. The PTAC program, little known outside the government contracting world, is having a dramatic impact on small businesses in the United States, while more well-known programs have seen their impact and reputation drop precipitously. PTAC training, reinforcing learning network theory and learning assistance, is impacting entrepreneurial views on public policy, organizational change, and referral and utilization of other assistance programs. Both quantitatively and qualitatively, in line with learning network theory, this study reinforces the utility of outside assistance programs creating a strong relationship between the entrepreneur, their learning network, and external assistance.

The U.S. Small Business Administration has a worthy public policy program, 8(a), which is not living up to its original intent when assisting small disadvantaged businesses with government contracting. Using the PTACs in a broader context, mandating how best to support disadvantaged entrepreneurs with enforceable procurement guidelines may be a more effective public policy initiative.

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Todd D. Mick is Assistant Professor of Small Business and Entrepreneurship at Missouri Western State College. His research interests are public policies in support of minority and women entrepreneurs and writing case studies. Todd is currently seeking to expand public partnerships in support of entrepreneurship in northwest Missouri. For interview script, additional study data or questions, please contact him at mick@mwsc.edu.

Patricia G. Greene is Dean of the undergraduate school at Babson. Her research focuses on the identification, acquisition, and combination of entrepreneurial resources, particularly by women and minority entrepreneurs.