

BARRIERS TO HUBZone BUSINESSES PARTICIPATION IN FEDERAL
CONTRACTS AND SUBCONTRACTS: POLICY IMPLICATIONS AND
RECOMMENDATIONS

by

Jose Maria Legarreta Hernandez

A Dissertation Presented in Partial Fulfillment

Of the Requirements for the Degree

Doctor of Philosophy

Capella University

June 2007

BARRIERS TO HUBZone BUSINESSES PARTICIPATION IN FEDERAL
CONTRACTS AND SUBCONTRACTS: POLICY IMPLICATIONS AND
RECOMMENDATIONS

by

Jose Maria Legarreta Hernandez

has been approved

June 2007

APPROVED:

RAJ SINGH, Ph.D., Faculty Mentor and Chair

CLAUDE SUPERVILLE, Ph.D., Committee Member

MARY EVANS, Ph.D., Committee Member

ACCEPTED AND SIGNED:

RAJ SINGH, Ph.D.

Kurt Linberg, Ph.D.
Dean, School of Business & Technology

UMI Number: 3264292

UMI[®]

UMI Microform 3264292

Copyright 2007 by ProQuest Information and Learning Company.
All rights reserved. This microform edition is protected against
unauthorized copying under Title 17, United States Code.

ProQuest Information and Learning Company
300 North Zeeb Road
P.O. Box 1346
Ann Arbor, MI 48106-1346

Abstract

President Bush, in delivering his State of the National Economy at the chamber of the House of Representatives in Washington, D.C. on February 2, 2005, pledged to make the economy stronger and more competitive by rewarding and not punishing the efforts and dreams of entrepreneurs (2005). He said that a small business is the path of advancement, especially for women, minorities and those in economically depressed areas. This declaration received a strong bipartisan reception, an acknowledgment on the part of the Congress, perhaps, that these businesses constitute the backbone of the U.S. economy. Lacking in the President's speech, however, were specifics about how these goals will be accomplished. While public procurement has been a neglected area of study, the history of small businesses participation in the Federal government, and their associated performance, has been well documented (Thai, 2001). Research by governmental agencies and economists reveal that while the importance of small business concerns, in the overall US economy, has been repeatedly established, current data support previous assumptions and empirical evidence showing that, in the federal system, small businesses, particularly those located in distressed zones, continue to face a multitude of barriers. These barriers result in these businesses, known as HUBZone businesses, receiving less than 2 percent of the dollars awarded in the federal procurement market place (The Federal Procurement Data Center, 2005).

Dedication

To my wife, whose endless encouragement has always been the source of my courage, inspiration and determination - I love you very much. To my children, whose patience and understanding made this work a reality - you are the source of my motivation. A mis padres queridos, a quien les debo la vida y, por lo tanto, todo se los debo. A mi hermano y hermanas, un saludo muy especial por siempre creer en mi. A special thanks to my other family (in-laws) for putting up with me into the late hours of many school nights – your moral support was invaluable. And finally to my friends, whose fortitude and tolerance contributed immensely to the completion of this effort. GRACIAS A TODOS – this work had not been possible without all of your love and support.

Acknowledgments

To my dissertation committee, Raj Singh, Ph.D., faculty mentor and chair; Claude Superville, Ph.D., committee member; and Mary Evans, Ph.D., committee member, I give my sincerest thanks and appreciation for their support and encouragement in advancing me to complete this dissertation. A special thanks to Dr. Singh, my mentor, for his resolve in making sure I stayed on track. Thanks to Dr. Fahri Karakaya, Chairperson & Professor of Marketing/MIS at the University of Massachusetts, Dartmouth, for his invaluable assistance and willingness to share his knowledge, time and previous work. To Dr. Brown and Dr. Mick for having paved the way in advancing the study of small businesses within the federal government framework; and for their contributions to my work. To the subjects of my study, particularly those that assisted me directly with the research interviews and those that took the time to respond to my survey. To all, a big THANK YOU!

Table of Contents

Acknowledgments.....	iv
List of Tables.....	viii
CHAPTER 1: INTRODUCTION	
Introduction.....	1
Background of the Study.....	3
Problem Statement.....	5
Purpose of the Study.....	7
Research Question	8
Study Limitations.....	8
Significance of the Study.....	9
Definition of Terms.....	10
Organization of the Research Study.....	12
CHAPTER 2: REVIEW OF THE LITERATURE	
Public Procurement and Social Policy.....	13
Government Contracting and Unemployment.....	14
Government Contracting and Equal Employment.....	15
Government Contracting and Protectionism.....	16
Government Contracting and Labor Standards.....	17
Government Contracting and the Environment.....	18
Government Contracting and Small Business.....	19

Small Business and the US Economy.....	20
Legislature leading up to the Small Business Act and beyond	21
The Federal Policy and the Federal Procurement System Framework.....	25
Small Business Partisan Programs.....	27
Federal Contract Policy on Small Business.....	29
Small Business Barriers.....	31
Acquisition Reform aimed at Aiding Small Business.....	33

CHAPTER 3: METHODOLOGY

Introduction.....	35
Defining the Concept of Good Research.....	37
Making the Case for Mixed Methods.....	37
The Mixed Method as a Valid Approach to identify Small Business Barriers..	39
Mixing Quantitative and Qualitative Methods.....	40
Data Collection and Analysis.....	40
Validity and Reliability of the Proposed Instruments.....	45
Implementation Sequence.....	46
Sampling Frame.....	46
Research question timelines for each research activity.....	47

CHAPTER 4: DATA COLLECTION AND ANALYSIS

Introduction.....	49
Study Participants.....	51
HUBZone Program Results.....	52

Analysis and Results.....	53
Research Interviews.....	58
Interview with Federal Contracting Officer.....	58
Interview with SBA Representative.....	61
Federal Prime Contractor HUBZone Program Manager Interview.....	64
Discussion.....	67

CHAPTER 5: RESULTS, CONCLUSIONS AND RECOMMENDATIONS

Introduction.....	69
The Barriers.....	70
Recommendations for Additional Research.....	76
Contribution of this Research.....	77
Limitation of this Research.....	78
Concluding Remarks.....	79

List of Tables

Table No.	Title	Page No.
Table 1:	HUBZone Actions, Dollars, Percent Achieved and Statutory Goals for FY2000 to FY2005.....	51
Table 2:	Comparison between total dollars for HUBZone and all other major Federal Government Socio-Economic Program for FY2000 to FY2005.....	52
Table 3:	Perceived Importance of Barriers.....	54
Table 4:	Principal Components Analysis Rotation Methods Varimax with Kaiser Normalization.....	56
Table 5:	Comparison between total HUBZone and total 8(a) Actions, Dollars and Percent for FY2000 to FY2005.....	63

CHAPTER 1

INTRODUCTION

The US federal government, the largest market place in the world, is an obvious framework for studying business and public policy relationships (Mick, 2001). Moreover, public procurement is an important function of the federal government for a number of reasons: first, the federal government spends close to \$300 billion dollars each year (US General Services Administration, 2005); second, the sheer magnitude of the procurement expenditures has been linked positively to the economy (CHI Research, 2003). Lastly, public procurement has been utilized as an important tool to achieve economic, social, and other objectives (Thai, 2001).

While the principle purpose of the federal procurement system is the acquisition of goods and services (Kelman, 1990), over the years, the federal procurement system has also been used to advance certain public goals which are not directly related to this principal purpose.

The use of government contracting to accomplish socioeconomic goals has given rise to the enactment of a number of legislative statutes requiring federal contactors to participate in the attainment of these diverse policies. The main utilization of the federal procurement system in furthering these socioeconomic policies includes:

1. Combating unemployment;
2. Promoting equal employment opportunities;
3. Protecting U.S. suppliers and other special sources;

4. Advancing fair labor standards;
5. Protecting the environment; and
6. Assisting small business concerns

Critics of using the government contracting system for other than its principle purpose contend that these programs are expensive and avert procurement officials from concentrating on the acquisition of quality goods at the least expenditure of public funds. On the other hand, those that advocate the use of government contracts for social purposes maintain that this practice is justified because of the large impact government contracts have on the American economy, particularly in assisting small business concerns (Mfume, 1998). As the importance of small businesses increase in the US economy, issues of federal policy related to the assistance of these businesses will gain importance as well.

The importance of small business concerns on the US economy has been repeatedly demonstrated (Storey, 1995; Carter et al., 1999). Small businesses also play an important role in the government procurement arena. These businesses supplied more than 23 percent of the total value of federal prime and subcontracts in fiscal year 2003 (Popkin, 2003). These achievements are the result, in large part, of preferential programs designed and implemented to allow small businesses increased access to business opportunities in both commercial and governmental markets.

Despite a litany of congressional initiatives dating back to the Small Business Act of 1953, however, small businesses, particularly those in distressed areas, continue to experience barriers resulting in a disproportionate share of federal procurement dollars.

Background of the Study

Barriers against small businesses in the federal marketplace have been addressed in successive legislation, executive orders, and court decisions dating back to 1941. Congress established the Select Committee on Small Business in 1941 to foster fair treatment of small businesses. In 1942, Congress passed the Small Business Mobilization Act, recognizing that business concerns operating small plants did not have the economies of scale necessary to compete with large plants. During World War II, Congress created The Smaller War Plants Corporation (SWPC) to aid small businesses in participating in war production when large industries beefed up production to accommodate wartime defense contracts. In the Armed Services Procurement Act of 1947, Congress declared that a fair proportion of the total federal purchases and contracts for the Government had to be placed with small business concerns. During the Korean War, Congress reemphasized small business participation in the federal marketplace by passing the Defense Production Act of 1950 (SBA Laws and Regulations, 2006).

In 1953, Congress passed the Small Business Act which is considered by many as the first national policy committed to promoting small business concerns. The act states that:

It is the declared policy of the Congress that the Government should aid, counsel, assist, and promote, insofar as is possible, the interests of small business concerns in order to preserve free competitive enterprise, to insure that a fair proportion of the total purchase and contract or subcontract for property and services for the government (including but not limited to contracts or subcontract for maintenance, repair, and construction) be

placed with small-business enterprises, to insure that a fair proportion of the total sales of Government property be made to such enterprises, and to maintain and strengthen the over-all economy of the Nation. (SBA Laws and Regulations, 2006)

The Act focused exclusively on combating the imbalance faced by the US small business community.

The most far reaching small business preferential program within the government procurement system is the Set-Aside program. The purpose of this program is to reserve contracts over a certain dollar threshold exclusively for small business concerns. A "set-aside for small business" is defined by the *Federal Acquisition Regulation* (FAR) subpart 19.501(a) as the reserving of an acquisition exclusively for participation by small business concerns (2005).

Perhaps the most widely known small business federal preferential program is the 8(a) program. This program allows the government and its prime contractors to make contract awards to 8(a) certified firms on a noncompetitive basis up to \$3M for manufactured goods and up to \$5M for construction contracts. The purpose of this program is to afford federal procurement opportunities to socially and economically disadvantaged small businesses.

The latest attempt from Congress to aid a particular segment of the small business community came with the establishment of the Historically Underutilized Business Zone (HUBZone) Empowerment Contracting Act of 1997 under Public Law 105-135 (Small Business Administration, HUBZone, 2006). The purpose of the HUBZone program is to provide federal contracting assistance to qualified small business concerns located in

Historically Underutilized Business Zones (HUB Zones). The law was created in an effort to increase employment opportunities, investment, and economic development in those regions long neglected as potential business areas.

This program allows federal agencies and government contractors to assist struggling businesses located in distressed and labor surplus areas, as identified by US Department of Labor, by granting special consideration when award decisions are made for federal contracts and subcontracts. In order to qualify as a HUBZone area, the region (city, township, county or balance of county) in which the business is located, must experience an unemployment rate of at least 1.4 times the national average (SBA. HUB Zone, 2005).

Problem Statement

Participation gaps between small and large business concerns have existed throughout history in all aspects of the commercial and government marketplace. Despite the known impacts of small business in the economy and the labor force, particularly with low-skilled workers (Fitzgerald et al., 2001), their participation in the federal market place has been stagnant.

Studies show that business barriers exist for businesses of all sizes, whether entering the commercial or the federal marketplace (Bain, 1956). Some studies have looked at business barriers related specifically to a firm's ability to expand their market share (Caves & Porter, 1977). Although the focus of these studies varied, many of them stress that entry barriers are more accentuated in small firms (Acs & Audretsch, 1989),

particularly when it comes to access to business opportunities (Bates, 1997). The size of the business also appears to be a discriminating factor when it comes to small business survival rates (Robb, 2000).

Studies focusing on barriers related to doing business with the federal government found that lack of federal program support, contract bundling, discrimination, and compliance with the program regulations are obstacles to federal contracting opportunities Mick (2001). These findings are consistent with Brown's research which found that small business owners experienced a high level of frustration regarding the amount of paperwork and compliance with policies and procedures related to the federal procurement system (1995). On average, small firms spend 60 percent more per employee than larger firms to comply with federal regulations (Crain & Hopkins, 2001).

While the overall government wide procurement goal for small business has been recently increased from 20% to 23%, the goal for HUBZone contracts was established with the enactment of the statute in 1997 as follows: fiscal year 1999 – 1%; fiscal year 2000 – 1.5%; fiscal year 2001 – 2%; fiscal year 2002 – 2.5%; fiscal year 2003 and each year thereafter – 3%.

During fiscal year 2000, the General Accounting Office (renamed in 2004 to the Government Accountability Office) reported that no Federal agency met its statutorily mandated HUBZone contracting goal (2001). By the end of fiscal year 2004 (latest available statistics) only 13 of the 69 government agencies had met their 3 percent HUBZone goal, while the total Federal government goal attainment was reported at only 1.5 percent (US General Services Administration, 2005). Government prime contractors

exhibited similar results; against a 3 percent goal for fiscal year 2003 (latest available data) large government-contractors awarded less than 1% of their procurement dollars to businesses located in HUBZones areas.

Purpose of the Study

At the end of the 20th century growing concerns emerged indicating that small businesses located in certain distress communities throughout the US needed a discrete congressional mandate in order to increase employment opportunities and stimulate capital investment. As a result of these concerns, Congress enacted the HUBZone Act in 1997 requiring government agencies, as well as large government contractors, to provide HUBZone businesses an increased opportunity to participate in federal contracts.

HUB zones are specifically designated urban or rural areas that have low median household income and/or high unemployment rates. As of January 2005, approximately 7,000 metropolitan-area census tracts and 900 non-metropolitan counties qualified as HUBZones. In addition, all federally recognized areas covered by the phrase ‘Indian Country’ are statutorily designated as HUBZones.

The chief purpose of this research study is to explore HUBZone businesses’ barriers in securing contracts and subcontracts with the federal government and its large contractors.

Research Question

The research question that will be explored in this study is: What are the most important barriers that HUBZone businesses experience in securing business with the Federal government and its prime contractors?

Study Limitations

Because the HUBZone program is relatively new, there is a lack of empirical data and existing research available. Consequently, any quantitative analysis of the HUBZone program's impact at this time needs to be viewed within this context. However, this study provides a qualitative analysis on the importance of the HUBZone program, statistical data on the firms included in the study and descriptive information on the HUBZone businesses obstacles to optimize their opportunities with the government and its large contractors.

The available goaling data for fiscal year 2004 is also suspect. Fiscal year 2004 was the first year that the new Federal Procurement Data System-Next Generation (FPDS-NG) application was used as the source of contracting awards for the federal government.

The government reported that during the data migration of the legacy data to the new system, several data challenges were discovered (HUBZone 2006). The government satisfied these challenges by asking federal Contracting Officers (COs) to certify the accuracy of the fiscal year 2004 data reflecting their procurement action and dollar achievements.

Significance of the Study

As previously noted, the history of small businesses participation in the Federal government has been well documented (Thai, 2001). Research by governmental agencies and economists reveal that the importance of small business concerns, in the overall US economy, is explained by the overabundance of statistics published by the SBA (Office of Advocacy, 2005).

The US federal government has also a long history of conceiving initiatives to implement economic development programs to benefit small businesses. By some accounts, the initial implementation of the HUBZone program has been acclaimed as a successful program in leveraging Federal dollars for economic development. During FY 2000, the GAO reported that the program's \$2 million operating budget yielded almost \$60 million in contracts to economically distressed communities (2001).

The results from this research study identified some of the most important barriers as perceived by HUBZone business executives in doing business under the HUBZone empowerment initiative. The findings are a significant source of relevant information for the SBA, government agencies, large government-contactors and for the HUBZone businesses interested in doing business with the Federal government. As an exploratory research, the study sets a foundation for further work that could identify areas that can be investigated and developed to improve HUBZone businesses' participation in the federal marketplace.

By understanding the barriers that hinder HUBZone businesses partaking in the program, interventions can be explored for improving policy requirements and practices

aimed at reducing the obstacles faced by HUBZone business concerns. Such interventions would be expected to increase the number of certified HUBZone businesses and their successful engagement in the program. An increased number of certified HUBZone businesses, coupled with uninhibited procurement opportunities, will result in the increase of procurement opportunities and contract awards.

The ultimate beneficiaries of the research findings are the HUBZone small businesses and the communities where they are located. Additional contract awards will emanate into increased employment opportunities, investment, and economic development in distressed areas meeting the intent of the congressional mandate.

Definition of Terms

HUBZone Empowerment Contracting Program: A federal program design to stimulate economic development and creation of jobs in urban and rural communities by providing Federal contracting preferences to small businesses.

HUBZone: area that is located in one or more of the following:

1. A qualified census tract (as defined in section 42(d)(5)(C)(i)(I) of the Internal Revenue Code of 1986);
2. A qualified "non-metropolitan county" (as defined in section 143(k)(2)(B) of the Internal Revenue Code of 1986) with a median household income of less than 80 percent of the State median household income or with an unemployment rate of not less than 140 percent of the statewide average, based on US Department of Labor recent data; or

3. Lands within the boundaries of federally recognized Indian reservations

HUBZone Business: a business that is considered “small” by SBA size standards; its principal office must be located within a HUBZone (includes federally recognized Indian reservations); it must be owned and controlled by US citizens; and at least 35% of its employees must reside in a HUBZone

Reside: to live in a primary residence at a place for at least 180 days, or as a currently registered voter, and with intent to live there indefinitely.

Principal office: location where the greatest number of employees actually perform their work

Small Business: For research purposes, the Small Business Administration’s Office of Advocacy defines a small business as an independent business having fewer than 500 employees.

HUBZones: Geographic business zones specifically designated urban or rural areas that have low median household income and/or high unemployment rates. Also, all federally recognized areas covered by the phrase ‘Indian Country’ are HUBZones.

8(a) Business: Section 8(a) of the Small Business Act (15 U.S.C. 637(a)) established a program that authorizes the Small Business Administration (SBA) to enter into all types of contracts with other agencies and let subcontracts for performing those contracts to firms eligible for program participation. The SBA’s subcontractors are referred to as “8(a) contractors.”

Federal Government Contracting: As mandate by the Small Business Act, the SBA’s Office of Government Contracting sets goals with other federal departments and

agencies to reach the statutory goal of 23 percent in prime contract dollars to small businesses. This office also provides small businesses with subcontracting procurement opportunities, outreach programs, and training.

Small Business Administration: An independent federal agency created by the Small Business Act to assist and protect the interests of small business concerns; preserve free competitive enterprise; and maintain and strengthen the overall economy of the nation.

Organization of the Research Study

This study is organized with an introductory overview of the research proposal included in Chapter 1. Previous research work, related literature on the use of the federal contract, small businesses programs and business barriers is discussed in chapter 2. Chapter 3 includes an overview of discussions about mixed methods research and a description of the development and research methodology used in this study.

The remainder of the study includes an explanation of the data collection, data analysis and pilot test in Chapter 4. This chapter also covers the statistical analyses and interpretation of the data analysis. Lastly, a detailed discussion of the research findings and drawn conclusions is integrated in the last chapter of this research work.

CHAPTER 2

LITERATURE REVIEW

The literature review for this study is founded in a strong historical element. First a review of the use of the Government contract as a tool to shape social policy is discussed. Next, the importance of small businesses to the US economy and a chronology of the diverse federal government initiatives, aimed at increasing small business opportunities in the Federal marketplace, are presented. Lastly, studies discussing business barriers and the effectiveness of congressional interventions to assist the small business community are reviewed.

Public Procurement and Social Policy

While the chief purpose of the federal procurement system is to acquire the varied goods and services the government needs to operate, the federal contract has also been used as a tool to forge social policy in a number of areas. And while critics contend that deviating from this principle purpose averts government officials from acquiring goods and services at the best value possible for taxpayers, advocates defend the practice because of the significant impact government expenditures have on the American economy.

The use of public procurement to achieve social policy is widely practiced, but detailed information about how it operates is often vague and difficult to find (McCrudden, 2004). Government contracting was popular as a tool of social regulation

during the 19th Century in Europe and North America, particularly in dealing with issues of unemployment. During the 20th Century, its use expanded to include the provision of employment opportunities to disabled workers. During and after World War II, the use of this practice became particularly important in the United States to address racial equality. As a result, the federal procurement system was reformed to include requirements for non-discrimination and affirmative action in contracts. During this same time, set-aside procurements for small and minority businesses were made mandatory for government contracting.

As the participation of small and minority businesses increase in the U.S., issues of federal policy related to assisting these types of business has gain importance as well. Over the years, Congress has developed a number of legislative initiatives requiring federal contactors to participate in these diverse policies. These policies encompass social issues ranging from unemployment; equal employment opportunities; protectionism of US suppliers; fair labor standards; protecting the environment; and assisting small businesses.

Government Contracting and Unemployment

The 19th century saw the beginning of the linkage between procurement and social policy, which initially manifested its concerns for the unemployed and the working person (McCrudden, 2004). Since then, the federal procurement system has been used to combat unemployment concerns in selected areas throughout the U.S. Several pieces of legislature, including the Defense Production Act of 1950, federal procurement

regulations, and executive orders, have been enacted to give preference to the placement of federal contracts in areas of high unemployment or underemployment problems (Defense Production Act, 2006).

More recently, the Historically Underutilized Business (HUB) Zone Program was established pursuant to Public Law 105-135 (Small Business Administration. HUB Zone, 2005). The purpose of the HUB Zone Program is to provide federal contracting assistance to qualified HUB Zone small business concerns located in historically underutilized business zones (HUB Zones) to increase employment opportunities, investments, and economic development in those regions long neglected as potential business areas.

These programs allow the Federal government to assist struggling businesses located in fraught areas, as identified by US Department of Labor, by granting extra consideration when award decisions are made for federal contracts or by setting aside a percentage of federal agencies dollars. In order to qualify as a labor surplus area business, the area (city, township, county or balance of county) in which the business is located, must experience an unemployment rate of at least 1.4 times the national average (SBA. HUB Zone, 2005).

Government Contracting and Equal Employment

Nondiscrimination provisions have been required in government contracts by a number of executive orders. More notably, Executive Order 11246, as amended, requires that all agencies include a contract provision to promote the full realization of equal employment opportunity for all persons, regardless of race, color, religion, sex, or

national origin (Federal Acquisition Regulation, 2005). Equal Employment Opportunity provisions, as they are typically referred to, compel the federal contractor not to discriminate against any employee or applicant for employment based on race, color, religion, sex, or national origin (FAR, 22.802). These provisions also require the contractor to take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Moreover, the regulations empower the Federal government to require that contractors develop written affirmative action plans and submit them to the contracting official as a condition of contract award. Such pre-award conditions have enabled the government to deny awards to a contractor not in compliance with the affirmative action requirements. Leonard, a prolific writer on the topic of affirmative action, echoes the general belief that discrimination laws positively impact the relative employment and earnings of blacks and other minorities (1990).

Government Contracting and Protectionism

Government contracts have also been a vehicle for implementing preferential programs for goods made in particular places, according to certain standards, or by certain people. For example, the Buy American Act has been a staple of federal protectionism since its enactment in 1933 (Buy American Act, 2006). Its main purpose is to ensure the acquisition of unmanufactured articles, manufactured goods, and construction materials from domestic sources and of domestic origin (Smyth, 1999). Made-in-America products are favored over foreign goods, despite research that shows

that this discriminatory procurement practice is completely ineffective as a protectionism devise (Breton et al., 1996).

Preference is also given to products manufactured by the blind and the handicapped through the National Institute for the Severely Handicapped (NISH), and by federal prisoners through the Federal Prison Industries, Inc. This self-supported, wholly owned Government Corporation, also referred to as UNICOR, provides government agencies and its contractors with goods from its federal penal and correctional institutions.

Throughout the federal procurement history, there had also been other restrictions to procure goods and services from certain communist areas, Canadian items providing for duty-free entry requiring the use of United States flag vessels and giving a preference to United States flag air carriers.

Government Contracting and Labor Standards

For many years there has been extensive statutory coverage of the labor standards of contractors working for the Federal government. These statutes have imposed minimum wage levels, overtime pay restrictions, and provisions governing working conditions. The most important federal labor laws affecting prevailing wages in the United States are: (1) the Davis-Bacon Act of 1931, which applies to construction work; (2) the Walsh-Healey Public Contracts Act of 1936, which covers manufacturing and supply industries; and (3) the Service Contract Act of 1965 (also know as the O'Hara-McNamara Service Act), covering personal and business services (Philips et. al., 1995).

These labor laws attempt to neutralize the effect of government purchases on wage determinations in the private sector. Philips et al., argue that the Davis-Bacon Act, considered by many as the most significant of the three laws, prevents the Federal government from affecting local wages and construction conditions by fixating a minimum wage in competitive bidding.

Government Contracting and the Environment

Concerns with the quality of the environment have led to the enactment of a number of laws and regulations design to combat pollution and protect the environment. Federal agencies have operated under a series of federal statutes and presidential orders mandating the purchase of products and services that impose fewer hardships on the environment (Elwood et al., 2000). The most recent, Executive Order 13101, Greening the Government through Waste Prevention, Recycling, and Federal Acquisitions, defines environmentally preferable purchasing as procuring products and services that have a lesser or reduced effect on human health and the environment.

The Environmental Protection Agency (EPA), through the Federal Acquisition Regulation, requires government agencies to procure products to maximize beneficial environmental attributes and to minimize adverse environmental effects, consistent with price and performance considerations. This requirement is also imposed on purchases made by government prime contractors from its subcontractors and suppliers.

Government Contracting and Small Businesses

One of the most widely known and employed statutes to advance social policy is the use of set-aside procurement actions exclusively for small business participation. The Small Business Act of 1953 established a program to assist small businesses in competing for federal procurements. The Act requires that small business concerns be afforded the maximum practicable opportunity to participate in federal contracts and subcontracts. Government agencies and federal large contractors use set-aside programs, among other techniques, to comply with these congressional mandates.

Over the past half a century, a number of amendments to the Small Business Act, and several acquisition reform initiatives had been enacted in an effort to continue the assistance to small business concerns. Sherman (1997) claims that congressional actions taken to assist small business prior to the 1990s were, by and large, negative. Kelman (2005) maintains that it was not until the 1990s, under Vice President Al Gore's initiatives to reinvent government procurement, that two of the most significant pieces of legislative reform affecting small businesses were passed; the Federal Acquisition Streamlining Act (FASA) of 1994 and the Federal Acquisition Reform Act (FARA) of 1995. The FASA and FARA created simplified acquisitions for procurements below \$100,000, which were reserved exclusively for small business concerns. FARA/FASA also introduced a preference for the acquisition of commercial items creating additional business opportunities for small business concerns.

Small Business and the US Economy

The development of a strong and independent small business sector has been recognized as a major societal priority by the Federal government and large U.S. corporations (Clark et al., 2004). An analysis of data from a report titled *The Small Business Economy: A Report to the President* shows that the contributions of small businesses to the American economy cannot be overemphasized (US Small Business Administration, Office of Advocacy, 2004). The report shows that more than 25 million business tax returns were filed in 2004; nearly all of these returns represent small businesses with fewer than 500 employees. Moreover, the report echoes researchers' findings indicating that entrepreneurial small firms play an integral role in the U.S. economy by experimenting and innovating in ways that lead to new technologies (Mogee, 2003) and increased productivity.

The importance of small business concerns has been repeatedly demonstrated (Storey, 1995; Carter et al., 1999). Carter et al., argue that there is a growing realization that sourcing from small businesses results in value added and innovation. Sourcing from small business suppliers not only strengthens the economic outlook of the small and minority business community, but the status of the larger society.

Small businesses are important to the U.S. economy because they represent 99.7 percent of all employer firms. They also employ half of all private sector employees, paying 44.3 percent of total US private payroll. Small businesses have generated 60 to 80 percent of net new jobs annually over the last decade and produce 13 to 14 times more patents per employee than large patenting firms; they also employ 39 percent of all high-

tech workers, such as scientists, engineers, and computer workers. (CHI Research, 2003). Small Businesses have also played a vital role in helping the economy by adding more than 5.1 million new jobs since August 2003 and have helped reduce the national unemployment rate to 4.7 percent, below the average rate of the 1960s, 1970s, 1980s, and 1990s (SBA The Small Business Economy, 2005).

Small businesses also play an important role in the government procurement arena. They supplied more than 23 percent of the total value of federal prime and subcontracts in fiscal year 2003 (Popkin, 2003). These achievements are the result, in large part, of the preferential programs designed and implemented to allow small businesses increased access to business opportunities in the governmental market. The White House also recognizes that small business create new opportunities especially for women and minorities. Today, women own more than a quarter of all businesses, and the number of women-owned businesses is growing. Hispanic Americans are opening their own businesses at a rate three times the national average (SBA The Small Business Economy, 2005).

Legislature leading up to the Small Business Act and beyond

Inequities against small businesses in the federal marketplace have been addressed in successive legislation, executive orders, and court decisions dating back to 1941. Congress established the Select Committee on Small Business in 1941 to foster fair treatment of small businesses. In 1942, Congress passed the Small Business Mobilization

Act, recognizing that business concerns operating small plants did not have the economies of scale necessary to compete with large plants. During World War II, Congress created The Smaller War Plants Corporation (SWPC) to aid small businesses in participating in war production when large industries beefed up production to accommodate wartime defense contracts.

In the Armed Services Procurement Act of 1947, Congress declared that a fair proportion of the total federal purchases and contracts for the Government had to be placed with small business concerns. During the Korean War, Congress reemphasized small business participation in the federal marketplace by passing the Defense Production Act of 1950. The Small Defense Plants Administration (SDPA) was another wartime organization created by Congress to handle small business concerns during the Korean War.

The Small Business Act of 1953, considered by many as the first national policy committed to small business concerns, was enacted to focus exclusively on assisting the US small business community. The Act states, in part, that: “It is the declared policy of the Congress that the Government should aid, counsel, assist, and promote, insofar as is possible, the interests of small business concerns in order to preserve free competitive enterprise, to insure that a fair proportion of the total purchase and contract or subcontract for property and services for the government (including but not limited to contracts or subcontract for maintenance, repair, and construction) be placed with small-business enterprises, to insure that a fair proportion of the total sales of Government property be

made to such enterprises, and to maintain and strengthen the over-all economy of the Nation.” (Small Business Administration. Laws and Regulations, 2005)

The Small Business Act of 1958 (P.L. 85-536) amended the original Act of 1953 by creating the Small Business Administration (SBA). The SBA requires an annual government-wide goal of not less than 23 percent of the total value of all prime contract awards for each fiscal year to be placed with small business concerns. The SBA is also authorized to enter into contracts with federal agencies, which it then subcontracts, on a non-competitive basis, to minority small business concerns.

The Minority Business Enterprise Program (Executive Order 11458 and Executive Order 11625) resulted from exclusion of individuals on the basis of their gender or race. This program is viewed as an effort to promote business development opportunities to qualified individuals who happen to be members of groups experiencing longstanding discrimination.

The Indian Financing Act of 1974 established the Indian Incentive Program to encourage contractors to use Indian organizations and Indian-owned economic enterprises as subcontractors. The Act permits an incentive payment to the contractor equal to five percent of the amount paid to an Indian organization subcontractor.

Amendments to the Small Business Investment Act of 1958 and the Small Business Act of 1958 (P.L. 95-507) were enacted in 1978. These amendments made major revisions to the Small Business Act, requiring federal agencies to establish small business goals and requiring an explanation to Congress when goals were not met.

Executive Order 12138 was signed by President Jimmy Carter in 1979 in response to the findings of a task force on women business owners. The Order created the National Women's Business Enterprise Policy, which requires the development and implementation of a national program for women's business enterprises.

The National Defense Authorization Act for Fiscal Year 1987 (P.L. 99-661) established the Small Disadvantaged Business (SDB) Program and expanded the government's commitment to minority businesses, with an emphasis on contracting with Historically Black Colleges and Universities/Minority Institutions (HBCU/MIs).

The National Defense Authorization Act for FY 1991 (P.L. 101-510) established the Pilot Mentor-Protégé Program. The purpose of the Program is to provide incentives for Department of Defense (DOD) contractors to assist Small Disadvantaged Businesses (SDB) in becoming a protégé firm of a large DOD contractor (the mentor).

The Federal Acquisition Streamlining Act of 1994 (FASA) (P.L. 103-355) was enacted to streamline how companies conduct business with the Federal government. FASA created the Federal Acquisition Computer Network (FACNET), which allows small businesses easier and more efficient access to government contract opportunities all over the country.

The Small Business Administration Reauthorization, Section 304 and Amendments Act of 1994 (P.L. 103-403) authorized the SBA to establish a pilot program for Very Small Business concerns. The pilot was extended by the Small Business Reauthorization Act of 1997. The purpose of this pilot program is to improve access to Federal government contract opportunities for Very Small Business concerns.

The Small Business Reauthorization Act of 1997 (P.L. 105-135) provides federal contracting assistance for qualified small business concerns located in “Historically Underutilized Business Zones” in an effort to increase employment opportunities and investment in those areas. The Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50) expands existing and establishes new assistance programs for veterans who own and operate small business firms. The Act also establishes new institutions to provide SB assistance to veterans. It established a government-wide goal of three percent to service-disabled veterans for prime contractors and requires separate subcontracting goals of three percent for Veteran-Owned Small Business and Service-Disabled Veteran-Owned Small Businesses.

The Small Business Reauthorization Act of 2000 (P.L. 106-554) allows for Women-Owned Small Business (WOSB) set-aside (permissive, not mandatory) requirements in an industry where WOSB are substantially underrepresented. It is limited to contracts not exceeding \$3 million for services and \$5 million for manufacturing.

The National Defense Authorization Act for Fiscal Year 2001, Section 807 (P.L. 106-398) expands the DOD mentor-protégé program participation to include Women-Owned small businesses and business concerns owned and controlled by an Indian tribe or Native Hawaiian organizations.

The Federal Policy and the Federal Procurement System Framework

The Federal government spends close to \$300 billion dollars each year (Federal Procurement Data Center, 2005) using a procurement system composed of an extensive

array of rules and regulations to purchase a wide range of goods and services. The three principal rule-making groups governing the federal procurement system, which are connected to the Executive Branch, are: (1) the Office of Federal Procurement Policy (OFPP); (2) the Defense Acquisition Regulatory (DAR) Council; and (3) the Civilian Agency Acquisition (CAA) Council (Arnavas et al., 1986).

Congress created the OFPP in 1974 and placed it in the Office of Management and Budget (OMB). The OFPP was created principally to provide government-wide procurement policies for executive agencies in their procurement activities (Office of Federal Procurement Policy, 2005). The DAR council is a joint body representing the Department of Defense (DOD) with the National Aeronautic & Space Administration (NASA) and the General Services Administration (GSA) in all changes to the federal procurement regulations (Defense Acquisition Regulations, 2005). The CAA council assists the Administrator of General Services in maintaining the procurement system by developing and/or reviewing all proposed changes for civilian agencies (Civilian Acquisition Agency, 2005). The DAR and CAA councils are jointly responsible for preparing and issuing revisions to the set of regulations governing government contracts, the Federal Acquisition Regulation or FAR.

The FAR is the primary set of procurement regulations for all Federal executive agencies. It is prepared, issued and maintained by the Secretary of Defense, the Administrator of General Services, and the Administrator of the National Aeronautic & Space Administration (FAR, 2005). Prior to the FAR, the DAR (also known as the

Armed Services Procurement Regulation, or ASPR) and the Federal Procurement Regulation, or FPR, governed public contracting.

Small Business Partisan Programs

Many of the beliefs and impressions about small business capabilities to adequately compete and receive a government contract include the notion that small businesses are unsophisticated, unreliable, lacking sufficient capacity and technology, and that they are more expensive (Scheuing et al, 1993). While commercial firms have adopted small business initiatives as part of their social responsibility policy, government agencies and their contractors are mandated by statutes to promote small business participation. Some of the major federal programs that have been enacted to assist small business concerns are discussed below.

The Small Business Set-Aside Program: Perhaps the most far reaching preferential program within the government procurement systems is the set-aside program. The purpose of this program is to reserve contracts over a certain dollar threshold exclusively for small business concerns. A "set-aside for small business" is defined by the Federal Acquisition Regulation (FAR) subpart 19.501(a) as “the reserving of an acquisition exclusively for participation by small business concerns” (2005).

The Mentor-Protégé Program: This program is popular within the small business community because it allows a small business to learn from large contractors about their technical know-how, financial sophistication, and vast expertise. The program establishes a partnership between a government prime contractor (the mentor), and a

small business (the protégé). The government financially motivates the mentor via contract incentives to ensure small business get the benefit of the large contractor experience.

The 8(a) Program: This program allows the government and its prime contractors to make contract awards to minority or 8(a) certified firms on a noncompetitive basis up to \$3M for manufactured goods and up to \$5M for construction contracts. The purpose of this program is to afford business opportunities to socially and economically small businesses.

The Small Business Innovation Research Program (SBIRP): This program is conducted by the Department of Energy (DOE) by providing grants to support small businesses that have strong research capabilities in science and engineering areas critical to the Department's mission.

The Small Business Technology Transfer Program (STTR): The STTR, also conducted by the DOE, is carried out by issuing grants that involve substantial cooperative research collaboration between a small business and a non-profit research institute. The projects cover a broad spectrum of energy-related research and development in the areas of fossil, nuclear, and renewal energy; energy efficiency; and basic energy sciences.

The Minority Bank Financial Assistance Program: This program operates within the Office of Minority Economic Impact and Diversity to provide minority financial institutions with a stable financial base. The program uses large banks to carry out the administrative process of providing funds to minority institutions.

The Historically Underutilized Business Zone Empowerment Contracting program (HUBZone) of 1997 is the most recent attempt by Congress to provide federal preferential contracting opportunities for small businesses. The intent of the HUBZone program is to empower communities, create jobs, and attract private investment into historically underutilized business zones “HUBZones”. The U.S. Small Business Administration (SBA) is the government agency empowered to implement and administer the program and certify which businesses are eligible to receive HUBZone contracts.

In addition to these preferential programs, the majority of government agencies and government prime contractors have a unit, or at least a coordinator, specifically devoted to fostering and monitoring sourcing from small business concerns (Scheuing 1994).

Federal Contract Policy on Small Businesses

While public procurement has been a neglected area of study, the history of small businesses participation in the Federal government, and their associated performance, has been well documented (Thai, 2001). Research by governmental agencies and economists reveal that the importance of small business concerns is only partially explained by the overabundance of statistics published by the US Small Business Administration (SBA) (2005).

Federal agencies and government large contractors use a variety of methods to meet the mandated socioeconomic goals from the Small Business Act of 1953 and other

congressional decrees; their efforts are, however, not well coordinated or consistent. Specific measures of overall federal performance are difficult to gather in the absence of standard metrics and reporting requirements.

Notwithstanding the Small Business Act's long history and extensive information reported over the last quarter century, there is no consistent information available prior to fiscal year (FY) 1997 for small business awards made by federal agencies and government contractors. In fact, beginning in FY 2004, the government has outsourced the handling and management of the prime contractors reporting information related to small business contract awards.

Another problem area for small businesses is that, in general, socio economic goals have been poorly enforced by the SBA due to the agency's budget constraints. There are also reports indicating that small businesses needing the assistance of this federal agency may be dissuaded from pursuing assistance because of its cumbersome bureaucracy.

The courts too, have played a role in hindering opportunities for small business concerns. Despite the SBA's prideful arguments and abundant research affirming the effectiveness of set-aside programs (Robinson, 1998); the policy of set-asides, in recent times, suffered major defeats in two Supreme Court decisions.

In the City of Richmond vs. J.A. Croson Company in 1989, the US Supreme Court found that the city's race-based classifications would be constitutionally permissible, only if the local government demonstrated that the use of the classification is justified by a compelling governmental interest to remedy racial discrimination. The

Court found unimpressive the evidence from the city of Richmond attempting to show patterns of historical discrimination (Richmond, 1989).

Another setback to the set aside program came in the Adarand Constructors, Inc. vs. Peña in 1995. In that case, the Supreme Court held that federal affirmative action programs, like state and local programs, must meet strict scrutiny requirements in order to be constitutional. In other words, race-based programs must be narrowly tailored to further a compelling governmental interest (Adaran, 1995). After this case, DOD suspended its Small Disadvantaged Business (SDB) set-asides programs on 23 October 1995.

Small Business Barriers

Support for small business concerns, in the federal marketplace, has a long history of congressional interventions dating back to the enactment of the Small Business Act in 1953 and its amendments thereafter. These efforts from congress and federal acquisition reformers have produced some positive and important results for small business owners and the U.S. economy as a whole (Sherman, 1997). In spite of this, current data supports previous assumptions and empirical evidence showing that, in the federal system, small business continue to face patterns of difficulties and obstacles in doing business with the Federal government and its large prime contractors. These obstacles and barriers result in small business receiving a disproportionate share of federal procurement dollars (The Federal Procurement Data Center, 2005).

Participation gaps between small and large business concerns have existed throughout history in all aspects of the marketplace. Despite the known impacts of small business in the US economy and the labor force, particularly with low-skilled workers (Fitzgerald et al., 2001), their participation in the federal market place has been stagnant.

Studies show that business barriers exist for businesses of all sizes, whether entering the commercial or the federal marketplace (Bain, 1956). Some studies looked at business barriers related specifically to a firm's ability to expand their market share (Caves & Porter, 1977). Although the focus of these studies varied, many of them stress that entry barriers are more accentuated in small firms (Acs & Audretsch, 1989), particularly when it comes to access to business opportunities (Bates, 1997). The size of the business also appears to be a discriminating factor when it comes to small business survival rates (Robb, 2000).

Other studies have identified specific barriers from small business entrepreneurs in contracting with the Federal government. Mick found that lack of federal program support, contract bundling, discrimination, and compliance with the program regulations are obstacles to federal contracting opportunities (2001). These findings are consistent with Brown's research, which found that small business owners experienced a high level of frustration regarding the amount of paperwork and compliance with policies and procedures related to the federal procurement system (1995).

Moreover, small firms spend 60 percent more per employee than larger firms to comply with federal regulations in doing business with the Federal government (Crain & Hopkins, 2001). The complex, confusing, and cumbersome maze of federal regulations

costs small businesses an average of \$7,000 per employee (SBA Regulatory Enforcement Fairness Act, 2005).

Acquisition Reform aimed at aiding Small Business

The demands of government business (public procurements) are different than those in the commercial industry (Fox, 1974). Fox argues that the number of dissimilarities could be virtually infinite; however, government procurements are marked by two distinct differentiations; fairness and propriety of the procurement system, and the socioeconomic mandates.

Acquisition reform, aimed at advancing certain socioeconomic goals, is designed to make the federal procurement system more efficient by improving business practices and providing increased business opportunities for small business concerns (Kaminski, 1995).

While some reforms attempted to address issues related to small business concerns by better planning, increased centralization, and simplified reporting chains (Adelman, 1990), the enactment of the Small Business Act of 1953 continues to be considered by many as the first bona fide national policy committed exclusively to small business concerns (Kelman, 2005).

Data from fiscal years ending in 1998 and 2002 were reviewed to evaluate the impact of acquisition reform initiatives on the federal small businesses bottom line. These years were selected because there is not a consistent database for federal procurement data prior to FY 1997 and data after FY 2002 correspond with the passage of the most

significant pieces of legislature reform affecting small businesses (Kelman 2005). The data from FY 2002 reveals that the percentage of small business awards during that year (25.32%) narrowly exceeds the 23.4 percent of awards during FY 1998, and modestly exceeds the government mandate of 23 percent (Office of Government Contracting, 2005). This analysis indicates small business achievements increased during the contrasted periods, giving credibility to the argument that acquisition reform has a positive impact on the small business community.

The SBA maintains that the laws of the 1990s aspired to increase small business participation in the federal marketplace have had, and will continue to have, a compelling impact on small businesses (SBA Laws and Regulations, 2006) However, while they assert that some of these Acts have helped small firms; they also recognize that others have not.

Regardless of the effectiveness of past and present acquisition reform initiatives, changes aimed at enhancing business opportunities with small business concerns are important for the Federal government, the small business community and the US economy as a whole. The data suggest that the Congressional efforts to reduce inequity between federal large and small businesses have had an optimistic impact in regard to procurement awards made to small business concerns. This represents a small triumph between policy goals and policy outcomes, which abet the progress of small business equality in the federal marketplace.

CHAPTER 3

METHODOLOGY

The purpose of this exploratory research study was to identify the most important barriers faced by HUBZone businesses in doing business with the Federal Government and its large government contractors. The identification of possible barriers provided insights into the development and implementation of interventions to enhance the assistance for HUBZone businesses in securing federal government contracts and subcontracts. A mixed method research approach was used; the mixed method facilitated the use of survey data from business executives triangulated with data obtained via semi structured interviews with Government officials and prime contractor personnel. A pilot study was conducted as a field study to allow the researcher the opportunity to test the feasibility of the research methodology (Robson, 2002).

Introduction

Research, in general, is defined as an organized, systematic and objective analysis and recording of controlled observations that may lead to the development of generalizations, principles, or theories, resulting in predictions and possible problem solving (Best & Kahn, 1998). More specifically, business research is a methodical investigation that uses reporting, descriptive, exploratory and predictive studies to supply data to business managers to develop and construct business decisions (Cooper &

Schindler, 2003). When faced with problems or opportunities, businesses and public organizations use research to address phenomena requiring managerial attention.

Research, however, is not intended to force answers on decision-makers, but rather provide them with analyzed and evaluated options. Exploratory research, for example, can be used to explore answers to questions such as: How does the government know if public policies are achieving their intended goal? Another type of research, descriptive research, can be used to develop a response to the question: What is the impact of preferential programs designed to promote small business participation in Federal contracts? Relevant and useful data can be developed in addressing these questions through disciplined and organized research. How much a decision should be based on research and how much on other factors depends on the phenomenon, the research, and the management dilemma being addressed.

PhD Learners, studying small business barriers in the Federal marketplace, have addressed research questions in a variety of ways using predominately quantitative research techniques (Miller, 2002; Hageman, 2003; Pike, 2004). To achieve a broader understanding of small business barriers, the use of mixed methods was proposed for this study to combine the benefits of both quantitative and qualitative techniques. Creswell argues that the mixed method is increasingly becoming a popular and useful method of research (2003).

Defining the Concept of Good Research

What is good research? Good research generates valid, reliable and dependable data for managerial decision making (Denscombe, 2003). In contrast, bad research is carelessly planned and conducted resulting in incomplete or inaccurate data that managers cannot use to mitigate risks as part of their decision making process. Good research follows the standards of the scientific method; it is planned, systematic, and value-neutral (Cooper & Schindler, 2003). In other words, good research does not just happen; instead, it is deliberately employed in a way that is designed to maximize the accuracy of the results. The implication here, however, is not to say that even if the research is conducted in a disciplined and correct manner, the results need to be relied on or even implemented by the decision maker.

An unqualified definition of good research is difficult to reach because of the different ways research has been studied and discussed. However, there are some key commonalities and qualities that have been used to define good research. In their book, *Business Research Methods*, Copper and Schindler (2003) outlined several defining characteristics and their managerial dimensions to guarantee good research.

Making the case for Mixed Methods

Selecting an appropriate research strategy, as discussed earlier, is critical to ensuring that research questions are addressed in a way that they produce valuable results and they are congruent with the overall purpose of the research. While quantitative research can provide the statistics that can be used to support a hypothesis, and the

qualitative research can provide insight and direction as to how best deal with the situation, Creswell argues that neither quantitative nor qualitative methods are sufficient in themselves to capture the trends and details of a particular phenomena being studied (2003)..

Robson (2003) joins Creswell (2003) in proposing the mixed methodology as a solution to the so called paradigm wars in the social sciences. They claim that while it might have been necessary for the qualitative/quantitative debate in the 1980s and early 1990s, it has become increasingly unproductive. They advocate the mixed method where both quantitative and qualitative approaches are adopted as a new alternative approach that, in practice, provides a greater rapprochement between the two traditional methodologies.

Mixed methods research refers to those studies or lines of inquiry that integrate one or more qualitative and quantitative techniques for data collection and/or analysis (Borkan, 2003). Borkan argues that qualitative data collection methods, such as interviews are now almost routinely used as exploratory (hypothesis formation) phases of subsequent more quantitative surveys. He notes that mixed methods have great potential for exploring new topics or familiarizing research teams with a new area.

Whereas quantitative methods may work best in isolating and identifying the correlates associated with variation at specific moments in time, Borkan argues that qualitative techniques are particularly good at gaining insight into the processes and events that lead up to the observed variation and have the key advantage of providing unexpected insights.

Creswell et al., (2004) further argue that mixed methods or multi-method research hold potential for rigorous, methodologically sound studies. The authors explain that mixed method investigations involve integrating quantitative and qualitative data collection and analysis in a singly study or a program of inquiry. This form of research is more than simply collecting both quantitative and qualitative data, it indicates that data will be integrated, related, or mixed at some stage of the research process. In other words, when used in combination, both quantitative and qualitative data yield a more coherent analysis and justification for the themes being studied.

The Mixed Method as a Valid Approach to Identify Small Business Barriers

Again, this research was conducted using a mixed methodology as a valid method of research to identify small business barriers in securing Federal government contracts and subcontracts under the HUBZone congressional mandate. Creswell et al (2004) identified criteria for designing a mixed method study in the social and behavioral sciences. Creswell et al note that several authors have determined a rigorous set of design criteria which include: (1) identifying the reasons for mixing quantitative and qualitative data; (2) the type of data collected and analyzed; (3) the priority given to quantitative or qualitative research in a given study; (4) the implementation sequence (concurrent or sequential); and (5) the phase of research in which the integration or relationship between quantitative and qualitative data collection and analysis occurred.

Cooper & Schindler (2003) also argue that selecting an optimal research method is not as complicated as it might first appear. By comparing the research objectives with

the strengths and weaknesses of each method, the selection of the optimal method should be apparent, they contend. They point out that if neither the quantitative or qualitative choice turns out to be a particularly good fit, it is advisable to combine the best characteristics of the two alternatives into a mixed mode.

As stated before, the selection of an appropriate research method is critical to ensuring that the research questions are adequately addressed consistent with the intent and purpose of the research. The research methodology design for this study utilized, in large part, the criteria presented by Creswell et al (2004) in designing and using a mixed approach as valid method of research to identify small business barriers in the Federal marketplace.

Criteria One: Mixing Quantitative and Qualitative Methods and Rationale

The mixed method approach allowed the combination of data from a survey of HUBZone business executives (quantitative) with data from interviews (qualitative) with federal government and prime contractor officials. Combining the advantages of these approaches created a form of triangulation that enhanced the validity and reliability of the study (Creswell, 2003)(Malterud, 2001).

Criteria Two: Data Collection and Analysis

Quantitative analysis involves the systematic manipulation of data and it has three main purposes: to address the management phenomena using statistical techniques, to test relationships among the selected variables, and to generalize findings to the

research population. One of the main advantages of statistical analysis is that it can be used to summarize the research findings in a clear, precise and reliable manner.

Accordingly, a survey instrument (quantitative), which is the most widely used method of data collection, was used (Yu, 1983). According to Alreck and Settle (1995), surveys are used to understand and predict human behavior. The design of the survey focused on understanding small business executives and their decision making process in entering or not entering the HUBZone federal marketplace.

A traditional mail survey was chosen over a web-based survey. Even though a web-based survey is relatively inexpensive, produces fast results and the data can be easily collectable in a format readable by statistical software such as SPSS, HUBZone businesses operate in depressed areas and may not possess the necessary hardware or knowledge to complete an Internet survey. The HUBZone business executives were mailed the one-page survey with a cover letter explaining the purpose of the research, the time the survey it would take, the fact that there were no risks associated with taking the survey and highlighting the potential benefits of the study. The letter also underscored the fact that the survey was to be completed on a voluntary basis. The survey included a postage-paid return envelope.

The survey instrument (attachment 1) was adopted from the original work of Karakaya and Karakaya & Stahl (1987, 1989) in testing the relative importance of six entry market barriers proposed by Porter (1980). The barriers included, among others, cost advantages of incumbents, capital requirements of entrants, customer switching and government requirements. Karakaya and Stahl (1992) further examined the importance of

a total of 25 market entry barriers to broaden the understanding of barriers being used as competitive strategy. Their findings indicated that the presence of entry barriers results in fewer entries into the market and consequently they afford incumbents an enhanced competitive advantage. Historically, studies have suggested that entry barriers exist for all kinds of businesses whether entering the commercial or the federal marketplace (Bain, 1956).

The proposed survey instrument was modernized by the original authors, and it was customized by this researcher to encompass distinctive barriers characterized in the public sector's 8(a) program from the work conducted by Brown (1994). Brown identified six barriers to 8(a) small businesses including 8(a) certification process; access to federal contracting opportunities; federal government procurement personnel: lack of financing; use of wrong performance measures; SBA staff, processes and policies. Overall, she found that the success by small businesses in participating in the 8(a) program required an in depth understanding of the program's procurement process, previous federal agency contacts, adequate working capital or access to lines of credit, and a sophisticated marketing structure. Furthermore, her findings indicated that the SBA's certification process including performance evaluation and graduation requirements were bureaucratic, difficult to maneuver and did not provide adequate technical assistance particularly in the area of marketing.

The survey contained 25 market entry barriers requesting the respondents to rate their perceived level of importance of each of those barriers in deterring their entry into

the HUBZone market. The responses were measured on a 5-point Likert scale ranging from “extremely important” (scored as 5) to “not important at all” (scored as 1).

The importance of the 25 barriers were calculated and ranked by examining the mean responses and the percentage of respondents rating the barrier on one of the two “most important” categories. In order to identify the extent of the barriers to enter the market, in terms of perceived importance by the HUBZone executives, the 25 barriers were factor analyzed. A principal component extraction method and varimax rotation was used to interpret the results. A scree test and analysis of the factors were used to determine the number of the most important factors. Once the number of factors were determined, and to analyze the differences in the perceived importance of the number of factors, an analysis of variances (ANOVA) and Tukey tests were performed. These tests showed if there were any statistical significant differences between the analyzed factors to determine which of the HUBZone entry barriers being studied were of the most significant importance.

Qualitative data includes detailed descriptions, quotations in response to structured and unstructured interviews, the transcript of opinion of groups, and observations of different types (Miles & Huberman, 1994) Accordingly, interviews were used to collect information via dialogue between the researcher and a Small Business Administration (SBA) staffer, a government contracting official, and personnel from the government’s prime contractor having responsibility over the HUBZone program. Interview questions were fashioned on the research performed by Brown (1994) in studying performance barriers with government 8(a) small businesses and Mick’s (2001)

work which studied disadvantaged and women entrepreneurs contracting with the federal government. The interview questions were customized to address specific HUBZone program requirements.

The HUBZone program is analogous to the 8(a) and the Small Disadvantaged Business (SDB) programs in that eligibility is based on a rigorous certification and approval process conducted by the SBA. Questions from the interviews dealt with: 1) overall government contracting experience, 2) familiarity with HUBZone program, 3) involvement with bidding HUBZone contracts, 4) overall view of public policy and government contracting, and 5) perspective of the influences hindering the HUBZone program success. The data from these interviews were used to triangulate and corroborate the findings from the survey questionnaire to enhance the overall research results. The initial intent was to conduct each of the interviews via the telephone; however, due to time and availability constraints, only the interview with the large prime government contractor was conducted over the phone. Responses from the other two interviewees were provided in writing. The phone and the written interviews did not provide the researcher the opportunity to observe the interviewee's body language and facial expressions when providing their responses, however, notes interpreting the answers provided during one of the interviews were recorded.

The triangulation of these multiple data sources was aimed at enhancing the study's generalizability. Triangulation is the application and combination of several research methodologies in the study of the same phenomenon. It can be employed in both quantitative (validation) and qualitative (inquiry) studies. It becomes an alternative

to traditional criteria like reliability and validity, and it is the preferred line in the social sciences (Creswell, 2003).

Validity and Reliability of the proposed Instruments

The data collection instruments proposed for this research study were modified versions of previously used surveys and interview questionnaires (Karakaya and Stahl, 1989; Brown, 1994). To enhance the validity and reliability of the original survey instrument, Karakaya and Stahl ran a pilot test utilizing students enrolled in Principles of Marketing 301 and Marketing Management at Clemson University. Amendments to the instrument were made based on the pilot exercise results; after the changes were made, students at a graduate level management policy course and marketing executives from a number of companies in South Carolina completed the survey. Karakaya and Stahl explained that, for their survey instrument to be statistically significant, the R-square had to be at least 0.38 at the 0.05 level. They recalculated the final average R-square to be .075.

Brown on the other hand, reviewed and analyzed, through open coding techniques, 186 letters written to the SBA in response to an SBA letter request for feedback from the 8(a) community. Brown read each letter and the primary themes were entered into a database. All of the emerging themes were grouped into nests. The nests were then used to develop the interview questions for the semi-structured interviews for triangulation purposes to enhance the study's generalizability and provide more depth to the richness of her findings.

Criteria Three: Implementation Sequence

Implementation, according to Creswell et al (2004), refers to whether the quantitative and qualitative data are collected in sequential phases or gathered concurrently during the study. Since none of the quantitative or qualitative data being gathered for this study serve as a basis for the next data collection and analysis stage, the data from the survey and interviews were collected concurrently. This approach is more practical than a sequential approach as it enables the collection of multiple forms of data at one time.

Criteria Four: The Sampling Frame

The population consisted of small businesses currently certified by the U.S. Small Business Administration (SBA) as HUBZone businesses in the cities of Carlsbad and Albuquerque New Mexico and El Paso and Houston Texas. The initial proposed population only included the city of Carlsbad New Mexico. Due to the limited number of HUBZone businesses certified in the city of Carlsbad, however, the researcher was compelled to expand the population size. The city of Albuquerque New Mexico was added to the study population framework. The limited response rate again obliged this researcher to increase the population size; this time, the cities of El Paso and Houston Texas were added to the population mix.

All the SBA certified HUBZone businesses in the cities of Carlsbad, Albuquerque, El Paso and Houston constituted the sampling frame based on the SBA Central Contractor Registration (CCR) database. The CCR is the primary vendor

database for the U.S. Federal Government. CCR collects, validates, stores, and makes the data available to government agencies, government contractors and the general public. (CCR, 2006). All current and prospective federal government contractors are required to register in CCR in order to be eligible for federal contracts (FAR 4.1102). Because the HUBZone program requires participating small businesses to be certified by the SBA, HUBZone business are required to register within CCR. Vendors must update or renew their registration at least once per year to maintain an active status. However, registration does not guarantee business with the federal government. Results of a study taken from a sampling frame can only be generalized to that sampling frame and can therefore limit external validity (Dooley, 2001).

Criteria Five: Research Question

The study's research question: What are the most important barriers faced by HUBZone businesses in securing a government contract or subcontract? This question was addressed through a survey data collection (quantitative) triangulated with semi-structured interviews (qualitative). All statistical calculations were processed and compiled using the Statistical Package for the Social Sciences (SPSS) (Norusis, 2002).

In summary, this study used both the qualitative and quantitative approaches to identify the most important barriers faced by HUBZone businesses in doing business in the federal marketplace using the criteria advanced by Creswell et al. All research methods have fundamental flaws that limit the researcher from simultaneously achieving high external validity, ensuring accuracy in measuring constructs, and creating realistic

environments for observation of behaviors (McGrath, 1981). The mixed method, however, is by some accounts the most effective research approach by combining the advantages of qualitative techniques to theory and model building with quantitative techniques of theory testing (Robson, 2002). Regardless of the specific form that the research takes, quality knowledge can only result from research that is conducted following a disciplined method (Borland, 2001).

In making the case for proposing a mixed method as a balance between qualitative and quantitative research, many authors note that qualitative and quantitative research should not be considered in terms of a mutually exclusive dichotomy, but rather as a continuum of complementary paradigms within systematic scientific inquiry that, when used in concert, produce complete or useful knowledge (Miles & Huberman, 1994). These authors argue that the most useful research typically result from appropriately applying both research paradigms, strategically combining their traditional approaches and methodologies to create knowledge in support of decision making and defensible findings.

CHAPTER 4

DATA COLLECTION AND ANALYSIS

Introduction

This researcher conducted an exploratory research study to investigate the barriers faced by HUBZone businesses in securing government contracts and subcontracts with the federal government and its prime large contractors correspondingly. Congress enacted the HUBZone Empowerment Contracting program into law as part of the Small Business Reauthorization Act of 1997. The main target of the program is to promote economic development in historically underutilized business zones or "HUB Zones" through the establishment of federal procurement preferences. These preferences focus their aim at encouraging economic development and employment growth in economically distressed areas by making federal contracting opportunities more accessible to small businesses located in these areas.

The statute established an initial goal in fiscal year 2000 for government agencies to award 1.5% of their prime contracts to HUBZone firms. For fiscal year 2001, the goal increased to 2%; for fiscal year 2002, the goal was again amplified by congressional mandate to 2.5%; and for fiscal year 2003 and each year thereafter, the program adjusted the goal upwardly to 3%.

Public Law 93-400 requires the Office of Management and Budget (OMB), Office of Federal Procurement Policy (OFPP) to establish a database for collecting, maintaining and managing procurement data for access and use by both the government and the public sector. OFPP designed a system and begun collecting data in 1978.

Government generated and managed data has always been a subject of criticism related to its completeness, accuracy and therefore, its reliability. Because of this, in April 2003, the federal government outsourced its reporting requirements to Global Computer Enterprises Inc., an IT firm in Gaithersburg, MD, to replace the antiquated Federal Procurement Data System (FDPS) procurement data collection system. The government began requiring agencies to submit all procurement data, on all contracts beginning in fiscal year 2004, through the new system. The new system has been given the name of Federal Procurement Data System-Next Generation or FPDS-NG.

Regrettably, subcontracting data from either the government or the prime contractors was not found in FPDS or FPDS-NG. According to government reporting sources, most of the subcontracting data resides at the individual contracting offices. Beginning in October 2005, however, the government launched the electronic subcontracting reporting system or eSRS; a web-based subcontracting reporting system that replaces the government's traditional SF-294 and SF-295 paper form. When DOD joins the rest of the government agencies in FY 2006, it will be a government-wide system and the only automated system authorized for subcontract reporting available to the government and the public.

Table 1 shows the government's HUBZone program performance over the past six fiscal years. The data from the Federal Procurement Data System (FPDS) reveals that for the first sixth consecutive years since congress enacted the program, the government has failed to achieve its statutory mandate. In fiscal year 2005 (latest available data), the

government posted a total HUBZone percent achievement of 1.94% against a goal of 3% percent.

Table 1 Total HUBZone Actions, Dollars, Percentage Achieved and Statutory Goal from FY 2000 to FY 2005

Fiscal Year	HUBZone Actions	HUBZone (\$000)	HUBZone (Percent)	Statutory Goal
2000	3,508	663,280	0.33	1.50
2001	8,466	1,581,045	0.72	2.00
2002	9,315	1,679,769	0.71	2.50
2003	22,433	3,419,933	1.23	3.00
2004	55,883	4,782,190	1.59	3.00
2005	69,834	6,103,161	1.94	3.00

Study Participants

The 347 firms selected for this study were gathered using the US small business administration (SBA) central contractor registry (CCR). Since October 1, 2003, any business wanting to do business with the federal government is required to register on the CCR before being awarded a federal contract. Registration is also a prerequisite before the SBA grants a certification to any business seeking a HUBZone designation.

Initially, only the certified HUBZone businesses from the city of Albuquerque New Mexico were solicited to participate in the research study. However, due to a low response rate from this population, it was decided to include additional participants in the survey. All certified HUBZone businesses from the cities of El Paso and Houston, TX, were added to the population.

The research participants were mailed a letter explaining the purpose of the survey and requesting their participation. Accompanying the letter was a copy of the research survey and a pre-paid postage return envelope. A total of 77 responses to the

survey were received for a total response rate of 22%. However, only 65 HUBZone executives chose to complete the survey while the other 12 participants provided only comments regarding their experience and views of the HUBZone program.

HUBZone Program Results

With an estimated 13,000 number of HUBZone businesses currently certified in the CCR system and a total estimated employment force of over 200,000 employees (HUBZone, 2007), the HUBZone Empowerment Contracting Program has stimulated economic development in urban and rural communities as shown in table 2. Table 2 illustrates the HUBZone program performance in comparison to all other major Federal Government Socio-Economic programs including Small Businesses (SB), Small Disadvantaged Businesses (SDB), businesses certified in the 8(a) program, and Woman Owned Businesses (WOB) from FY 2000 to FY2005.

Table 2 Comparison between Total dollars for HUBZone and all other major Federal Government Socio-Economic Programs for FY 2000 to FY2005 (Programs are listed, from right to left, in descending order of achievement)

Fiscal Year	Small Business (\$000)	SDB (\$000)	8(a) (\$000)	WOB (\$000)	HUBZone (\$000)
2000	44,718,714	7,251,948	5,777,552	4,572,563	663,280
2001	50,088,925	15,630,127	6,279,156	5,468,456	1,581,045
2002	53,250,281	15,896,739	5,629,672	6,826,492	1,679,769
2003	65,050,924	19,460,670	10,105,343	8,277,298	3,419,933
2004	69,228,771	18,538,011	8,438,046	9,091,919	4,782,190
2005	79,624,883	21,715,093	10,464,083	10,494,302	6,103,161

The significance for many HUBZone business owners, as a result of the government's inability to meet the mandated goal, amounts to a loss in the billions of dollars. The difference between the government's 1.59% level of contracting with

HUBZone businesses and the statutory goal of three percent represents a cost of over \$4 billion in lost contracting revenue for HUBZone businesses in FY 2004. In FY 2005, the government's failure to meet its three percent HUBZone goal with only 1.94% of federal contracts going to HUBZone businesses resulted in a loss of over \$3 billion in contracting opportunities for HUBZone businesses.

Analysis and Results

The importance of the 25 barriers was calculated by examining the mean responses and the percentage of respondents rating the barriers on one of the two "most important" categories. The mean was calculated from the five-point importance scale ranging from "extremely important" (scored as a 5) to "not important at all" (score as a 1) in discourage entry into the HUBZone market. The percent was calculated from the respondents who rated the importance of barriers as either a 5 or 4 on the same five-point importance scale. Table 3 shows the barriers in their ranking order based on their level of importance. As shown on table 3, access to federal contracting opportunities received the highest rating in terms of importance for dissuading market entry (mean rating = 4.24), followed by prime contractors' procurement personnel knowledge of HUBZone processes and policies (mean rating = 4.13); and federal government procurement personnel knowledge of HUBZone policies with a mean rating of 4.04.

Correspondingly, these three barriers were rated as five or four on the five-point scale by 80, 78 and 73% of the respondents, respectively. Incumbents possessing strategic raw materials was rated the lowest barrier in discouraging businesses into the

HUBZone marketplace (mean = 2.36). This could mean that the majority of the contracting opportunities in the HUBZone marketplace are for Services type contracts or, if they are for the procurement of goods, these goods are commercial-off-the-shelf (COTS) type items and not engineered products.

Table 3 Perceived Importance of Barriers

HUBZone Market Entry Barriers	Mean	Percent (%) Respondents
Access to federal contracting opportunities	4.24	80.0
Prime contractors' procurement personnel knowledge of HUBZone processes and policies	4.13	78.0
Federal government procurement personnel knowledge of HUBZone policies	4.04	73.8
Government loyalty advantage held by incumbents	3.86	63.0
SBA Process and Policies	3.60	60.9
Lack of Funding	3.46	46.8
Accessibility of HUBZone training	3.43	58.4
Incumbents with cost advantages due to economies of scale	3.38	50.7
Low prices charged by incumbents	3.32	44.6
Incumbents with absolute cost advantages	3.22	46.0
The amount of selling expense involved in marketing to the Government	3.22	44.4
HUBZone certification requirements	3.18	48.4
Magnitude of market share held by incumbents	3.11	41.2
Accessibility of the distribution channels	3.09	42.8
Brand identification advantage held by incumbents	3.07	35.9
Government's costs associated with switching from one supplier to another	3.06	45.3
Incumbents with superior production processes	2.96	31.0
Incumbents with cost advantages due to HUBZone learning curves	2.96	30.1
Capital intensity of the market	2.84	34.3
Number of firms present in the HUBZone market	2.80	24.6
Capital requirements to enter HUBZone market	2.68	23.4
High profit rates earned by incumbents	2.67	25.0
Heavy advertising by incumbents	2.57	23.8
Expected post-entry reaction of incumbents	2.42	22.9
Incumbents possessing strategic raw materials	2.36	17.4

In order to identify the underlying dimension of the barriers in terms of perceived importance by the HUBZone executives who responded to the survey, the 25 barriers were factor analyzed. The purpose of the factor analysis was to find patterns or similar relationships among the variables to see if the variables could be explained as aggregated or bundled into related factors. A principal component extraction method and varimax rotation were used to aid in the interpretation of the results. An initial factor analysis was conducted which yielded 6 factors; in deciding how many factors to retain, the scree test and analysis of the factor structured matrix suggested the selection of a three-factor solution. The scree test allowed the identification of the important factors with the large variance. First the factors were ordered by variance, and a plot of eigenvalues (variances) against their serial order was created. The elbow is the place where the substantive factors between 2 and 3 were separated.

A second factor analysis was conducted by specifying the number of factors (3) to extract. The barriers “Number of firms present in the HUBZone market” and “Government’s costs associated with switching from one supplier to another” did not load on any of the three factors; consequently, both of these barriers were excluded from the successive statistical analysis.

Varimax-rotated factor loadings are reported in Table 4. As it can be noted from this table, the three factor solution produced an interpretable factor structure with the three factors collectively accounting for 51.7 percent of the variance in the data.

Table 4 Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization

Rotated Principal Components			
Barriers	Factor 1	Factor 2	Factor 3
Incumbents with absolute cost Advantages	.785	-8.709E-02	-1.997E-02
Brand identification advantage held by incumbents	.767	8.419E-02	.108
Incumbents possessing strategic raw materials	.739	-.115	-.102
Magnitude of market share held by incumbents	.712	.113	.227
Expected post-entry reaction of incumbents	.692	.285	.107
Heavy advertising by incumbents	.685	8.142E-02	.153
Capital intensity of the market	.670	-.108	7.043E-02
Incumbents with cost advantages due to HUBZone learning curves	.642	.281	.107
High profit rates earned by incumbents	.563	.348	.297
Accessibility of the distribution channels	.528	.271	.340
The amount of selling expense involved in marketing to the Government	.426	.368	.308
Low prices charged by incumbents	.353	-5.970E-02	.187
Federal government procurement personnel knowledge of HUBZone policies	-.128	.754	-4.042E-02
Prime contractors' procurement personnel knowledge of HUBZone processes and policies	7.675E-02	.714	3.462E-02
SBA Process and Policies	4.781E-02	.712	8.611E-02
HUBZone certification requirements	9.496E-02	.694	-.216
Access to federal contracting opportunities	-.266	.691	.123
Accessibility of HUBZone training	.106	.591	-.196
Government loyalty advantage held by incumbents	.290	.544	5.841E-03
Lack of Funding	.388	.537	-6.587E-02
Capital requirements to enter HUBZone market	.147	8.575E-02	.787
Incumbents with superior production processes	.191	-8.488E-02	.773
Incumbents with cost advantages due to economies of scale	.138	-.311	.750
Percent of Variance	27.58	16.16	7.96

The first factor which accounts for 27.58% of the variance and which include barriers such as Incumbents with absolute cost advantages, Brand identification advantage held by incumbents and Incumbents possessing strategic raw materials is labeled Incumbent Structural Advantage. This factor contains 12 barriers that deal with structural advantages held by incumbents as perceived by the HUBZone executives that

responded to the survey. The second factor accounts for 16.16% of the variance and is labeled HUBZone Specific Advantages. Eight (8) barriers make up this factor that include Federal government procurement personnel knowledge of HUBZone policies, Prime contractor's procurement personnel knowledge of HUBZone processes and policies, SBA's processes and policies and HUBZone certification requirements which are related specifically to the nuances of the HUBZone program. The third factor which accounts for 7.96% of the variance is labeled Incumbent Financial Advantages which include Capital requirements to enter the HUBZone market, Incumbents with superior production processes and Incumbents with cost advantages due to economies of scale which is an impediment highly accentuated in the federal marketplace.

To examine the differences in the perceived importance of the three factors, analysis of variance (ANOVA) and Tukey tests were performed on the three factors. The ANOVA test was used to find out if there was a significant difference between the factors means. However, the ANOVA analysis simply indicates there is a difference between the factors means, but it does not provide the significance in differences among them. A post hoc test was performed to aid in determining the differential significance amongst the means. The Tukey Test is a post hoc test designed to perform a pairwise comparison of the means to reveal the significant in their differences.

The tests results indicated that the perceived importance of the three factors do not differ significantly.

Research Interviews

Additional data was gathered by interviewing a federal government Contracting Officer, a SBA HUBZone representative, and a federal government-prime contractor small business subcontracting-plan manager. Interview questions were developed along with the research study survey and were customized for each of the actors considering his or her role in the HUBZone program. The interview questions were developed to provide the quantitative component of the study to be triangulated with the survey results data.

Interview with the Federal Contracting Officer

The first interview was conducted with a US Department of Energy Contracting Officer. The initial intent of the researcher was for the interview to be conducted face-to-face or, alternatively, telephonically. Due to time and availability constraints, the face-to-face interview could not be conducted and the Contracting Officer provided responses to the interview questions via written format.

The federal Contracting Officer is the only individual legally empowered to enter into, administer, and terminate contracts on behalf of the government. Contracting Officers can only act with the authority as delegated to them from their appointing authority or warrant. Contracting Officers have varied roles including working closely with the SBA and developing sourcing strategies for the acquisition of goods and services. The following is a narrative summary of the interview questions and the Contracting Officer's perceptions and beliefs related to the HUBZone program.

The Contracting Officer has been a federal Contracting Officer for approximately 17 years with the US Department of Energy. The contracts awarded during fiscal year 2006 for his area of responsibility range between \$25,000 and \$600,000,000 dollars. The Contracting Officer was asked why over half of the federal government agencies had not met their statutory HUBZone goal through fiscal year 2005; he noted that not enough resources are spent on behalf of federal agencies to develop business relationships with these kinds of firms.

Representative Tom Davis (R-Va.) (David, 2007) the ranking minority member of the House Oversight and Reform Committee, speaking at the annual federal outlook conference said “2006 wasn’t exactly a banner year for acquisition reform, given the circumstances we faced, with [Hurricane] Katrina and some high-level scandals.” He also added that one of the biggest government acquisition issues has been the lack of a sufficiently large, knowledgeable procurement workforce. In his review of Steven Kelman’s book, “A Study of Organizational Renewal in Government” (2007) Vernon J. Edwards, a renowned consultant in Federal acquisition, notes that rules, hierarchy, and specialization have never been the main sources of the problems in federal contracting.

Contracting officer ignorance and incompetence were and are the main problem. These observations are in concert with the third most important barrier “Federal government procurement personnel knowledge of HUBZone policies” (mean rating 4.04) with 73.8% respondents rating this barrier a 4 or a 5 in the importance ranking scale.

To aid Contracting Officers in achieving the HUBZone goal, the Federal Acquisition Regulation (FAR) implements applicable regulations allowing agency

personnel to (1) set aside procurement requirements 100% for HUBZone business participation; (2) afford a 10% price evaluation preference to HUBZone bidders; and (3) sole source awards up to \$5M for manufactured products or \$3M for services or construction related procurements. When asked if his office awarded more HUBZone competitive contracts than sole source awards, the Contracting Officer responded that his agency awards more sole source actions than competitive contracts. He noted that in his opinion, sole sourcing procurement actions was easier to implement than some of the other mechanisms available to secure HUBZone awards. The 2005 FPDS-Next Generation report on annual procurement preference goaling achievements (FDPS-NP, 2007) indicates that for all government small business concerns awards, non competitive (sole source) awards trail unrestricted competition actions. This suggests government procurement officers may not fully realize that set-aside and sole source requirements are allowed by law so that the mandated three percent HUBZone contracts goal can be achieved.

When asked what improvements could be made to the program to help make HUBZone businesses more successful, the Contracting Officer noted that revising the Limitation in Subcontracting clause percentage applicable to HUBZone firms within the FAR could be of major help. He explained that contracts that are set aside for small businesses including HUBZone businesses incorporate a limitation in subcontracting provision which currently limits the small business prime contractor to subcontracting out no more than 50% of the cost of labor associated with performance of the contract.

Although not part of the research survey, some HUBZone executives provided a number of unsolicited comments regarding their opinions, beliefs and perceptions of their experiences with the HUBZone program. One of these comments is in line with the DOE Contracting Officer's recommendation for improvements to the program. The HUBZone executive noted that "Our primary problem has been competing with large business on both HUBZone and small business set-aside solicitations. This situation is allowed to occur due to contractual language currently published in the Federal Acquisition Regulation (FAR). We strongly encourage any legislature that will allow and require HUBZone and small business to utilize revenue opportunities in lieu of returning the revenue to Large Business. This could be accomplished by amending the FAR to require a larger percentage of HUBZone/Small Business participation." Overall, the DOE Contracting Officer believed the HUBZone program has assisted small business entrepreneurs with government contracting.

Interview with the SBA Representative

The role of the SBA business development specialists (BDS) is to assist small business owners develop their business so that they attain competitive viability in and out of the varied government initiatives including the HUBZone program. They provide basic advice, counsel and guidance in the areas of marketing to the federal government; make referrals to appropriate internal and external resources for assistance in technical,

management and financial matters; and market enterprises including HUBZone and 8(a) businesses to procurement agencies for potential contracting opportunities.

The SBA representative has over 20 years of experience in working, in different capacities, for the SBA and has provided assistance to approximately 300 HUBZone businesses since the inception of the program. In her perception, over 50% of the government agencies had not met their HUBZone statutory goals in the past for the reasons that agency Contracting Officers do not fully understand the use of the program and there is a partiality for the 8(a) program over the HUBZone initiative. She also offered “government contracting personnel” when asked what barriers she perceived a HUBZone business faced in trying to secure federal HUBZone contracts.

The comments regarding the lack of full understanding of the program and being reluctant to use it by agency Contracting Officers is in concert with an observation provided by one HUBZone executive who stated “I believe lack of knowledge, is the #1 problem (by govt. staff/Contracting Officers.)” Regarding the comment of partiality toward the 8(a) program, while the HUBZone program was designed to benefit businesses and individuals in low income communities, the 8(a) program was enacted to promote small business enterprises owned by minorities. Some suggest that the creation of the HUBZone program has become a parallel and divergent strategy to the 8(a) program in assisting small business through federal contracting opportunities. It should be noted that while there is a statutory HUBZone goal of 3% of the federal contract awards, there is no statutory goal for the 8(a) Program.

Table 5 shows a comparison between the total HUBZone and total 8(a) actions, dollars and percentages from FY 2000 to FY2005. As shown, from fiscal year 2000 to fiscal year 2002, the percent of dollars to the 8(a) program decreased. The percent of federal dollars to the 8(a) program suffered another set back during fiscal year 2004. In contrast, the HUBZone program has enjoyed an almost steady increase from fiscal year 2000 through fiscal year 2005.

Table 5. Comparisons between Total HUBZone and Total 8(a) Actions, Dollars and Percent from FY 2000 to FY2005

Fiscal Year	HUBZone Actions	8(a) Actions	HUBZone (\$000)	8(a) (\$000)	HUBZone (Percent)	8(a) (Percent)
2000	3,508	64,387	663,280	5,777,552	0.33	2.88
2001	8,466	62,726	1,581,045	6,279,156	0.72	2.86
2002	9,315	58,444	1,679,769	5,629,672	0.71	2.39
2003	22,433	116,260	3,419,933	10,105,343	1.23	3.64
2004	55,883	116,890	4,782,190	8,438,046	1.59	2.81
2005	69,834	75,983	6,103,161	10,464,083	1.94	3.33

She went on to note that her agency uses the full and open competition process more than sole sourcing when dealing with HUBZone businesses. She noted that it was difficult to find only one qualified HUBZone business source. This comment corroborates the preceding comments from the Contracting Officer sustaining the notion that there may be a prevalent lack of awareness by federal contracting personnel regarding the available means to assist them in meeting the statutory mandated HUBZone goal. According to the Scorecard VI report (Scorecard VII, 2006) the SBA, the agency charged with ensuring small businesses gain access to federal contracts, received a cumulative grade in 2005 of a C-; this grade was preceded by a grade of an “F” in 2004 for their advocacy efforts toward small business concerns.

She was invited to comment on improvements that could be made to the HUBZone program to aid in making HUBZone businesses successful. In the subject of training, she said that proposal preparation would be the one subject she would encourage all HUBZone businesses to participate in. She suggested for HUBZone businesses to take as much training as possible and for the HUBZone executives to help agency Contracting Officers to learn how to use the HUBZone program. Overall, she believed the HUBZone program has assisted small business entrepreneurs with government contracting.

Prime Contractor's HUBZone Program Manager Interview

The government prime contractor small business (SB) program manager interview was conducted over the phone. Large contractors that enter into contracts in excess of \$500,000 dollars with federal agencies are required to spend a specified portion of the awarded funds with varied classifications of small businesses. The various small business subsets include among others small business, small disadvantaged business, woman owned businesses, 8(a) businesses and HUBZone businesses. Prime contractors are required to submit to the government a small business subcontracting plan (SBSP) encapsulating their agreement to meet specified percentages or dollars amounts for planned expenditures to their sub set of small businesses.

The SB program manager has been in this position with the prime contractor for five (5) years. He has worked with five HUBZone businesses in the past and his overall impression of the HUBZone program is that the program is an excellent one. He noted that the program has been very successful in helping a number of suppliers benefit from

receiving federal government contracts. When asked why over 50% of the government agencies had not met their HUBZone statutory goals in the past, he provided the following reasons:

1. HUBZone businesses are located in economically distressed areas; hence, there is a lack of capability in the technical and scientific areas.
2. HUBZone businesses lack marketing skills

He was then asked why he believed federal government prime contractors had a better performance record with HUBZone businesses than government agencies; he said that government agencies do not seem to work in their community outreach programs. They also do not establish a local database; they rely solely on the Government's Central Contractor Registration (CCR) system. He also offered that government agencies do not have a good working relationship with the SBA.

He lastly noted that "bundling" was a concern. Bundling is the procurement practice of consolidating homogeneous or related products for the purpose of procuring them from a single contractor to leveraged economies of scale. The Scorecard VI report (2007) explains that one of the primary barriers impacting small companies continues to be contract bundling. This report goes on to say that contract bundling has been a longstanding barrier to small businesses dating back to the Federal Acquisition Streamlining Act of 1994 when the consolidation of certain contracts was first encouraged.

When asked what competencies he believed were required to compete successfully for a HUBZone subcontract, he noted that 1) registering in CCR is

important, 2) having a diverse North American Industry Classification System (NAICS) code portfolio; 3) obtaining and maintaining all pertinent certifications and 4) having the business “know-how” to market products and services to the government and government contractors. When asked about the benefits that the HUBZone program offers to small businesses, he said that this program allows the SBA genuinely to help small businesses to get more federal dollars. It also helps retain businesses in distressed areas, he added.

When asked what barriers he perceived a HUBZone business face in trying to secure Federal HUBZone subcontracts, he said that the system is riddled with bureaucracy and that presently there are too many HUBZone suppliers. He also reiterated the lack of marketing skills exhibited by HUBZone businesses as a barrier.

Lastly, he was asked what improvements could be made to the HUBZone program to help make more HUBZone businesses successful, he noted that the selection criteria to determine an area as HUBZone needs to be re-evaluated and that factors other than census data needed to be considered. This program is also in direct competition with other government programs such as the 8(a) program.

When asked what recommendations he had in assisting HUBZone firms in securing subcontracts from Government prime contractors, he responded that HUBZone business do not market their businesses very effectively. There is also a lack of training initiatives from the government sector to assist these businesses in areas such as proposal preparation, securing financing, and understanding how to do business with the federal government and its large prime government contractors. This is in line with some of the unsolicited comments provided by HUBZone executives. In one case, one executive

expressed a desire for additional training by noting “We would like to see more HUBZone training, classes on government procurement (federal, state and local) and access to start up and capital funding”.

Discussion

Again, the goal of this exploratory research study was to conduct an investigation into the barriers faced by HUBZone businesses in securing government contracts and subcontracts with the federal government and its prime large contractors. The combination of the quantitative data generated by the survey and the qualitative data resulting from the open-ended interview questionnaire and survey responses indicated that there are a number of areas preventing HUBZone businesses from optimizing the benefits of the program as intended by Congress.

One of the factors, HUBZone Specific Advantages, identified in this research study is in concert with Brown’s (1995) findings which cited the Certification Process; Access to Federal Contracting Opportunities; and Federal Government Procurement Personnel as barriers in doing business with the federal government under the SBA 8(a) program.

Overall, the findings of this study indicate that for the HUBZone program to meet the congressional intent and to optimize the success of current and prospective HUBZone businesses, a training strategy to promote education among federal and prime contractor’s procurement personnel related to their knowledge of HUBZone policies and processes is needed. Additionally, the findings revealed that the SBA’s policies and

HUBZone certification requirements are viewed as bureaucratic, time consuming and cumbersome by small business entrepreneurs. Access to business opportunities and contract bundling were other significant obstructions revealed by the study.

CHAPTER 5

RESULTS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

Barriers exist for all firms entering new markets or repositioning themselves in existing markets to capture market share (Rasheed, 2004). Rasheed notes that decision-making by business executives is influenced by the existence of barriers to new or repositioning entrants and the competitive advantages of incumbency. Since each government procurement opportunity is contractually unique, he argues, the decision-making process related to the bid/no-bid decision (i.e. entry or no entry) causes business executives to consider many of the traditional barriers for new entrants as prescribed by Bain (1956). Other researchers have found that the government procurement process is burdensome and convoluted and that regulations for government programs act as barriers on small firms' market entry behavior (Mick, 2001). Mick also found that lack of federal program support and contract bundling are obstacles to federal contracting opportunities. Moreover, the foregoing findings are consistent with Brown's research which found that small business owners experienced a high level of frustration in the amount of paperwork and compliance with policies and procedures related to the federal procurement system (1995).

These arguments suggest that market entry decisions within the government market place may be weakened if business owners perceive there are systemic barriers limiting their participation. While congressional policies and legislation such as the 8(a)

and the HUBZone programs have been established to promote small businesses participation, the latest statistics show that, in the case of the HUBZone program, the results have not been very successful.

This study examined 25 perceived market entry barriers to identify obstacles that HUBZone small businesses face in securing contracts and subcontract in the federal government market segment. This research supports previous research findings that some obstacles such as access to federal contracting opportunities, procurement officials' knowledge and utilization of the program and the SBA's policies and processes appear to be problems for small firms dealing with government agencies (Brown, 1995). However, just as other government programs have different requirements, there are unique problems that restrict HUBZone small firms from selling to the federal government

This research suggests that while the federal government should examine the overall HUBZone program requirements to make it easier for small firms to participate and receive government contracts; it must also focus on HUBZone unique obstacles to meet the intended goal of the congressional mandate to stimulate distressed areas and increase employment in these historically underutilized business zones (HUBZones).

The Barriers

Chapter 4 (Table 4) ranks the survey results of the HUBZone executives perceptions of the importance of 25 potential barriers in securing contracts and subcontract in the federal market segment. In summary, the 25 barriers were factor analyzed in order to identify the underlying aspects of the barriers in terms of their

importance as perceived by the survey respondents. Three factors were selected using a scree test which allowed the identification of the most important factors with a large variance. Factor 1 included barriers such as incumbent with absolute cost advantages, brand identification held by incumbents and incumbents possessing strategic raw material. This factor was titled Incumbent Structural Advantage which, despite the presence of existing or potential competitive forces, it usually presents significant barriers.

The second factor, which included barriers largely connected to the HUBZone program, was titled HUBZone Specific Advantage which included barriers related to the federal contracting officials lack of knowledge regarding the programs policies, the SBA's process and procedures and the programs certification requirements. This factor supports Dr. Brown's findings which identified six barriers related to the SBA 8(a) program (1995). As previously noted, the 8(a) program and the HUBZone program are the only two government socio economic initiatives requiring an independent certification process by the SBA. Brown found that the certification process; access to federal contracting opportunities; federal government procurement personnel; lack of financing; use of wrong performance measures; SBA staff, processes and policies were obstacles impeding the success of the 8(a) program.

The last factor, factor 3, was labeled Incumbent Financial Advantage which included barriers such as capital requirements to enter the HUBZone market, incumbents with superior process and incumbents with cost advantages due to economies of scale. This factor has the highest mean rating (3.73) than factor 1 at 2.83 and factor 2 at 2.93.

This suggests that this factor may be perceived as more important than the other two factors in dissuading small business executives in pursuing government opportunities under the HUBZone program. The barriers loaded within this factor include capital requirements, incumbents with superior processes and incumbents with advantages due to economies of scale; combined, these barriers can be interpreted as playing a significant role in the government's practice of contract bundling. Contract bundling is an obstacle highly accentuated in the federal market place.

Overall access to federal contracting opportunities was the most important barrier noted by the HUBZone executives responding to the study survey. About 80% of the firms ranked lack of contracting opportunities as a 4 or 5 in the importance ranking scale wherein 5 was the most important. This finding correlates with the responses from the interviewed SBA representative and the prime contractor procurement manager believing that access to contracting opportunities is an obstacle to HUBZone business owners.

The US DOE contracting officer did not believe that access to contracting opportunities was a hindrance to HUBZone businesses in securing contracts with the federal government. Several of the other most significant barriers relate to way the program main actors are perceived by the HUBZone business owners. The second and third most significant barriers dealt with the perceived lack of knowledge of the programs policies and processes by procurement officials, both with the prime contractors as well as with federal procurement personnel. Prime contractors and federal government procurement personnel knowledge of the HUBZone policies and processes were

important obstacles for nearly 78% and 73.8% respectively of the surveyed firms. These are the central actors empowered with authority to make award decisions and in positions to direct contracts for goods and services to HUBZone firms. With the exception of the contracting officer that was interviewed as part of the study, both the SBA representative and the prime contractor HUBZone program manager perceived the federal contracting officer as a barrier to the success of the program. This underscores the need to develop and implement a government wide training program to ensure all actors responsible for making procurement selection decisions understand the mechanisms granted by law to achieve the 3% HUBZone mandated goal.

The SBA's processes and policies were ranked as a very important barrier by almost 61% of the HUBZone businesses surveyed. Nearly 50% of the firms had trouble with the SBA certification requirements. Words such as "long arduous process" "frustrating" "bureaucratic" and "overwhelming to small business owners" were used by the study interviewees in describing the SBA certification process. This is not surprising given that over 58% of the HUBZone executives voiced their frustrations with the accessibility to HUBZone training. Nearly 47% of the surveyed firms ranked lack of funding as an important barrier to enter the HUBZone market. "We would like to see more HUBZone training, classes on government procurement and access to start up and capital funding" said one executive regarding the lack of funding availability for small businesses.

A Google (Google, 2007) search to obtain information on available HUBZone training showed that the bulk of the training the SBA conducted was in 2001. Neither the

SBA's nor the HUBZone's WebPages revealed any recent or future schedule formal HUBZone training at this time. Without formal training, it may be hard to move these program actors away from their old way of doing business and into the newest programs enacted by congress. The foregoing arguments suggest that a greater and continued emphasis needs to be placed on training these actors to encourage them to use HUBZone firms.

Similarly, government loyalty to incumbents was a problem for 63% of the respondents. As one HUBZone executive put it in responding to the survey, "[I] wasted 3-4 months looking for jobs, but the Internet posting did not have any details. I think they [procurement officials] only award jobs to the same vendors in the past." Another executive expressed his frustration with the government loyalty toward incumbents by noting that "Since we became a HUBZone company, we did not receive any contracts from the Government. Our proposals were used to give contracts to the agency's favorites contractors."

The most notable barrier following capital requirements to enter the HUBZone market and accessibility of HUBZone training is incumbents with cost advantages due to economies of scale. Nearly 51% of the respondents complained that this advantage served as a very important barrier. Economists explain economies of scale as the forces which enable larger firms to produce goods and services at reduced per unit costs based on large volume (Canback et al, 2006). As argued before, an inference can be made that this barrier correlates to the government practice of contract bundling. The scorecard VII (Scorecard VII, 2006) published in July 2006 reports that nearly 70 percent

of the government agencies evaluated during the previous year show indications of practicing contract bundling. Agencies such as the Department of Defense, which had a decline of 65 percent since 2004 alone in contracting actions, saw an increase in total contracting volume of 13 percent; the Department of Health and Human Services which had a decrease of 86 percent since 2000 in contract actions, recorded an increase in their total contracting volume by 10 percent. The report goes on to mention that over the last five years, total government contracting dollars has increased by almost 60 percent, while the number of contract actions to small businesses over that same time period declined by 55 percent. This significant decline insinuates the practice of bundling contracts, a practice which drastically deters small businesses from receiving federal contracts, the report concludes.

Several other barriers were not viewed as being significantly important; these barriers include heavy advertising by incumbents, expected post-entry reaction of incumbents and incumbents possessing strategic raw materials. While heavy advertising by incumbents and expected post-entry reaction of incumbents are beyond the faculty of the federal government to change, the low importance ranking of the barrier incumbents possessing strategic raw materials warrants further analysis.

Probably little can be done with the suggested improvements from the interviewed contracting officer and one of the surveyed executives related to the Limitation in Subcontracting clause requiring a FAR amendment.

Recommendations for Additional Research

Government and prime contractor personnel knowledge of the HUBZone programs processes and policy was a major barrier with the majority of the HUBZone businesses surveyed. This study did not examine this issue directly. Further research on the key actor's awareness of the HUBZone program to ascertain their level of understanding related to the overall implementation of the program is needed. More specifically, the factors that impact federal contracting officers' willingness to use the legal means to improve HUBZone businesses access to federal contracting opportunities need to be studied. The government inability to meet the mandated congressional goal shows that government procurement officers do not fully realize that the set-aside, sole source and price preferential processes are mandated by law.

Future research efforts could focus on new HUBZone contractors perceptions and expectations in securing a federal contract in contrast with those who had previous experience with Government contracts under the 8(a) or any other socio economic program. The study could correlate new and more experienced companies in terms of their success in the federal market segment.

The burdensome and bureaucratic SBA certification process needs to be researched to find streamlined opportunities commensurate with the abilities and level of sophistication of the small business community. This would enable HUBZone entrepreneurs to invest more of their time and resources on marketing strategies and on selling to the government. Training and education alone would not likely be effective without a policy change to hold government procurement officials accountable for

meeting the mandated congressional goals. This renewed emphasis on accountability would have to be accompanied by a parallel initiative to ensure government agencies have adequate resources to support the programs mandate. Accordingly, additional research could focus directly on accountability/incentive and workforce planning, selection and retention programs.

As noted before, the federal government is the largest purchaser in the United States and given the relative importance of the small business community to the US economy; future research could examine the underlying differences between government and commercial market segments related to small business barriers.

Additionally, as part of their corporate social responsibility (CSR) program, a construct coined in 1995 (Sethi, 1995), many large corporations today include activities related to the purchase of goods and services from minority and women owned enterprises (MWBE). An exploratory study could be conducted to compare and contrast more specific dimensions of commercial MWBE programs and those initiatives sponsored by the federal government including the certification process.

Contributions of the Research

As an exploratory research, the study sets a foundation for further work that could identify specific areas that can be investigated and developed to enhance small businesses participation in the government segment. The study also supports previous literature that indicates that access to procurement opportunities, knowledge of the programs policies and procedures by the programs key actors and the certification process, in particular, are significant barriers the federal market segment (Brown, 1995).

By understanding the barriers that hinder HUBZone businesses participation in the program, and the different believes and perspectives between government officials, large contractors procurement executives and the SBA staff, interventions can be explored for improving policy requirements and business practices aimed at removing obstacles hampering the participation of HUBZone businesses. Such improvements would be expected to increase the number of certified HUBZone businesses and their successful participation in the program to meet the congressional intent of increasing employment opportunities and stimulating capital investment in distressed areas.

Limitations of the Research

The results of this study need to be interpreted within the context of a number of limitations. Because the HUBZone program is a relatively new initiative, there is a lack of empirical data available. Further exacerbating this concern, is a lack of a credible data system for the federal government to measure or monitor small business participation (Scorecard VII, 2006).

The 347 HUBZone firms included in the study represented a cross section of industries. Accordingly, demographic data including firm's industry, income, number of employees, number of invitations to bid and number of contract awards received would enhance the study to examine more precise areas affecting these businesses. Type of owner such as minority, woman-owned, disadvantaged, to determine the percentage of business participation, would be helpful in reporting which socio economic groups are more successful within the HUBZone program. Information regarding the percent of federal procurement contracts awarded from one year to the next would help determine if

the HUBZone program is increasing the number of federal contracts to the small business community or if this newest initiative is simply taking small business dollars from other programs. The original intent was for HUBZone contracts to increase and to add to the small business community contracts but it appears 8(a) and HUBZone contractors may be competing for the limited number of contracts offered by federal procurement agencies.

The questionnaire, as amended and updated to correspond to the current study, was adapted from a study examining barriers to maker entry in consumer goods market and not industrial goods markets (Karakaya & Stahl, 1992). Lastly, the generalizability of the study findings could be enhanced by a larger survey sample and response rate.

Concluding Remarks

This analysis provides a useful framework for understanding some of the barriers preventing HUBZone businesses from reaching their full potential as intended by public law. The continued failure of the federal government in meeting the HUBZone program goals shows that present efforts by agencies to promote these businesses are not effective. The results of this study draw attention to a number of specific barriers face by government small businesses under the HUBZone program. Overall, the findings in this study indicate that success in the HUBZone program requires an utter understanding of the HUBZone program processes and procedures by the program key actors. Access to procurement opportunities and incumbent loyalty by government agencies were ranked as very important barriers given credence to the following comments received from surveyed HUBZone business executives: “HUBZONE has had no affect on our business.

Have not seen any HUBZone set asides,” “[HUBZone] has not helped our business,” “We have been HUBZone certified for over 2 years. As of today, we have had 0 opportunities or projects due to [HUBZone] certification” “No benefit to my business” and “Very poor real opportunities since becoming SBA HUBZone – Seems to be a government program with no real success attached.”

The study also revealed that lack of funding and access to training were among the most important barriers as perceived by the HUBZone executives surveyed. Moreover, the findings indicate that the SBA's policies and certification process were bureaucratic and difficult to maneuver. These findings could have important implications for government procurement officials as they attempt to reengineer programs and optimize resources to improve the financial position of small businesses in historically underutilized business zones. Issues like contact bundling and the lack of confidence in the federal reporting system only further avert government agencies from reaching their small business contracting goals.

This researcher believes that the success of the HUBZone programs can be significantly enhanced by emphasizing educational initiatives for government and contractor personnel and providing financial and technical assistance to HUBZone business owners. Policy changes aimed at effectively dealing with the long standing issue of contact bundling, an obstinate accountability program to enforce the congressional mandated goals for contracting and subcontracting, and a reliable federal data system are needed to eradicate small and HUBZone business barriers. Providing financial incentives

to large government contractors could also motivate private sector to become more engaged in mentor-protégé relationships with small businesses.

The reality is that billions of dollars are not being awarded to HUBZone businesses, small firms are losing out on valuable opportunities, and the intent of the Congress to increase employment opportunities and to foster investment into historically underutilized business zones has not been fully realized.

References

- Acs, Z. & Audretsch, D. (1989). Small firm entry in U.S. manufacturing. *Economica*.
- Adaran. (1995). *Legal Guidance on the Implications of the Supreme Court's Decision in Adaran Construction, Inc. v. Pena*. Retrieved on March, 11, 2005, from <http://www.usdoj.gov/olc/adarand.htm>
- Adelman, K. L. & Augustine, N. R. (1990). *The Defense Revolution*. San Francisco: ICS Press
- Alreck, P. L. & Settle, R. B. (1995). *The Survey Research Handbook. 2nd Ed.* Irwin/McGraw-Hill.
- Arnavas, D. P. & Ruberry, W. J. (1986). *Government Contract Guidebook*. Library of Congress Catalog Card Number 85-82367
- Bain, J. S. (1956). *Barriers to new competition*. Cambridge, MA: Harvard University Press.
- Bates, T. (1997). Unequal access: Financial institutions lending to Black and White-owned small business start-ups. *Journal of Urban Affairs*.
- Best, J. W. & Kahn, J. V. (1998). *Research in Education*. Boston: Allyn & Bacon 8th ed.
- Borland, K. W. (2001). Qualitative and Quantitative Research: A Complementary Balance. *New Directions for Institutional Research*. John Wile & Sons, Inc. No. 112.
- Borkan, J. M. (2003). Mixed Methods Studies: A Foundation for Primary Care Research. *Ann Fam Med*. Volume: 2 No. 1
- Breton, A. & Salmon, P. (1996). *Are Discriminatory Procurement Policies Motivated by Protectionism?* Retrieve March, 6, 2005 from <http://ideas.repec.org/a/bla/kyklos/v49y1996i1p47-68.html>
- Brown, H. M. (1995). *Performance barriers to 8(a) small businesses: Learning & policy implications*. Dissertation submitted to the Faculty of the Virginia Polytechnic Institute and State University.
- Bush, G. W. (2005). State of the Union, *Vital Speeches of the Day*. Volume 71 Issue 9, page 258,

- Buy American Act (2006). The Buy American Act of 1933. Retrieved May, 25, 2006 from <http://usinfo.state.gov/products/pubs/trade/glossac.htm>
- Canback, S., Samouel, P. & Price, D. (2006). Do diseconomies of scale impact firm size and performance? A theoretical and empirical overview. Hyderabad: *Journal of Managerial Economics*, 4 (February).
- Carter, C. R., Auskainis, R. J. & Ketchum, C. L. (1999). Purchasing from minority Business enterprises: key success factors. *The Journal of Supply Chain Management*. Winter.
- Caves, R. E. & Porter, M. E. (1977). From entry barriers to mobility barriers: conjectural decisions and continued deterrence to new competition. *Quarterly Journal of Economics*.
- Central Contractor Registration (2007). *The Central Contractor Registration Database*. Retrieved January, 4, 2007 from <http://www.ccr.gov/>
- CHI Research, Inc. (2003). *Federal procurement data system*; Advocacy-funded Research. Research Summary #225.
- Civilian Acquisition Agency. (2005). *Civilian Acquisition Agency Council*. Retrieved March, 6, 2005 from <http://www.acqnet.gov/AcqNet/CommCouncil/CAAC/>
- Clark, J. D. & Moutray, C. (2004). The Future of Small Businesses in the U.S. Federal Government Marketplace. Office of Advocacy. U.S. Small Business Administration
- Cooper, D.R., & Schindler, P.S. (2003). *Business Research Methods (8th ed.)*. Boston: McGraw-Hill Irwin.
- Crain, W. M. & Hopkins, T.D. (2001). *The impact of regulatory costs on small firms. An advocacy-funded study*. Research Summary #207.
- Creswell, J. (2003). *Research Design, Qualitative, and Mixed Methods*. Thousand Oaks, CA: Sage.
- Creswell, J. W. Fetters, M. D. & Ivankova, N. V. (2004). Designing a Mixed Methods Study in Primary Care. *Annals of Family Medicine*. Volume 2, No. 1.
- Davis, T. (2007). *Conference: Modest gains on acquisition reform not enough*. Washington Technology. April 13, 2007.

- Defense Acquisition Regulations (2005). Defense Procurement and Acquisition Policy. Retrieved March, 6, 2005 from <http://www.acq.osd.mil/dpap/dars/>
- Defense Production Act (2006). Defense Production Act of 1950. Retrieved April, 13, 2006 from http://www.sourcewatch.org/index.php?title=Defense_Production_Act_of_1950
- Denscombe, M. (2003). *The Good Research Guide*. Milton Keynes: The Open University Press 2nd ed.
- Dooley, D. (2001). *Social Research Methods. 4th Ed.* Upper Saddle River, NJ: Prentice Hall.
- Elwood, H. & Case, S. (2000). Private Sector Pioneers: How Companies are Incorporating Preferable Purchasing. *Environmental Protection Agency Report No. EPA742-R-99-001*
- Federal Acquisition Regulation (2005). Retrieved on March, 5, 2005, from <http://www.arnet.gov/far/loadmainre.html>
- Federal Procurement Data System (2007). The Federal Procurement Data System - Next Generation. Retrieved February, 2, 2007 from http://www.fpds-ng.com/public_welcome_text.html
- Fitzgerald, J. M. & Ribar, D. C. (2001). *Does a rising tide of small business jobs lift all boats?* Prepared for the Small Business Administration under contract No. SBAHQ-00-M-0574
- Fox, J. R. (1974). *Arming America*. Cambridge: Harvard University Press.
- Google (2007). Internet search engine. Retrieved April 13, 2007 from <http://www.google.com/hws/search?hl=en&client=dell-usuk&channel=us-psp&ibd=&q=google>
- Hageman, J. A. (2003). An Empirical Analysis of the Impacts of Adopting Lean Purchasing and Supplier Management Principles on the Participation of Small Businesses within the Department of Defense Aerospace Industry. *Thesis*. Air Force Institute of Technology. AFIT/GAQ/ENV/03-04
- Kaminski, P. G. (1995). *The Defense Acquisition Challenge: Technological Supremacy at an Affordable Quality of Government Performance*. Washington, D.C. American Enterprises Institute.

- Karakaya, F., (1987). Modeling Market Entry Decisions: A Test of Porter's Market Entry Barriers. *PhD dissertation*. Clemson University.
- Karakaya, F. & Stahl, M. J. (1989). Barriers to Entry and Market Entry Decisions in Consumer Industrial Goods Markets. *Journal of Marketing*. 53
- Karakaya, F., & Stahl, M. (1992). Underlying Dimensions of Barriers to Market Entry in Consumer Goods Markets. *Journal of the Academy of Marketing Science*. Volume 20, Number 3
- Kelman, S. (1990). *Procurement and public management: The fear of discretion and the quality of government performance*. Washington, D.C
- Kelman, S. (2005). *Remaking Federal Procurement*. The John F. Kennedy School of Government. Working Paper No. 3. Retrieved on March, 3, 2005, from <http://www.harvard.edu/visions/publication/kelman.pdf>.
- Kelman, S. (2007). *Unleashing Change: A study of organizational renewal in Government*. Volume 85 Issue 1, Page 246-248, March 2007.
- Leonard, J.S. (1990). *The impact of affirmative action regulation and equal employment law on Black employment*. *Journal of Economic Perspectives*, page 4
- Malterud, K. (2001). Qualitative Research: Standards, Challenges, and Guidelines. *The Lancet*. Volume 358.
- McCrudden, C. (2004). Using Public Procurement to Achieve Social Outcomes. *Natural Resources Forum*, Volume 28. Issue 4, page 257
- McGrath, J. E. (1981). Dilemmatics: The Study of Research Choices and Dilemmas. *American Behavioral Scientist*. Volume 25 Issue 2, page 179
- Mfume, K. (1998). Why America needs set-aside programs. In G.E. Curry (Ed.), *The Affirmative Action Debate* (pp. 121-126). Cambridge, MA: Perseus Books.
- Mick, T. D. (2001). *Minority and women entrepreneurs contracting with the federal government*. A Dissertation in Public Affairs and Administration and Economic, Sociology and Political Science Presented to the Faculty of the University of Missouri-Kansas City.
- Miles, M.B., & Huberman, A.M. (1994). *Qualitative Data Analysis (2nd ed.)*. Thousand Oaks, CA: Sage.

- Miller, B. J (2002). An Exploratory Analysis of the Impact of Acquisition Reform Initiatives on Small Business Participation in the Aerospace Industry. *Thesis*. Air Force Institute of Technology. AFIT/GAQ/ENV/02M-14
- Norusis, M.J. (2002). *SPSS 11.0 Guide to Data Analysis*. Upper Saddle River, NJ: Prentice-Hall
- Office of Government Contracting. (2003). *Goaling Guidelines for the Small Business Preference Programs for Prime and Subcontract Federal Procurement Goals & Achievements*. Government Printing Office. Washington, D.C.
- Philips, P., Mangum, G., Waitzman, N. & Yeagle, A. (1995). *Losing Ground: Lessons from the Repeal of Nine "Little Davis-Bacon" Acts*. *Working Paper, Economic Development, University of Utah*. Retrieved January, 1, 2005, from <http://www.constructionalliance.org/pdf/davis-bacon.pdf>.
- Pike, W. C. (2004). *Measuring Small Business Participation in Air Force Contracting: The Impact of Acquisition Reform*. *Thesis*. Air Force Institute of Technology. AFIT/GAQ/ENV/04M-10
- Popkin, J. (2003). *U.S. Bureau of the census: Advocacy-funded research*. Research Summary #211.
- Porter, M. E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: The Free Press
- Rasheed, H. S. (2004). Capital Access Barriers to Government Procurement Performance: Moderating Effects of Ethnicity, Gender and Education. *Journal of Developmental Entrepreneurship*. Norfolk: Aug. 2004. Volume 9, Iss. 2; page 109
- Richmond. (1989). In the Supreme Court of the United States. Susette Kelo, et al, *Petitioners, vs. CITY OF NEW LONDON, et al., Respondents*. Supreme Court Case No. 04-108.
- Robb, A. (2000). *The role of gender, race, and ethnicity in business closures*, Discussion Paper, Washington, D.C.: Bureau of the Census, Center for Economic Studies.
- Robinson, A.A. (1998). The business of affirmative action. In G.E. Curry (Ed.), *The affirmative action debate* (pp. 99-110). Cambridge, MA: Perseus Books.

- Robson, C. (2002). *Real World Research: A Resource for Social Scientists and Practitioner-Researchers (2nd ed.)*. Malden, MA: Blackwell Publishing
- Scheuing, E., Chiang-nan, C. & William, R. (1993). Purchasing performance evaluation: An investigation of different perspectives. *International Journal of Purchasing and Materials Management*. Summer 1993. Volume. 29, Iss. 3; p. 33
- Scorecard VII (2006). A report by the House Small Business Committee Democratic Staff. Nydia M. Velazquez, Ranking Democratic Member. Jul 26, 2006.
- Sethi, S.P. (1995). Introduction to AMR's special topic forum on shifting paradigms; societal expectations and corporate performance. *Academy of Management Review*
- Sherman, S. N. (1997). Public Purchasing Reform: Have FASA, FARA and ITMRA Made the System Better? A paper presented at the *1997 NAPM International Conference*. May.
- Smyth, J. S. (1999). The Impact of the Buy American Act on Program Managers. *Acquisition Review Quarterly*. Summer.
- Storey, D. J. (1995). *Understanding the small business sector*. Int. Thomson Business Press; 1 edition.
- Thai, V. K. (2001). Public procurement re-examined. *Journal of Public Procurement*, Volume 1, issue 1
- U.S. General Accounting Office. HUBZone Program Suffers From Reporting and Implementation Difficulties. October 2001.
- U.S. Office of Federal Procurement Policy. Office of Management and Budget. Retrieved March, 5, 2005 from <http://www.acqnet.gov/AcqNet/Library/OFPP/PolicyLetters/>
- U.S. General Services Administration. *Federal Procurement Data Center*
Retrieved on March, 3, 2005, from http://www.fpdc.gov/fpdc/fpdc_home.htm
- U.S. Small Business Administration. *Historically Underutilized Business Zone*.
Retrieved March, 11, 2005 from <http://eweb1.sba.gov/hubzone/internet/>
- U.S. Small Business Administration. *Historically Underutilized Business Zone*.
Retrieved March, 11, 2006 from <http://eweb1.sba.gov/hubzone/internet/>

- U.S. Small Business Administration, *Laws and Regulations*. Retrieved March, 10, 2006, from <http://www.sba.gov/regulations/sbaact/sbaact.html>
- U.S. Small Business Administration, Office of Advocacy. *U.S. Small Business Administration. small business profiles*. Retrieved on February 27, 2005, from <http://www.sba.gov/advol>
- U.S. Small Business Administration. The Office of Advocacy. *The Small Business Economy: A Report to the President 2004*. United States Government Printing Office. Washington D.C.
- U.S. Small Business Administration. The Office of Advocacy. *The Small Business Economy: Quarterly Indicators: The Economy and Small Business First Quarter 2004*. Retrieved March, 6, 2005, from <http://www.sba.gov/advo/stats/sbqel0401.pdf>
- U.S. Small Business Administration. *Regulatory Enforcement Fairness Act, (1996)*. Retrieved March 11, 2005 from <http://www.sba.gov/advo/laws/sbrefa.html>
- Yu, J. Cooper H. (1983). A qualitative review of research design effects on response rates to questionnaires. *Journal of Marketing Research*, 36

APPENDIX A

HUBZone MARKET ENTRY BARRIERS SURVEY

Please indicate the importance of the below-listed market entry barriers as you perceive them to **deter securing a HUBZone contract or subcontract**. Place an "X" representing the value you choose from the stated scale below (Extremely Important (5) to Not Important At All (1)) in the box shown next to **each market entry barrier**. (Note: The word incumbents means the firms (HUBZone or not) are already present in the market)

EXTREMELY IMPORTANT	NOT IMPORTANT AT ALL				
	5	4	3	2	1
MARKET ENTRY BARRIERS					
Incumbents with superior production processes					
Incumbents with cost advantages due to economies of scale					
Capital requirements to enter HUBZone market					
Government's costs associated with switching from one supplier to another					
Accessibility of the distribution channels					
HUBZone certification requirements					
Incumbents possessing strategic raw materials					
Heavy advertising by incumbents					
Capital intensity of the market					
Access to federal contracting opportunities					
Incumbents with cost advantages due to HUBZone learning curves					
Number of firms present in the HUBZone market					
High profit rates earned by incumbents					
Expected post-entry reaction of incumbents					
Low prices charged by incumbents					
Prime contractors' procurement personnel knowledge of HUBZone processes and policies					
Incumbents with absolute cost advantages					
Accessibility of HUBZone training					
Brand identification advantage held by incumbents					
Government loyalty advantage held by incumbents					
Magnitude of market share held by incumbents					
Federal government procurement personnel knowledge of HUBZone policies					
Research and development expense involved in entering the HUBZone market					

The amount of selling expense involved in marketing to the Government					
---	--	--	--	--	--

What was your firm's performance for a period of 12 months, measured in terms of profitability, after you became HUBZone certified? (Please check below)

Much Better

Above Average

Average

Below Average

Far Below Average

APPENDIX B

Consent Letter to Proposed Research Participants

Dear HUBZone business executive:

My name is Jose M. Legarreta; I am a Certified Purchasing Manager and also a PhD candidate in the School of Business at Capella University. I am currently conducting a research study related to the Federal Government's HUBZone program. The purpose of my research is to identify the most important barriers faced by HUBZone businesses in entering the HUBZone market.

The research findings may be used by policy makers to develop and implement interventions to increase business opportunities for HUBZone businesses. I chose to conduct the reach using HUBZone businesses because it is area of interest to me. I'm requesting your cooperation which consists of completing the attached survey. The survey should take no more than 15-30 minutes and you can return it by using the pre-posted enveloped enclosed. Alternatively, you can scan a copy of the completed survey and email it to me at the email address provided below.

Your firm was selected because, according to government's CCR database, you are a certified HUBZone business in the chosen geographical areas of the survey. There are no risks in participating in this survey and all the information generated by this research work will be held in strict confidentiality by the undersigned. Your participation is being requested strictly on a voluntary basis.

If you have any questions regarding this request, you can contact me, my dissertation committee chairperson or Capella University at the contact information listed below. I want to thank you in advance for your time and for you helping me in this very important research endeavor.

Regards,

Jose M. Legarreta
PhD Candidate
88 Tree Crest Circle
The Woodlands, TX 77381
281.651.2300(h)
713.296.2713(w)
713.651.7982(cl)
legarri@hotmail.com
jlegarreta@marathonoil.com

Capella University
225 South 6th Street 9th floor
Minneapolis MN 55402

888.

www.capella.edu

Raj Singh, Ph.D.,
Dissertation Committee Chairperson
Faculty, General Management
PhD Program: Organization & Management
School of Business & Technology, Capella University
(951) 295-8307 - Pacific Standard Time
Raj.Singh@faculty.capella.edu

APPENDIX C

92

Tabulated Survey Response Rankings (Questions 1 – 25)

3.00	3.00 3.00 5.00	4.00 3.00 4.00	4.00 4.00	3.00 5.00	5.00 4.00	1.00 5.00	3.00 4.00	4.00 5.00	5.00 3.00	5.00 5.00	5.00 5.00
5.00	5.00 3.00 3.00	2.00 3.00 3.00	3.00 5.00	3.00 3.00	3.00 3.00	3.00 5.00	5.00 3.00	3.00 3.00	3.00 3.00	3.00 5.00	3.00 3.00
4.00	3.00 3.00 3.00	2.00 3.00 3.00	3.00 3.00	3.00 3.00	3.00 3.00	3.00 3.00	3.00 3.00	3.00 3.00	3.00 3.00	3.00 3.00	3.00 3.00
.00	.00 1.00 5.00	.00 1.00 1.00	3.00 2.00	2.00 4.00	4.00 2.00	2.00 5.00	2.00 2.00	1.00 5.00	5.00 .00	1.00 5.00	1.00 5.00
3.00	5.00 1.00 1.00	3.00 1.00 1.00	1.00 3.00	1.00 3.00	1.00 4.00	5.00 2.00	5.00 4.00	5.00 2.00	5.00 2.00	3.00 1.00	1.00 3.00
3.00	3.00 3.00 3.00	3.00 3.00 3.00	4.00 3.00	4.00 3.00	2.00 5.00	5.00 5.00	5.00 5.00	5.00 5.00	2.00 4.00	5.00 4.00	3.00 4.00
2.00	2.00 3.00 3.00	2.00 3.00 4.00	2.00 3.00	3.00 4.00	5.00 4.00	4.00 3.00	3.00 4.00	3.00 4.00	4.00 4.00	4.00 4.00	4.00 3.00
5.00	3.00 2.00 5.00	1.00 1.00 1.00	4.00 1.00	3.00 4.00	4.00 1.00	3.00 5.00	2.00 3.00	2.00 5.00	5.00 2.00	3.00 5.00	3.00 5.00
5.00	5.00 3.00 4.00	4.00 1.00 5.00	3.00 3.00	5.00 4.00	3.00 3.00	2.00 4.00	5.00 2.00	3.00 5.00	5.00 3.00	5.00 2.00	3.00 4.00
3.00	4.00 3.00 4.00	2.00 4.00 5.00	4.00 3.00	5.00 3.00	4.00 4.00	5.00 3.00	4.00 5.00	5.00 5.00	4.00 4.00	4.00 4.00	3.00 5.00
3.00	3.00 4.00 5.00	2.00 4.00 4.00	5.00 5.00	4.00 5.00	5.00 4.00	3.00 5.00	3.00 4.00	4.00 5.00	5.00 4.00	5.00 5.00	5.00 3.00

4.00	5.00 2.00 3.00	5.00 2.00 2.00	3.00 2.00	1.00 3.00	1.00 3.00	1.00 2.00	1.00 3.00	2.00 2.00	2.00 2.00	2.00 2.00	2.00 2.00
3.00	3.00 3.00 2.00 3.00	5.00 4.00	4.00 3.00	5.00 4.00	2.00 4.00	2.00 4.00	2.00 4.00	5.00 3.00	3.00 5.00	3.00 4.00	3.00 5.00
4.00	4.00 5.00 5.00	5.00 5.00 5.00	4.00 5.00	4.00 5.00	1.00 5.00	5.00 4.00	5.00 5.00	5.00 5.00	3.00 5.00	5.00 5.00	5.00 5.00
2.00	3.00 1.00 1.00	1.00 .00 5.00	2.00 5.00	5.00 4.00	1.00 4.00	1.00 1.00	2.00 4.00	3.00 4.00	5.00 4.00	1.00 3.00	1.00 3.00
3.00	3.00 3.00 2.00	3.00 2.00 3.00	2.00 2.00	3.00 4.00	2.00 3.00	2.00 4.00	2.00 3.00	3.00 2.00	3.00 2.00	3.00 3.00	2.00 3.00
5.00	5.00 5.00 3.00	4.00 .00 4.00	5.00 4.00	4.00 5.00	5.00 5.00	3.00 1.00	5.00 2.00	3.00 2.00	5.00 5.00	.00 5.00	5.00 5.00
4.00	4.00 3.00 5.00	2.00 5.00 3.00	5.00 4.00	3.00 5.00	5.00 4.00	5.00 4.00	3.00 4.00	5.00 4.00	5.00 4.00	5.00 4.00	5.00 5.00
3.00	3.00 1.00 4.00	3.00 1.00 1.00	1.00 1.00	1.00 4.00	3.00 1.00	1.00 1.00	1.00 1.00	1.00 1.00	5.00 1.00	1.00 4.00	4.00 1.00
5.00	4.00 4.00 5.00	5.00 4.00 5.00	3.00 4.00	4.00 5.00	5.00 2.00	2.00 4.00	5.00 5.00	4.00 5.00	5.00 3.00	2.00 5.00	5.00 5.00
1.00	1.00 3.00 5.00	1.00 2.00 1.00	2.00 2.00	2.00 5.00	5.00 2.00	2.00 5.00	2.00 3.00	3.00 3.00	4.00 2.00	3.00 5.00	2.00 5.00
3.00	1.00 4.00 4.00	3.00 4.00 5.00	4.00 3.00	3.00 5.00	5.00 5.00	3.00 4.00	4.00 5.00	4.00 5.00	4.00 4.00	4.00 4.00	3.00 4.00

3.00	2.00	2.00	2.00	5.00	4.00	2.00	2.00	5.00	5.00	3.00	3.00
	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
	3.00	5.00									
5.00	4.00	3.00	3.00	4.00	1.00	2.00	2.00	5.00	5.00	3.00	3.00
	2.00	3.00	4.00	4.00	4.00	2.00	4.00	4.00	4.00	5.00	5.00
	1.00	2.00									
5.00	5.00	5.00	1.00	4.00	3.00	2.00	2.00	2.00	5.00	3.00	2.00
	3.00	3.00	2.00	4.00	2.00	4.00	3.00	4.00	2.00	5.00	4.00
	3.00	3.00									
4.00	4.00	5.00	4.00	4.00	2.00	1.00	4.00	2.00	4.00	3.00	2.00
	4.00	4.00	4.00	5.00	4.00	2.00	4.00	4.00	4.00	2.00	2.00
	4.00	4.00									
3.00	3.00	2.00	2.00	2.00	2.00	4.00	3.00	4.00	4.00	2.00	3.00
	2.00	2.00	3.00	4.00	5.00	4.00	4.00	4.00	3.00	4.00	4.00
	4.00	3.00									
2.00	4.00	2.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00
	3.00	5.00									
4.00	5.00	4.00	4.00	5.00	5.00	2.00	3.00	3.00	4.00	5.00	4.00
	4.00	4.00	5.00	5.00	5.00	4.00	5.00	5.00	5.00	4.00	3.00
	5.00	5.00									
5.00	5.00	5.00	3.00	3.00	3.00	3.00	3.00	3.00	5.00	3.00	1.00
	1.00	1.00	3.00	3.00	1.00	4.00	3.00	3.00	3.00	3.00	3.00
	3.00	4.00									
4.00	5.00	3.00	1.00	1.00	1.00	2.00	1.00	1.00	5.00	3.00	4.00
	3.00	1.00	1.00	2.00	1.00	4.00	2.00	5.00	1.00	3.00	1.00
	5.00	1.00									
1.00	3.00	3.00	3.00	4.00	4.00	1.00	1.00	2.00	5.00	4.00	3.00
	4.00	3.00	5.00	5.00	5.00	5.00	1.00	5.00	5.00	5.00	5.00
	5.00	5.00									
3.00	2.00	2.00	4.00	5.00	3.00	3.00	4.00	4.00	3.00	3.00	3.00
	3.00	4.00	3.00	4.00	4.00	3.00	4.00	4.00	4.00	3.00	3.00
	2.00	1.00									

4.00	4.00	3.00	1.00	4.00	3.00	1.00	1.00	1.00	5.00	1.00	3.00
	4.00	3.00	4.00	3.00	3.00	1.00	1.00	5.00	5.00	5.00	1.00
	4.00	.00									
1.00	1.00	2.00	3.00	2.00	2.00	2.00	2.00	2.00	5.00	3.00	2.00
	3.00	5.00	3.00	2.00	3.00	2.00	2.00	5.00	3.00	5.00	3.00
	4.00	4.00									
3.00	2.00	2.00	4.00	2.00	4.00	2.00	1.00	1.00	5.00	1.00	1.00
	1.00	1.00	2.00	4.00	2.00	4.00	2.00	5.00	2.00	5.00	3.00
	5.00	1.00									
3.00	2.00	1.00	1.00	2.00	3.00	2.00	5.00	1.00	5.00	3.00	3.00
	2.00										
	2.00	4.00	5.00	2.00	5.00	2.00	2.00	2.00	5.00	2.00	2.00
	5.00										
2.00	4.00	2.00	5.00	3.00	4.00	1.00	1.00	1.00	5.00	2.00	2.00
	1.00	1.00	3.00	5.00	1.00	4.00	3.00	5.00	1.00	5.00	5.00
	4.00	1.00									
1.00	2.00	2.00	1.00	1.00	5.00	1.00	1.00	1.00	5.00	1.00	3.00
	1.00	1.00	3.00	5.00	3.00	2.00	1.00	4.00	2.00	5.00	5.00
	4.00	2.00									
.00	3.00	2.00	1.00	1.00	2.00	2.00	2.00	1.00	2.00	5.00	2.00
	5.00	1.00	3.00	5.00	4.00	3.00	3.00	5.00	4.00	3.00	3.00
	2.00	3.00									
1.00	3.00	4.00	2.00	5.00	5.00	3.00	3.00	4.00	5.00	5.00	2.00
	2.00	4.00	5.00	5.00	4.00	5.00	3.00	5.00	4.00	5.00	5.00
	4.00	4.00									
3.00	4.00	2.00	4.00	.00	2.00	2.00	3.00	.00	5.00	.00	2.00
	2.00	.00	5.00	5.00	.00	2.00	4.00	5.00	5.00	5.00	5.00
	5.00	5.00									
2.00	.00	2.00	2.00	2.00	4.00	2.00	1.00	3.00	5.00	3.00	4.00
	2.00	2.00	4.00	5.00	5.00	2.00	4.00	4.00	4.00	3.00	2.00
	3.00	2.00									
2.00	5.00	2.00	3.00	3.00	4.00	3.00	2.00	2.00	4.00	3.00	2.00
	4.00	2.00	3.00	4.00	3.00	3.00	3.00	3.00	2.00	3.00	5.00
	4.00	3.00									

3.00	4.00 2.00 4.00	3.00 1.00 3.00	5.00 1.00	1.00 4.00	4.00 2.00	2.00 5.00	2.00 3.00	2.00 5.00	4.00 2.00	1.00 5.00	2.00 4.00
1.00	2.00 1.00 1.00	2.00 1.00 1.00	4.00 4.00	1.00 4.00	4.00 1.00	1.00 1.00	1.00 1.00	1.00 1.00	4.00 1.00	1.00 4.00	1.00 1.00
1.00	1.00 2.00 5.00	1.00 3.00 5.00	2.00 2.00	2.00 5.00	4.00 4.00	4.00 5.00	5.00 5.00	3.00 4.00	5.00 5.00	4.00 4.00	3.00 5.00
4.00	4.00 2.00 1.00	3.00 2.00 3.00	4.00 5.00	1.00 4.00	1.00 2.00	.00 1.00	.00 3.00	2.00 3.00	4.00 2.00	2.00 4.00	3.00 3.00
1.00	1.00 1.00 .00	1.00 .00 5.00	.00 4.00	1.00 5.00	.00 .00	.00 5.00	.00 .00	5.00 5.00	5.00 .00	1.00 5.00	1.00 .00
3.00	5.00 .00 1.00	1.00 1.00 .00	1.00 5.00	5.00 2.00	1.00 5.00	4.00 2.00	1.00 2.00	4.00 2.00	2.00 4.00	1.00 2.00	1.00 1.00
2.00	4.00 5.00 5.00	4.00 3.00 5.00	4.00 3.00	5.00 5.00	5.00 4.00	2.00 2.00	2.00 4.00	3.00 5.00	5.00 5.00	4.00 5.00	2.00 2.00
5.00	5.00 5.00 4.00	3.00 5.00 5.00	5.00 3.00	5.00 5.00	3.00 5.00	3.00 4.00	4.00 5.00	2.00 5.00	5.00 5.00	3.00 4.00	5.00 5.00
3.00	3.00 2.00 5.00	3.00 2.00 2.00	5.00 4.00	2.00 4.00	4.00 3.00	2.00 5.00	2.00 3.00	2.00 3.00	4.00 3.00	2.00 4.00	2.00 5.00
3.00	4.00 2.00 3.00	2.00 2.00 3.00	3.00 5.00	.00 3.00	2.00 2.00	3.00 1.00	3.00 2.00	4.00 2.00	2.00 1.00	2.00 3.00	2.00 3.00
1.00	5.00 1.00 1.00	1.00 1.00 1.00	4.00 3.00	1.00 1.00	1.00 5.00	1.00 1.00	1.00 3.00	1.00 3.00	1.00 3.00	1.00 1.00	1.00 1.00

2.00	1.00	1.00	4.00	3.00	4.00	1.00	1.00	1.00	5.00	2.00	2.00
	3.00	1.00	1.00	4.00	2.00	5.00	2.00	5.00	3.00	4.00	3.00
	4.00	2.00									
1.00	2.00	2.00	5.00	2.00	4.00	1.00	1.00	1.00	4.00	1.00	1.00
	1.00	1.00	3.00	4.00	1.00	5.00	1.00	1.00	2.00	4.00	4.00
	4.00	2.00									
1.00	2.00	2.00	4.00	2.00	5.00	1.00	2.00	2.00	5.00	3.00	3.00
	3.00	2.00	4.00	5.00	2.00	4.00	2.00	3.00	1.00	5.00	3.00
	4.00	1.00									
1.00	1.00	4.00	1.00	5.00	2.00	1.00	1.00	4.00	5.00	2.00	4.00
	1.00	2.00	3.00	5.00	1.00	5.00	1.00	2.00	1.00	4.00	2.00
	5.00	5.00									
3.00	3.00	2.00	4.00	3.00	5.00	2.00	2.00	1.00	5.00	3.00	3.00
	2.00	2.00	2.00	4.00	3.00	4.00	3.00	5.00	3.00	5.00	3.00
	4.00	1.00									
5.00	5.00	3.00	4.00	4.00	1.00	2.00	1.00	3.00	5.00	5.00	5.00
	2.00	2.00	5.00	5.00	2.00	4.00	3.00	3.00	3.00	4.00	2.00
	5.00	5.00									
4.00	4.00	2.00	1.00	4.00	3.00	4.00	3.00	3.00	4.00	5.00	5.00
	5.00	1.00	3.00	5.00	4.00	1.00	2.00	5.00	4.00	3.00	4.00
	5.00	3.00									
3.00	4.00	4.00	3.00	4.00	1.00	3.00	3.00	4.00	4.00	3.00	3.00
	3.00	3.00	5.00	4.00	3.00	4.00	3.00	4.00	4.00	4.00	3.00
	1.00	4.00									
2.00	5.00	3.00	2.00	5.00	5.00	1.00	2.00	2.00	5.00	5.00	2.00
	2.00	2.00	1.00	5.00	5.00	5.00	2.00	5.00	2.00	5.00	3.00
	5.00	5.00									
4.00	4.00	3.00	2.00	2.00	1.00	1.00	2.00	4.00	3.00	3.00	2.00
	1.00	1.00	1.00	4.00	3.00	2.00	3.00	3.00	3.00	4.00	2.00
	2.00	3.00									

APPENDIX D
Interview Questionnaires

Contracting Officer Questions

1. How long have you been working in Federal contracting?
2. How long have you been working at your present agency?
3. What dollar value of contracts (range) does your agency procure each year?
4. What dollar value does the HUBZone program represent to your agency?
5. How many HUBZone contractors have you worked with in your career?
6. Generally, what is your impression of HUBZone businesses?
7. Why do you think over half of the government agencies have not met their statutory HUBZone goal?
8. What competencies do you believe are required to successfully compete for Government contracts?
9. What competencies do you perceive that HUBZone businesses lack?
10. Does your agency procure more HUBZone competitive or HUBZone sole source contracts?
11. Is the HUBZone program easier than full and open competition in your opinion?
12. What do your colleagues think of the HUBZone program?
13. What do you perceive the benefits of the HUBZone program to be?
14. What barriers do HUBZone businesses face in attempting to secure government contracts?
15. What skills do you perceive are most important for HUBZone businesses?
16. Do you perceive the HUBZone certification process as a barrier to participation in the program?
17. Do you perceive that the inability to acquire financing is a barrier?
18. Do you perceive that access to Federal procurements is a barrier?
19. Do you perceive that Federal Contracting Officers create a barrier?
20. Do you perceive that the SBA processes and policies are barriers?
21. Do you perceive that the way in which the SBA measures the performance of HUBZone companies creates a barrier?
22. What improvements could be made to the program to help make HUBZone businesses more successful?
23. If you could give one training course to all HUBZone businesses what would the topic be?
24. Can you comment on the educational and training background of the HUBZone businesses that you have worked with?
25. What is the most successful HUBZone business that you worked with? Why?
26. How did you learn about the HUBZone program?
27. How does your agency locate HUBZone firms?
28. What training on the HUBZone program have you completed?
29. What recommendations would you have for assisting HUBZone firms with Government contracting?
30. Overall, do you feel the HUBZone program assists entrepreneurs with government contracting?
31. What recommendations would you make for policy initiatives or changes?

32. Is there anything further you wish to add or address in regards to our discussion?

Small Business Administration Business Opportunity Specialist Questions

1. How long have you been working as a B.O.S. for the SBA?
2. What did you do prior to this?
3. What is your business management background?
4. How many HUBZone businesses have you worked with in the past?
5. Generally, what is your overall impression of the HUBZone program?
6. Why do you think that over 50 percent of the government agencies have not met their HUBZone statutory goals in the past?
7. What competencies do you believe are required to compete successfully for a HUBZone contract?
8. Which, if any, of those competencies do you believe HUBZone businesses lack?
9. Does the SBA do more HUBZone competitive or HUBZone sole source contracts?
10. What is your general opinion of the HUBZone program?
11. What do your colleagues think of the HUBZone program?
12. What benefits do you think the HUBZone program offers?
13. What barriers do you perceive a HUBZone business face in trying to secure Federal HUBZone contracts?
14. What skills do you perceive are most important for HUBZone businesses?
15. Please comment on each of these topics that previous studies have shown to be barriers?
 - a. SBA certification process
 - b. Access to contracts
 - c. Federal government procurement personnel
 - d. Lack of financing
 - e. Performance measures
 - f. SBA processes
16. What improvements could be made to the HUBZone program to help make more HUBZone businesses successful?
17. If you could choose one subject that all HUBZone businesses owners must be trained in, what would it be?
18. Can you comment on the educational and training background of HUBZone businesses you have worked with?
19. What is the most successful HUBZone business you have worked with? Why?
20. How many firms in your portfolio have never received a HUBZone contract?
21. How did you learn about the HUBZone procurement program?
22. Did you receive any specialized training on the HUBZone program? If so, what training?
23. What recommendations would you have for assisting HUBZone firms with Government contracting?
24. Overall, do you feel the HUBZone program assists entrepreneurs with government contracting?
25. What recommendation would you make for policy initiatives or changes?

26. Is there anything further you wish to add or address in regards to our discussion?

Prime Contractor Small Business Specialist Questions

1. How long have you been working as a Small Business Specialist for the prime contractor?
2. What did you do prior to this?
3. What is your business management background?
4. How many HUBZone businesses have you worked with in the past year?
5. Generally, what is your overall impression of the HUBZone program from WTS' perspective?
6. Why do you think over 50 percent of the government agencies have not met their HUBZone statutory goals in the past?
7. Why do you think federal government prime contractors have a better performance record with HUBZone businesses than government agencies?
8. What competencies do you believe are required to compete successfully for a HUBZone subcontract?
9. Which, if any, of those competencies do you believe HUBZone businesses lack?
10. Does WTS do more HUBZone competitive or HUBZone sole source contracts?
11. What is your general opinion of the HUBZone program?
12. What do your colleagues think of the HUBZone program?
13. What benefits do you think the HUBZone program offers?
14. What barriers do you perceive a HUBZone business face in trying to secure Federal HUBZone subcontracts?
15. What skills do you perceive are most important for HUBZone businesses?
16. Please comment on each of these topics that previous studies have shown to be barriers to secure government contracts?
 - a. SBA certification process
 - b. Access to subcontracts
 - c. Federal government's prime contractor's procurement personnel
 - d. Lack of financing
 - e. Performance measures
 - f. Prime contractors' Processes
17. What improvements could be made to the HUBZone program to help make more HUBZone businesses successful?
18. If you could choose one subject that all HUBZone businesses owners must be trained in, what would it be?
19. Can you comment on the educational and training background of HUBZone businesses you have worked with?
20. What is the most successful HUBZone business you have worked with? Why?
21. How many HUBZone firms in your database have never received a HUBZone contract?
22. How did you learn about the HUBZone procurement process?
23. Are there Standard Operating Procedures manual for the program?
24. Did you receive any specialized training on the HUBZone program? If so, what did it consist of?

25. What recommendations would you have for assisting HUBZone firms in securing subcontracts from Government prime contractors?
26. Overall, do you feel the HUBZone program assists entrepreneurs with government contracting/subcontracting?
27. What recommendation would you make for policy initiatives or changes to enhance HUBZone businesses participation in the program?
28. Is there anything further you wish to add or address in regards to our discussion?