

**National Advisory Council on Minority Business Enterprise Meeting
Meeting Minutes
September 29th, 2011**

Marriott Wardman Park Hotel
2660 Woodley Road, N.W.
Salons A and B of the Wilson Room
Washington, D.C. 20008

National Advisory Council on Minority Business Enterprise (“NACMBE” or the “Council”) Meeting Minutes for September 29, 2011 Meeting

I. Call to order:

At 8:00 am on September 29, 2011 the third meeting of the NACMBE was called to order by Mark Hoplamazian, Chairperson of the NACMBE.

II. Attendance:

The following members were in attendance:

- Mark Hoplamazian, Chairperson
- Janice Savin-Williams, Vice-Chairperson
- Lamae Allen-deJongh, Accenture
- Jean Baderschneider, ExxonMobil
- Paul Hsu, HSU Enterprise Group, LLC
- Anthony Jimenez, MicroTech
- Ash Luthra, LSL Industries, Inc.
- Jose Mas, MasTec, Inc.
- Chris Melvin, Melvin & Company
- Elizabeth Plaza, Pharma Bio-Serv
- Alicia Robb, Ewing Marion Kauffman Foundation
- Roy Roberts, Alliance of Professionals & Consultants, Inc
- Ed Sanchez, Lopez Foods, Inc.
- Michael Schell, former Alcoa executive
- David Segura, Vision IT, Inc.
- Shelley Stewart, JR., Tyco International
- Chiling Tong, International Leadership Foundation
- Purnima Voria, National U.S. India Chamber of Commerce
- Joset B. Wright, National Minority Supplier Development Council

National Director David A. Hinson, Senior Program Manager Ivonne Cunarro, Demetria Gallagher and Wendy Echeverria attended on behalf of the U.S. Department of Commerce’s Minority Business Development Agency.

Norman Y. Mineta, Former Secretary of Commerce and Former Secretary of Transportation attended the meeting briefly. Chris Wilson and Rebecca Bloch-Lopez, both from Exxon Mobil, were also in attendance.

III. Introductions

National Director David Hinson welcomed three new members to the Advisory Council: Joset Wright, Dr. Alicia Robb, and Shelley Stewart. He thanked Dr. Jean Baderschneider from ExxonMobil for all their help with data collection. Hinson encouraged the Council to continue their work in recommending policies and proposals that would help minority-owned businesses grow in size and scale.

IV. Data Analysis Review

Dr. Jean Baderschneider from ExxonMobil and her team conducted research and analyzed attributes and growth factors of minority business enterprises (MBEs) utilizing data from Dun and Bradstreet (D&B). The team is analyzing factors that contribute to MBE growth and to MBE exports.

Dr. Baderschneider discussed some statistics from the preliminary analysis including the following:

- The D&B database contained 481,000 records of MBEs
- The distribution was 29% African American-owned firms, 23% Asian, 37% Hispanic, 5% Asian Indian, and 6% Native American
- 86% of MBEs in the dataset had revenues of less than \$1 million
- Average sales was about \$1 million for MBEs, and about \$1.7 million for exporting MBEs
- 85% of MBEs in the dataset had ten or fewer employees
- 25% of MBEs were concentrated in 7 industries
- Hispanic- and Asian-owned firms were more likely to export.
- The team identified industries and cities where MBEs have experienced the most growth over five years.
- The team identified that larger firms may be growing at slower pace than smaller firms.
- The team identified exporter firms by ethnic groups and geographic location
- California, Florida and Texas had about 45% of all MBE exporters in the database.

Preliminary observations:

- Factors identified that positively influence MBE growth
 - Industry, Access to finance, Location (States)
 - Smaller/younger firms grew faster than larger/older firms
- Factors identified that positively influenced MBE exports growth
 - Sales revenues, Access to finance, Age of business (older)

The team plans to conduct further regression analysis for ethnic and gender variances, test factors for MBEs and non-MBEs and against an MBDA report on exporting industries. Once data analysis is finalized it will be included in a report.

V. Subcommittee on MBE Definition and MBDA's Role:

Anthony Jimenez, Subcommittee Chair

The Subcommittee's research and analysis focused on these areas:

- A recommended definition of Minority Owned Businesses
- A summary of statistics on MBE's including industry sectors, revenue base and employment base of these businesses
- Next steps for minority-owned firms that want to grow and are looking for access to capital.

The Subcommittee reviewed various definitions for minority-owned businesses from the following government and non-profit entities:

- Federal Contracting Community (Small Disadvantaged Business)
- National Minority Supplier Development Council (NMSDC)
- U.S. Department of Commerce (U.S. Census and MBDA)
- State Definitions

The Subcommittee reported on the following summary of observations:

- Many minority owners of large businesses complain about the 51% rule which limits their ability to grow.
- If a company was currently at or slightly above 51% point of minority ownership, then further funding could only come from an expansion of debt or from additional minority ownership.
- Similarly, even firms with 100% minority ownership are limited in the amount of new non-minority equity funding they can obtain (only 49%) to keep their minority-ownership status.

The Subcommittee reported that after reviewing all definitions, they were recommending that the NMSDC definition be evaluated further for use in policy decision making:

- A Minority Business Enterprise (MBE) is defined as a business which is at least 51% owned, operated and controlled on a daily basis by one or more (in combination) of the following ethnic minority classifications: African American, Asian American, Hispanic American, and Native American (including Aleuts).
- In addition, in 1999, the NMSDC proposed a change in its definition of a "minority business", entitled the "Equity Capital Initiative". They proposed to allow currently-certified minority-owned firms to sell equity to venture capital firms and reduce minority ownership to as low as 30% and still maintain NMSDC-certification as "minority controlled".
- The objective was to provide equity-funding opportunities to those minority firms that desired to grow in this manner. In February 2000, NMSDC approved and implemented a new policy with the following provisions: only currently-certified minority companies would be considered, and consideration would be

on a case-by-case basis. Furthermore, minority interests would still have to maintain 51% of the voting stock, control of day-to-day operations, and have a majority of seats on the company's board of directors.

Further deliberation

- The Council discussed the challenges of raising capital and keeping minority ownership.
- The Council deliberated if the business should be addressed as "disadvantaged" business or minority-owned business, and the implications on growth for both terms
- The Council Chair requested the subcommittee deliberate further on the question about coordination across various localities given that there is nothing that currently supports coordination across agencies and other support organizations.

VI. Subcommittee on MBE Forum **Chilling Tong, Subcommittee Chair**

The Subcommittee stated they are recommending the development of a forum in support of minority-owned business growth. The forum would focus on the following:

- To provide ongoing sources of support, advice or value to minority business enterprises;
- To provide recommendations and support to MBE's in areas where they are most challenged;
- To form a network of support and collaboration in order to achieve objectives to grow MBE's;
- To increase contract and financial opportunities for MBE's;
- To leverage the resources of MBDA, including staff and the funded organizations, and alliance partners.

The Subcommittee also stated they would like to develop an inventory of current conferences or forums that support MBEs and review the benefits of attending these forums. They have also considered the criteria of the Young Presidents' Organization and other similar organizations and deliberated on those for the development of the forum.

The Subcommittee identified as top MBE challenges the following:

- Access to Capital
- Access to Contracts (Private/Public Sector Supply Chains/Procurement Opportunities)
- Understanding how to grow their businesses

Summary of next steps under consideration:

- The Forum would form a strategic partnership with the U.S. Department of Commerce and MBDA and develop a comprehensive relationship
- The partnership would be formally managed and focused on securing top level support to facilitate common goals, such as a business roundtable

- Identification of information on programs and tools from the U.S. Department of Commerce/MBDA to be included on strategic partners' websites and vice versa
- Development of an annual events calendar that denotes recommended U.S. Department of Commerce and/or MBDA's sponsorship or participation
- Strategies to increase the knowledge base around, and access to, existing relationships and tools

The Subcommittee presented the following preliminary recommendations for discussion and deliberation:

- Consider the definition of an appropriate cohort of companies (e.g., companies with \$50 million dollars or more in revenue, etc.) to form a network organization that has a structure similar to the Young Presidents' Organization (YPO) and develop criteria on which companies would be invited to join the network. Evaluate an appropriate size level by analyzing companies with, say, \$10 million to \$50 million in revenues – relative to their needs.

The Council also discussed the need to analyze the discrete skill sets MBEs need to become corporate and government supply chain partners. The Council also suggested separately identifying high growth companies and high export potential companies. Finally, the Council suggested creating smaller groups or cohorts of companies facing similar issues but have some diversity in size, for example, that meet regularly instead of a large forum of 20,000 companies that meet once a year. It was also recommended it should be an ongoing forum through which strategic partnerships can be formed to support business growth.

- Need to identify trade associations and companies that can support the Forum such as the Billion Dollar Roundtable and top companies with supplier diversity programs/data/and research.
- Need to identify strategic partners and organizations that could play a role in making such a forum valuable to minority businesses owners. Develop a value proposition for such partners / organizations that secures their participation.
- Develop ongoing communication between the Forum and stakeholders to establish and foster mutual understanding, promote stakeholder involvement and influence behaviors, attitudes and actions with the goal of providing reciprocal benefits.

Suggested outcomes for the forum include the following:

- A productive discussion of issues related to minority business enterprise.
- An exchange of resources between partners.
- Access to timely information and principles.
- Joint projects that create opportunities for MBEs to develop global business.
- Creation of opportunities for MBEs that create more jobs in the US.
- Increased access to capital, markets and management skills.
- Development of stakeholder meetings.
- Participation in stakeholder events.

- Training, tracking and reporting of outcomes

The Subcommittee also reflected on the need to deliberate ideas that can set apart this forum from others and make sure that the forum is supporting minority-owned businesses that are on the cusp of growth.

The Council summarized the specific outcomes for the forum:

- Networking
- Source of data and input on a series of topics
- Repository of best practices that define a good business
- Sounding board for participants
- Creation of strategic partnerships to potentially source new business, particularly if the forum is divided in subgroups by industry

The Council also discussed thoughts of starting small and then taking the forum concept nationally. The Council believes that it will be important for the Commerce Department to support and validate the forum. In addition, it was stressed that the forum should utilize the synergies of other forums and set itself apart from what may be already in existence.

VII. Subcommittee on Strategic Alliances & Exports

LaMae Allen deJongh, Subcommittee Chair

The question discussed by the Subcommittee was how can strategic alliances further enable MBE growth and increase exports.

Areas of Focus:

- Recommend a definition of the type(s) and use of strategic alliances to enable growth and export facilitation.
- Recommend an approach for targeting MBE's that are on the cusp of growth and would benefit from strategic alliances.
- Recommend a delivery mechanism for MBE's to facilitate the establishment and on-going maintenance of strategic alliances.

Summary of Observations:

- Strategic alliances can assist in leveling the playing field, but it is important that the purpose of any strategic alliance is well understood and provides mutual benefits for participating companies.
- Based on our current landscape of MBEs:
 - Factors identified that positively influence MBE growth :- Industry/Access to capital/Location
 - Factors identified that positively influence MBE export growth :- Sales/Revenue Access to capital/Age of Business
 - MBE Exporters appear to be: More mature companies with larger revenues but with a relatively small number of employees. These are also typically in lower growth industries.

Summary of Preliminary Recommendations:

- There are three types of strategic alliances: MBE to Supplier, MBE to Buyer, and MBE to Government.
- The Subcommittee will focus on strategic alliances between MBE to Supplier and MBE to Buyer for promoting revenue growth and export facilitation. MBE to Government is out of scope for this subcommittee.

The Council discussed that not every MBE may be at the right point of maturity to take advantage of a strategic alliance. The Subcommittee also said it is important to start a pilot program and then expand it. It is also important to understand there is a life cycle to the strategic alliance. In addition, the Subcommittee recommended the implementation of a survey of MBEs to be more informed about what would be most effective to help them grow. There was also a discussion about the synergies of all three Subcommittees and how their recommendations may support each other.

VIII. Review of the Subcommittees & Work on Recommendations:

Subcommittee 1:

The Subcommittee has been charged with three things:

- Recommending a new definition of minority-owned business
- Comparing this recommended definition with other definitions
- Recommend what the role of MBDA should be in the future

Recommendations:

- To have a national standard and a standard certification.
- Require minority businesses to be certified by MBDA or a third party
- MBDA should analyze the data on MBEs
- Need for a coordinating agency that can coordinate efforts across agencies (could be MBDA)
- Increase the budget for MBDA – justified by outcomes
- Helpful to have an Auditing agency
- Important to have an Ombudsman
- Follow up with companies that are certified and learn the benefits of certification and speak with those that are not certified to learn why they chose not to be certified.

The Subcommittee also discussed that if a survey of MBEs is done, it would be good to ask MBEs who are certified what benefits they received as a result of such ‘certification,’ and to MBEs not certified, why didn’t they get certified.

Subcommittee 2: Observations and recommendations:

- The Subcommittee discussed the criteria, outcome, strategy and format of the forum of minority business owners.
- Networking is critical for the forum
- It is necessary to pursue a pilot project
- Main goals of the forum will be access to capital and globalization
- MBEs between \$10 million and \$50 million in sales may be the target
- MBEs with high growth potential
- The pilot could be started in one state with a high concentration of MBEs: e.g. California, New York, Florida and Texas
- Would like to match MBEs with corporations and financing institutions
- To identify strategic partners for MBEs

The Subcommittee discussed including questions in a survey of MBEs to ask MBEs in which potential topics of the forum they would be most interested. The Council also discussed that the forum should provide a benefit to the participant MBEs and also should result in a best practice or model that could be then shared with other MBEs.

Subcommittee 3: Recommendations:

- The Subcommittee proposed the following objectives for a Survey of MBEs:
 - Validate the qualitative attributes that positively influence growth, both in terms of revenue growth and export dollars.
 - Identify the constraints or barriers to growth.
 - Secure input on preliminary recommendations with a specific focus on validating the proposed types of strategic alliance models.
- Three key sections to the survey.
 - 1st Section: The Profile which will include soliciting data like types of certification.
 - 2nd Section: Qualitative attributes to growth
 - 3rd Section: Growth constraints.

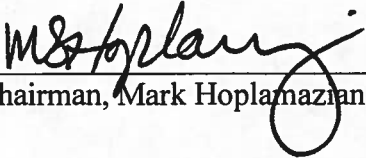
The Council discussed the timeline for the survey and the process that MBDA and Council will have to follow for approving the survey with the Office of Management and Budget, if necessary.

IX. Next Steps and Wrap Up

Chairman Hoplamazian proposed to hold the next Council meeting on Monday, December 12 in New York City. The next subsequent Council meeting is proposed to be held on February 6 in Washington, D.C. Hoplamazian encouraged the subcommittee members to discuss in more detail the remaining questions and to write a draft of recommendations for the December 12 meeting. The Subcommittees should use the time between this meeting and the next Council meeting to hold calls and meetings to work on the recommendations. A Subcommittee Report should be prepared for the February 6 meeting with the goal of finalizing the Recommendations by March 1.

X. The Meeting adjourned at 4:40 pm

I hereby certify that, to the best of my knowledge, the foregoing summary of minutes is accurate and complete.



Chairman, Mark Hoplamazian

November 16, 2011
Date