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Graduating from set-asides

By Erica Schlaikjer

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Obtaining government set-aside contracts is one way minority-owned businesses can scale up and compete in mainstream markets.

Chicago aims to award just under a third of city contracts to businesses certified through its Minority and Women-owned Business Procurement Program. State and federal agencies do the same through Disadvantaged Business Enterprise programs, which have varying eligibility requirements for qualified firms depending on the industry.

For example, to bid on minority set-asides from the U.S. Department of Transportation, a firm must have less than \$20.3 million in annual gross receipts, and the business owner's net worth cannot exceed \$750,000. The idea is to help firms "graduate" out of government-assisted programs into the private sector once they achieve a certain size.

Ernest Wong, 49, started his landscape architecture firm, Site Design Group Ltd., in 2000. Though revenue totaled \$1.2 million last year, his business has yet to grow as big as he needs to take on bigger, private-sector projects. About 75% of his work comes from city contracts.

"How am I ever going to graduate if I'm not able to get these larger projects as a prime (contractor)?" he says. His minority status provides good opportunities to work on projects for the city of Chicago and other government agencies, he says, but it has not enabled him to achieve mainstream status.

Eric Dobyne, regional director of the Washington, D.C.-based Minority Business Development Agency, says the biggest challenge for minority-owned firms is achieving a diverse revenue stream.

"None of the programs was intended to be the only source of contracts for minority vendors," he says. Mr. Dobyne instead recommends that minority vendors forgo some public-sector jobs and focus on developing corporate clients.

"But it's a Catch-22 for them," he says. "They're thinking, do I capture the opportunities right now when they're right in front of me? Or do I go out and try to build on opportunities for the future?"

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