Minority Purchasing and the Vendor Issue

George R. Guscott, Moderator*

The purpose of this workshop is to define the problems that are encountered by minority business people in the area of procurement. We have a panel of four people who have been directly involved in the field of procurement and associated areas.

Our first speaker is Ed Gooding from the Federal Reserve Bank of Boston. Mr. Gooding is experienced in business situations regarding minorities and in purchasing also. He directs the Bank's Urban Affairs Section, and his involvement has been primarily with minority business people and their problems.

Edwin C. Gooding**

Today I would like to set the stage for our discussion of programs to aid minority vendors and try to point out what such programs, if successful, might mean to our society.

A minority vendor program as part of the larger minority business enterprise program is *not* going to be a panacea which will solve all our race relations problems and/or poverty problems. In the past, I have seen some advocates of minority business programs use them as an excuse for phasing down or out manpower training, education, and community development programs, which are just as necessary in our struggle to make the United States truly an equal opportunity society.

In fact, it may come as a surprise to some, but many minority firms that are benefiting and will benefit from the minority vending effort are located in the inner city and may not have a significant proportion of minority employees. Of course, other minority firms that benefit from the vendor program do operate in a minority community and employ predominantly minority workers. The point is that the primary purpose of the minority vendor program is and should continue to be to foster the growth of firms which are owned and operated by individuals of minority

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background. To the extent our minority vendor program is successful, we will integrate minority owners more fully into the system by giving them the opportunity to earn a "piece of the action." If successful, a vendor program will increase the number of minority people who have significant economic power in our society. The hope is that our minorities then will not feel shut out of the Horatio Alger dream, but will be more comfortable with "the system" if full access to it is not denied them on the basis of race.

What lessons have the major companies learned about how to run an effective program? Probably the most important lesson is that if the program is to be truly effective, the chief executive officer of the company must be committed to the program's success. If this commitment is there, corporate policy then must allow some discretion in modifying ever so slightly the purchasing efforts of the corporation. Typically, the purchasing function has three high priorities: delivery, quality, and cost. The way a buyer is most likely to lose his job is to shut down the assembly line for lack of parts. Consequently, new suppliers of *any* background may be suspect and "not worth the risk." Given the inherent minimum-risk disposition of a typical buyer, corporate goals must be set and broken down to each buyer, so that there are rewards for performance in this area and, implicitly, some penalties involved for non-performance.

There are several ways a company and its buyers might productively modify purchasing procedures to create a successful minority vendor program. The first step is to make a special effort to identify the minority vendors, their products, and their capacity to deliver. The regional Minority Purchasing Councils such as ours in New England can be very helpful in this effort. Our Council has in fact just published a directory of minority vendors which will be periodically updated to facilitate buyers' efforts. Of particular value to both a minority firm and a prospective buyer is the information that a minority vendor has successfully sold and made delivery to another major firm. Consequently, the format of the Council's directory was designed to include this information. If a buyer places carefully selected minority vendors on appropriate invitation-to-bid lists, he or she has taken a giant step toward developing a program.

However, that first step alone is not really enough. Most companies' invitations to bid reserve the right to accept or reject any bid submitted. Consequently, corporate buying practice should be quietly modified to permit the acceptance of a somewhat higher bid from a minority firm in order to develop that business as a supplier. That practice can and does occur for other purposes, such as developing an alternative supplier if the buyer feels the need for one. Thus, companies and buyers deviate from standard operating buying procedures to accomplish other objectives, and if they want a successful minority vendor program, they must use their creative energies to that end as well.

I should point out that the cost of such efforts need not be high and may be offset by savings from low bids from minority suppliers. It is not necessary or desirable for a firm to pay an inordinately high premium in the name of a minority vendor program. One very large company did a survey of the premiums paid by its buyers in the fourth or fifth year of a program which has $18 million of purchases in its latest year. This company found that it has only paid a premium of $40,000 to accomplish this substantial amount of purchases. That premium, a gross cost, represents ¼ of 1 percent. It is entirely possible that the premium may have been more than offset by bids from minority vendors that were lower than those submitted by other vendors competing for the business.

Buyers are conscious of their responsibility to keep their suppliers from feeling they are being treated arbitrarily or capriciously. Majority suppliers are understandably resentful of losing business to a firm "just because the firm is minority-owned." There is no easy way around this problem. Although some minority suppliers are fully competitive, if their number were proportional to the minority population, the need for a special program would be significantly less. When a buyer has identified a minority vendor, an alternative to the bid process is the negotiated price, particularly if an approximate market price can be determined. A bid negotiated with a minority supplier avoids inviting a majority vendor to bid on a job he is unlikely to get.

A buyer has some special responsibilities once he is engaged in a minority vendor program. If a bid from a minority vendor is unrealistically high, an attempt should be made to determine whether the vendor can become competitive, perhaps by referring him to a technical assistance agency. Alternatively, the bid might be extremely low. Again, an effort should be made to determine if the firm can deliver the goods at the bid price without going into bankruptcy.

There is a real possibility that a minority firm can be seriously hurt and perhaps ruined with too much business. I remember a case of a minority contractor who went bankrupt on a municipal job that was about ten times his previous annual volume. I have also heard a tale of officials of a large majority company making every effort to break down a $10 million order to units of $1 million to encourage minority vendor participation and wondering why they still received no bids. This story illustrates the huge gap between the scale of major industrial firms and the capacity of most minority firms. The minority vendor must also realize the limits of his firm's ability to deliver.

Some buyers in large firms are guilty of tokenism. This is, placing a single $200 order with a firm which may need an order of $1,000 or more to break even on that business. I firmly believe that a majority firm should concentrate on developing a relatively small number of minority businesses by giving them recurrent and economically significant orders. It is only through profitable, recurring orders that a strong base of minority vendors can be built.

A few minority businessmen confuse their roles in the black political movement with their roles as businessmen. It is probably necessary to keep the political focus on the Federal and state legislators, to make sure minority vending efforts are a major priority in our society. However, it is usually disastrous to resort to political posturing when you are representing your business to a buyer or a purchasing manager. At that level, the most successful approach is usually to act as a businessman who just happens to be minority.

Another cold reality is that, as with majority firms, only a relatively few firms will be successful suppliers to majority companies. But some chosen few should be able to do extraordinarily well. Given all the obstacles to making a minority vendor program a success, I am pleasantly surprised by the relatively good start I see in the program and the long-term commitment developing in both the public and private sectors to make such a program work. Remember, the national minority vending program is still in its infancy.

Not all the minority vendors in our audience today will benefit from the program. In the longer term, the business will go to those who can compete effectively with majority suppliers. A minority vendor program gives minority businesses access to the track and some extra help in running the first few laps. Remember what has happened in professional athletics since the racial barriers in major league sports were broken. I don't mean to suggest that the problems of minority business ownership will be solved as simply or as rapidly as those of minority participation in professional sports. But I do believe that most of us here today are working for a day when the phrase "minority vendor" will have no meaning, because a person's racial background will no longer affect the way one person behaves toward another.

Mr. Guscott

Out next speaker is James Hill of Raytheon Corporation. He was also first President of the New England Minority Purchasing Council, and he has been involved in the field of procurement for many years. Mr. Hill will speak on Corporate and Buyer Perceptions of Minority Purchasing.

James M. Hill, Jr.*

When a corporation decides to increase the volume of purchases awarded to minority-owned suppliers, it may base its decision on a keen perception of its role as a corporate citizen, on what is generally called "enlightened self-interest," or on an absolute contractual requirement to perform. Normally the decision is founded on some combination of motives, accompanied by an awareness of certain practical problems that will arise as a consequence. The depth of certain problems and the frustrations generated by a predictable larger-than-expected gap between expectations and performance are at the root of many of the misunder-

*Director of Procurement for the Raytheon Company and the first President of the New England Minority Purchasing Council, Inc. (1975-76).

standings between well-intentioned companies and the minority business community.

The individual singled out to execute the corporation's decision to engage in minority procurement is, of course, the buyer. He must clearly understand management's purpose and must know the ground rules for carrying out this singular objective, particularly in whatever respect such rules change or modify his basic charter to satisfy cost, schedule, and quality objectives. His perception of the risk of job performance failure must be adjusted to reflect as nearly as possible the intent of management, in order to relieve him of, at best, puzzlement or, at worst, frustration in reconciling the new role management expects him to play. Whether it is puzzlement or frustration, lack of definition inevitably leads to procurement patterns that satisfy neither the corporation nor the minority business community.

The role of the regional Minority Purchasing Councils is to alleviate the misunderstandings, dissatisfactions, and frustrations as much as possible by communicating the ingredients of successful corporate programs. Information is exchanged about policy, organizational planning, and experiences in implementation. Regional market opportunities are defined and vendors are identified to ease the search for sales and purchases that will support the objectives of both groups.

Corporate Perception

At best the corporation chooses to implement a minority vendor program in a positive effort to support an economically deprived portion of the business community, in its role as a corporate citizen. Corporate character asserts itself to correct an unjust situation for purely moral reasons.

"Enlightened self-interest" as another motive suggests that purchasing from profitable minority-owned enterprises provides a preferred alternative to paying the cost of welfare subsidies in meeting the economic needs of minority groups. Competitive procurement from a special brand of suppliers is economically superior to increased taxation. Indeed, there is economic value in broadening the base of the regional infrastructure, and there may even be lower-cost purchases available from small firms operating with little overhead and low labor rates.

Finally, companies may be motivated quite simply by the terms of the contracts they hold with Federal, state, and municipal governments, requiring that minority vendors be included in the procurement plans for execution of contracts held.

Whatever the combination of motives, corporations are usually aware that the decision to buy from minority vendors will bring with it a set of problems. Most obvious is the need to communicate the decision throughout the organization, and especially to those who will execute the program—the buyers. It is also assumed, sometimes erroneously, that a minority-owned supplier cannot compete on equal terms with existing suppliers. Exceptionally supportive activities and attitudes may be necessary, subsidies of price or effort may be required, and a greater risk of supply failure is to be expected.

Less obvious to the decision-maker as a problem is the difficulty of shifting business from existing suppliers to new suppliers. If the volume of purchases is stable, this problem is reasonably manageable, and if the volume is increasing, the problem is minimized. But if volume is declining, it is quite a difficult situation for the buyer to control. Another subtle variation of the same problem is the shifting of components previously manufactured by the buyer or his firm to procurement from a minority source. Manufacturing management becomes concerned with the loss of direct production control and the increased quality risk, while employees and unions are concerned with the effect on employment. Again, the problem varies with increasing, decreasing, or stable shop load.

Corporate frustration generally results from a misunderstanding of the intensity of effort required to cope with the obvious problems. A statement of purpose must be repeated many times, not only to convey the original decision accurately but also to emphasize management's determination to carry out the program. In a large organization it is difficult to reach every individual who can influence procurement either directly or subtly and to institutionalize the desired attitude. Further, in executing the program, innumerable procedural problems arise, creating an ever-increasing need to communicate more and more detailed instructions. The degree of necessary management involvement usually far exceeds original expectations.

Another problem of unexpected magnitude may be found in the amount of guidance the buyer needs in order to provide unusual support to the initial efforts of a new minority supplier to become qualified. Granted that a new minority firm may need extra help at the outset, the buyer still wants to know how much extra time he should allow for performance, how much of a price premium (if any) should be paid, how much functional talent should be provided, and on what basis to judge ultimate viability. The buyer needs more than general philosophical guidance from management, as we shall see later.

Corporate communication of motive and policy to the minority business community is often frustrating. The minority businessman, who generally has no reason to believe that the "majority" community wants to be of service, is certainly skeptical of public statements of support. If the corporation reveals the ground rules for its program, and many do not, the experience of the new minority supplier as he seeks business may add to his skepticism, if he finds to his dismay that the company's own buyers do not behave as he expects. The result may be a rebuffed and wounded corporation on the one hand, and a cynical minority businessman on the other.

Finally, the corporation may discover eventually that it can achieve results only if it institutionalizes its minority vendor program. Usually this must add to existing administrative systems, increasing the administrative burden and cost in an unexpected way and leading to further frustration. The ultimate objective of completely "normal" relationships with minority companies need not be abandoned, but the transition period becomes longer and more difficult than anticipated.

Buyer Risk

The buyer's charter is to obtain materials that meet performance, quality, cost, and schedule objectives. He constantly seeks to reduce the organization's risk of failure due to supplier or material inadequacies. Thus, he is not a risk-taker by virtue of his basic mission.

When management introduces a new program such as minority purchasing, the buyer's perception of added risk colors his attitude toward the new requirement. If he believes the use of minority companies as sources of supply will increase his risk of failure, he will either attempt constructively to help minority firms achieve a sort of equivalence to "regular" suppliers by extraordinary efforts or he will resist the program. Either way, he is attempting to return the level of risk to what has been tolerable for him in the past.

The buyer who chooses to resist will often hope the program is temporary and will watch for signs that it is just another management fad. Some may consciously or unconsciously seek minority suppliers unsuited to the requirements at hand to prove that the program cannot work.

The buyer who chooses to cooperate must often provide unusual support to his new minority sources so that the manufacturing process does not experience any change in the reliability of supply. Neither the corporation nor its customers can tolerate any change in the final product, so whatever differences exist at the beginning of the acquisition process because of the introduction of new suppliers must be compensated for, by the time material reaches the production floor. The buyer's efforts to achieve this are often misinterpreted by the minority businessman as unfair "extra" demands, but the sincere buyer is trying to bring what he sees as unusual risk down to an acceptable level.

Whether the buyer is willing or unwilling, it must be made clear that management expects performance. It must also be clear whether or not management will accept abnormal measures to achieve program goals — measures such as price subsidies, dual sourcing, special financing, or the furnishing of materials.

In addition, management should demonstrate its support by rewarding success and penalizing failure. Most important, the buyer should be forgiven for a minority vendor's failure, providing he has taken reasonable measures to protect the corporation's requirements. The buyer, as the individual responsible for the execution of procurement policy, can easily become puzzled or frustrated as he tries to carry out a minority purchasing program which has been mandated by management but which runs counter to his instinct to reduce the risk of supply failure. He becomes even more puzzled or frustrated when minority suppliers interpret his protective over-reaction as antagonism.

Role of the Council

The New England Minority Purchasing Council sees its role as one of helping the corporation establish a minority vendor program with minimum frustration, helping the buyer overcome the apparent threat to his minimum-risk charter, and helping the minority business community to find market opportunities. The Council may also encourage the growth of minority business by generating a better understanding by both buyer and vendor of the problems that may arise despite genuine efforts to succeed.

The Council can help the corporation by providing the outline of a successful minority vendor program. Model policy statements are available, for example, along with implementation guidelines such as commitment by the chief executive, setting of goals, organization, and performance measurement. The Council can assist the corporation in the development of clear statements for the guidance of buyers with regard to subsidies, special efforts, short-term/long-term vendor support, and citizenship. In addition, buyer training is available in the perhaps unfamiliar process of dealing with minority vendors. At the practical level, the Council identifies local or national minority suppliers that can fulfill the buyer's requirements.

The Council further enhances minority business development by referring minority companies to market opportunities. It also provides sales training to improve the minority supplier's ability to capitalize on these market opportunities. It attempts to bring together both sides as often as possible under favorable circumstances to speed up the courtship phase of a new supplier/customer relationship through trade fairs, general seminars, the "matchmaker" program, plant seminars and other "mixers."

Summary

The minority business community should try to understand the corporation's need to maintain product integrity and competitive costs. It should also understand that these corporate objectives drive the buyer to seek low-risk supply systems.

Corporations that choose to support the growth of minority firms, on the other hand, must accept the costs in real dollars and effort associated with such a program. They must also accept the requirement that the organization, and especially the buyer, understand both the commitment and the boundaries for unusual means of implementation.

The result in the long run will almost surely be savings in social costs, both real and intangible. There may also be a more immediate and quite genuine saving as new suppliers become competitive and the corporation supply base is broadened.

Mr. Guscott

We come now to Mr. Gene Roundtree. Gene operates a company dealing in stainless steel and is one of the most successful minority businessmen in the New England area. His firm is one of the 100 top black businesses in the country, and Gene is an authority on the problems that are associated with minority business.

Eugene V. Roundtree*

I don't believe minority business is going to take a giant step forward until Congress passes an Act requiring it. This is something that basically none of us wishes to see because it means more government involvement, which is costly. However, as I look at the history of industry, it appears inevitable.

Majority companies saw the unions coming and yet did very little to improve the workers' plight until the unions forced them to. These same companies saw environmental protection coming and again did nothing. They saw OSHA coming and did nothing; they saw EEO coming and are still fighting it. Now minority business is here. It has been talked to death, organized through a myriad of organizations, and still for all practical purposes is at a standstill.

It has been argued that the majority companies will handle it on a voluntary basis, but that isn't happening.

I have heard every possible excuse — to list a few:

1. We can't find the minority companies which sell what we need.
2. They are not competitive.
3. They do not provide quality.
4. They do not deliver on time.
5. They lack expertise.
6. They are not aggressive.

I hear the excuses but I do not see the efforts of majority companies to overcome these supposed problems.

I believe the major problem in minority companies getting business is that it means some white company will lose out on that business, and the majority company buyers can't make that adjustment. This is why in many instances minority companies can't get the opportunity to quote. If we quote, are competitive, and can deliver, some white company does not get the order.

As an example, I quoted one company on $500,000 of stainless on a contractual basis. I was advised that I was 2 percent high and could I adjust. I replied I would reduce my prices by 3 percent if I could be guaranteed I had the contract for the material. I could not get an answer. I did get the contract for their companies' fastener business and they can't get their buyers to honor the contract.

*President of All Stainless, Inc., the largest minority company in the New England Minority Purchasing Council, Inc.

I have another national contract with a major corporation originally estimated at $130,000 to $150,000 a year. So far in five months we've done $4000 of business.

I don't believe the problem is the minority companies' capabilities as much as what becomes of the company the minority company replaces. I have witnessed the plea of the white company which is about to lose out and have seen the minority company sacrificed, even though its bid was low and correct.

If we as minorities sold a product everybody needed and no one else sold, we would not have a problem, but this is not the case. If we get the order, someone loses (usually someone white) and this is the problem. This is true even though we get to keep very few of the dollars we win in contracts. I promised no statistics but I heard we barely keep six cents on the dollar because we control no natural resources or utilities. If we get the order we must in turn buy from the majority companies to supply our needs.

So, in conclusion, I must restate: If we wish to avoid legislation we must get business now, not sometime in the future. Now!

Mr. Guscott

We conclude by calling on Robert Royster, President and Treasurer of the Lewis H. Latimer Foundation. The Latimer Foundation was founded principally to provide expertise to minority business people in the fields of sales and market representation, which again deal directly with procurement.

Robert S. Royster*

There are probably as many questions regarding the minority purchasing and vendor issue as there are people at this conference. Based on my experience, I have not observed a comprehensive solution to this question. Some isolated instances of effective programs have been directed to the minority business effort. I will review several of these later in my presentation.

Let's first look at the question of the need for a minority purchasing program and compare the effort to that for non-minority business. Before I begin, let me try to impress on you my desire not to make this a black/white issue but just to point out the fact that business is conducted in a variety of ways.

If we could be honest with ourselves, we would have to admit that America's minorities have been almost totally disenfranchised as far as our economic system is concerned. It is this condition which perpetuates the climate and maintains those attitudes which continue to strangle our society. Therefore those programs and efforts directed towards minority

*President of the Lewis H. Latimer Foundation, Inc., a publicly and privately funded effort to aid minority businessmen by helping them develop their marketing and sales ability.

business development are viewed as a "dole" and not as the investment in America which they really are. One must truly understand this climate before any constructive development can take place.

A great deal of controversy has arisen recently over efforts of the Federal Government to assist the development of minority enterprise. Sparked initially by the civil disorders of the mid-1960s, "Black Capitalism" programs were highly touted as the way to give minorities an economic stake in the survival of their own communities.

Today, however, the pressure for such programs has eased. The cities are quiet and other issues have taken precedence over those loosely labeled "civil rights." The generally poor state of the U.S. economy has brought into the open resentments and frustrations over government programs which single out minority-owned companies for special assistance.

One of the victims of this change in attitude has been the highly controversial "8(a) Program," under which certain Federal contracts may be taken out of the usual procurement processes and "set-aside" for performance by qualified minority companies. The Administrator of the Small Business Administration (SBA) was given authority to negotiate such contracts by Section 8(a) of the Small Business Act of 1958. However, it was not until 1970 that regulations directed the SBA to use this authority to assist "socially and economically disadvantaged" small businesses. The purpose of the program was to provide potentially successful minority-owned businesses with a relatively stable source of (government) business during their "start-up" years — the period during which more than 50 percent of new minority businesses fail.

There is no doubt that the program has been successful, both in channeling government business to minority firms and in helping those firms to become better able to compete with other companies for competitive government and private contracts. In fiscal year 1975 minority firms received 8(a) contracts worth $321.5 million, up from $8.8 million in fiscal year 1969. More significantly, in fiscal year 1975 minority firms won 57 percent of their Federal contracts on a purely competitive basis, while in 1969 only 30 percent were won competitively.

Opponents of the 8(a) Program complain that it gives minority companies an unfair advantage in the scramble for Federal contracts. However, in reality, even with the help of 8(a), minority firms continue to receive far less than their fair share of government business. While minorities own 4 percent of America's businesses, they still receive approximately 1/2 of 1 percent of all government contracts. In addition, contracts awarded under the 8(a) Program tend to be smaller than those awarded in other ways. In 1972, for example, the General Services Administration (GSA) (the largest civilian purchasing agency in the Federal Government) awarded 415 contracts under the 8(a) Program, 72 percent of which were for less than $50,000.

It is also interesting to note that opponents of the 8(a) Program have not been heard to complain about "sole source" or "negotiated" Federal contract awards, also made without open competitive bidding. These procurement methods account for a significant percentage of all Federal contracts and pose a far greater threat to "open competition" than the relatively small 8(a) Program.

Minority firms are hardly the only companies that have been given an "advantage" in the Federal procurement process. "Small business" — as a class — also benefits from an SBA set-aside program, and additional preferences are given to companies located in "labor surplus areas" or those hiring hard-core unemployed, graduates of certain training programs, or the handicapped. In all, the Federal Government operates almost 40 social or economic "programs" through preferences in the procurement process.

The 8(a) Program and other Federal efforts to assist the development of minority enterprise must be viewed as an investment in the future economic and social stability of this country. Over the years, we have been willing to commit billions of dollars to the economic development of other nations. Yet there has been no similar commitment to develop our own economic resources within the minority community.

Stable, successful minority companies could contribute much to our national economic recovery. They are customers as well as suppliers; they are taxpayers, located for the most part in those major metropolitan areas — like Boston — that find their tax base continually eroding; they provide employment for community residents, helping to ease the burdens of welfare and unemployment. And, perhaps most importantly, minority firms are a reservoir of, as yet, untapped talent that could help solve some of our most urgent problems.

Over the past several years, the New England economy has experienced a severe recession that has thwarted the growth and development of most small businesses. However, in spite of these conditions, major accomplishments have been made in this region by a number of minority-owned businesses. These firms have overcome racial as well as economic conditions to make extraordinary strides toward stability and success.

The minority firms in this category cut across a broad spectrum of business activity — from construction and manufacturing to research and development and professional services. They have been awarded large dollar contracts requiring technical expertise long thought to be far beyond the capabilities of minority industry.

Electronics has been a field of major development for minority firms. A Cambridge-based firm currently holds contracts in excess of $600,000 for the development of unique computer software systems for the Federal Aviation Administration, the Department of Transportation, and the Electronic Systems Division of the United States Air Force. Another minority firm is doing similar work for the General Services Administration and the U.S. Navy. Minority electronic assembly and fabrications firms in Connecticut are manufacturing parts for Federal facilities throughout New England and as far away as California.

Data Signal Corporation, a Watertown company, has designed and developed the most technologically advanced supervisory control systems in the world. A major midwestern municipal gas company has contracted with Data Signal for the development of a completely automated system to control and monitor the status of service to all of its customers. This system is to be one of the largest of its type ever built. Other Data Signal systems have been installed by public utilities in Boston, New Hampshire, and Maine. These contracts alone represent nearly $350,000 in new business for this minority firm.

Even in the field of construction, where minority firms have long been relegated to the role of minor subcontractors, the picture has brightened over the past few years. Three Boston-area contractors are currently serving as general contractors on projects worth nearly $2 million, and prospects are good for substantial minority participation in the multi-million dollar Southwest Corridor project in Boston.

Other examples in the service industries are:

— a South Shore-based stainless steel distributor has opened branch plants in Midland, Michigan and Freeport, Texas;

— a cleaning contractor landed an $800,000 contract to provide services to the Portsmouth, New Hampshire naval facility;

— a minority caterer continues to provide mess attendant services for the entire Weymouth Naval Air Station.

Such achievements have not been limited to black-owned businesses. Firms owned by Spanish-surnamed men and women have also been quite successful. Currently in New England, at least three such firms have gross sales in excess of $1 million, and three others have sales of between $500,000 and $1,000,000.

Why have these minority firms been able to grow and prosper despite the social and economic obstacles in their paths? The programs and policies of the Federal Government have certainly played a role. As the Nation's largest consumer, the government provides an excellent market for minority-produced goods and services of all types—a market that has been tapped with slowly increasing success. Several local institutions also have had confidence in the capabilities of minority enterprise and a vision of the importance of its future role. Harvard University has awarded over $2 million in business to minority firms during the past year and hopes to increase that amount to $4 to 5 million next year. Digital Equipment Corporation of Maynard probably has one of the most creative and growth-related vendor programs in the New England region. The First National Bank of Boston has continued to be a leader in making loans to minority firms. Adequate capitalization is an essential, yet often missing, ingredient in the development of successful minority enterprises. This is not to say that other institutions have not taken a similar position toward minority business, but these are the leaders in their respective fields.

While these factors have been important, in the end it is the talent and dedication of the minority entrepreneur that has been and remains the most important. New England minority firms have performed extremely well on those contracts they have received, and they have earned the confidence and respect of skeptical procurement officials and purchasing agents. For example, the default rate for minority firms on Federal contracts in this region is extremely low — less than 3 percent out of more than 550 contracts. Minority entrepreneurs have also been particularly adept at identifying "growth industries" and creating new companies to meet the demands of these industries. Data Signal Corporation is a prime example of a firm designed to meet the new challenges of energy management and conservation.

Even with the successful completion of major contracts and the growth of a number of minority firms, much remains to be done. The Latimer Foundation, as a catalyst in the process of minority economic development, has seen the emergence of strong leadership and power within the New England minority business community. Mergers, acquisitions, and joint ventures will join new businesses as the next step in the economic building process. In addition, minority firms expect to participate fully in such projects as the New England Regional Bank (proposed by Rep. Michael Harrington of Massachusetts), the Northeast Corridor Railroad Revitalization Project between Boston and Washington, D.C., and the Solar Energy Research Institute. Minority enterprise intends to make its mark in New England.

The present controversy surrounding minority business assistance efforts may well serve to help weed out ineffective programs. It should serve to stimulate a new, comprehensive strategy in the coordination of these efforts. However, it must not be allowed to obscure the clear and continuing need for a national commitment to minority economic development.

If our goal is to save the free enterprise system and have American minorities participate fully, then everyone must be willing to view the investment as significant as that we make to ourselves.

Summary

This panel was asked to explore some of the fundamental issues and operating problems encountered by large companies in their efforts to increase the number and dollar volume of purchases from minority-owned businesses. Mr. Gooding noted that efforts in the minority vendor area, though highly significant, should not be considered a "panacea" for all our social ills, but rather as one of many activities needed by our society to provide equal opportunity.

Both Mr. Gooding and Mr. Hill emphasized the need to obtain the commitment of the chief executive officer of the large firm as an essential first step in developing a successful minority vendor program in that firm. They also recommended that the company provide every buyer with a clear, quantifiable goal and also let him fully understand that it will be his responsibility to meet that goal.

Mr. Hill emphasized the value of the collective effort of the majority companies in the form of a Regional Minority Purchasing Council. Such a council provides for a more effective means of developing each company's purchasing program by facilitating the exchange of information.

Mr. Royster argued that it is necessary to understand that the almost total exclusion of minorities from points of power in our economic system necessitates seeing the minority vendor effort as an "investment in America" and not as a "dole." He also emphasized the need to continue and expand the governmental 8(a) set-aside contracts for minority businesses.

Mr. Roundtree argued that, from his vantage point as a relatively successful minority vendor, it may ultimately be necessary to have governmentally-mandated minority purchasing performance standards for majority companies. Only if substantial amounts of business are provided for minority owners in the immediate future, will such legislation become unnecessary.