

Women Business Enterprise/Contractor Viewpoint of the Disadvantaged Business Enterprise Program

ANNE BIGANE WILSON

The women business enterprise (WBE) viewpoint of the disadvantaged business enterprise (DBE) program is discussed. Various aspects of the set-aside program are presented as they affect a paving company in Chicago. Problems relating to being a WBE contractor are also discussed.

Bigane Paving Company is a fourth-generation family company. The company was founded in 1896 by John Bigane, great-grandfather of the current owners. Originally, the business concentrated on retail coal and oil sales, but started to diversify in the early 1950s as the third generation entered the business. Asphalt paving has been the major revenue source for the past 20 years. Diversification was especially prudent because the market for fossil fuel heat changed greatly in the early 1970s.

Currently, the focus of the company has been commercial and industrial asphalt construction. Approximately 50 percent of last year's sales were from the public sector—school districts, municipalities, and local mass transit. The remainder of sales are divided between work directly for the owner and for a general contractor. Annual sales have been in the \$1 million range for the past 3 years.

The present owners are Anne Bigane Wilson and Sheila M. Bigane. Anne Wilson is a licensed engineer, who joined the firm after working for a large highway-heavy construction company for 4 years. She is now President as well as the Chief Estimator for Bigane. Sheila Bigane came to work for Bigane directly from college. She is the Corporate Treasurer as well as Office Manager.

Bigane Paving Company decided to apply for women business enterprises (WBE) certification for several reasons. Although Bigane was an established firm, the owners knew that each generation had to prove itself in the industry. In addition, the decision to apply for certification was strategic—to expand business opportunities in the types of projects and owners available. Certification has provided the company with additional access to various owners and general contractors. Besides the publicly financed projects with DBE and WBE goals, several large corporations such as AT&T and Illinois Bell Telephone have established goals for their firms.

Certification proved to be more difficult for an established company than for a new firm. Initial certification with the Illinois Department of Transportation (IDOT) took almost 12 months to complete. As an established company in the construction industry, Bigane Paving had the necessary expe-

rience for certification. Typical of many small-family firms, some of the corporate records from the early years were not available. These records included canceled stock certificates of deceased stockholders that had been repurchased by the company under terms of a buy-sell agreement. Another problem encountered was the changing of the guard from one generation to the next.

Mr. Bigane was still active with the company when his daughters joined the firm. For Bigane Paving to survive, the next generation of owners had to be fully committed to the company. Mr. Bigane felt that his commitment to his daughters and their commitment to the company could best be secured through shared ownership and control. This policy proved to be a wise business decision when he died suddenly in the summer of 1987. Even though Anne and Sheila had the education and technical experience needed to run this type of company, their father's motives for transferring ownership might have been to obtain the competitive advantage of WBE ownership. However, this policy of transferring ownership had a historical precedent within the company. Both Mr. Bigane and his father received their shares of the company shortly after they came to work for Bigane Paving full time. Another deciding factor was the fact that Anne and Sheila came from a family of all daughters. (A younger brother interested in taking over the company might have delayed the transfer process.)

In the Chicago area, certification by IDOT is not sufficient because local agencies have their own certification processes. At this time, Bigane is certified by IDOT, city of Chicago, Chicago Transit Authority, PACE (the suburban bus division of the RTA), Metra (the Metropolitan Rail division of the RTA), and state of Illinois Central Management Services. Some local agencies, such as the Metropolitan Sanitary District, certify firms on a job-by-job basis. On the federal level, certification is also handled agency by agency. None of these agencies will accept the certification of any of the other agencies.

Each certifying agency requires roughly the same information concerning ownership, management, and technical expertise. This information and documentation can amount to several hundred pages. Each agency uses a different form. All of these agencies are governed by the same standards, but each agency interprets them differently. This information must be submitted for recertification on an annual basis. Most agencies seem to be trying to simplify the recertification process. Certification has almost gotten to the point that a full-time employee is needed to keep all of the paperwork current.

As a small business, this added expense could be put to a much better use.

Universal centralized certification, such as has been proposed in HR 2351, the Women's Business Equity Act, would greatly help this situation. The bill would streamline the entire process by using one set of standards and procedures applied equally to all firms. The cost and amount of paperwork currently required discourages many DBE and WBE firms from participating in this market. This bill would allow certifying agencies to use resources, currently spent on certification, for support services for DBE and WBE contractors.

Bigane Paving Company is fortunate that as an existing concern, many crucial business relationships have been established and secured by the previous owners. However, the company is not trouble-free. Bigane has been banking with two local banks for over 30 years. One is a family-owned neighborhood bank and the other is a downtown bank. Bigane Paving suffered a series of setbacks that started in the mid-1970s with the deaths of two of the company's partners. After the recession of the early 1980s, the company began a rebuilding program that included the addition of the current owners to the management team. The neighborhood bank seemed to lose interest in the company about that time. This bank continued to make funds available and to service the account, but the loan officer never seemed to be concerned about the progress of the firm. The only bank-initiated contact was in regards to audited statements at the end of the fiscal year. The situation seemed to decline even further after Mr. Bigane's death. On the other hand, the downtown bank was always available. The commercial loan officer kept in constant contact with the company and was very helpful and supportive during the transition after Mr. Bigane's death. For this bank, a smooth transition was the norm when there was a change in loan officer for whatever reason. At the neighborhood bank, the loan officer retired during the off season and Bigane was notified only when they tried to contact him because the company was preparing for the new season. For this reason, all accounts were recently consolidated with the downtown bank. This expanded banking relationship has proved beneficial.

Commercial insurance has been a problem for the entire industry, but especially for small firms. The insurance crunch of the last several years is just beginning to ease. Bigane was again fortunate to have been an existing firm, but also to have maintained an ongoing relationship with a single insurance carrier. Cost of liability insurance in recent years has skyrocketed. In addition, the amount of insurance being requested by general contractors has also increased. The importance of maintaining a good safety record cannot be stressed enough.

The bonding market is the most difficult for all small contractors, but especially for DBE and WBE contractors. In recent years, bonding companies have set strict financial guidelines before bonding a contractor. Bigane had been with one bonding company for 20 years, without a single claim filed against one of its bonds. In 1985, Bigane was dropped for not meeting these new guidelines, which included \$100,000 in equity and working capital. These limits are hard enough for any small firm to meet, but are almost impossible for a new firm. Bigane bonds about 50 percent of the company's annual volume. These projects are usually between \$50,000

and \$200,000 each. Bigane found a new bonding company through the diligent efforts of their agent. After Mr. Bigane's death, the underwriter suspended all bonding privileges for approximately 1 month. The underwriter pushed for an interim audit of the company's books, even after company life insurance proceeds were received. These funds brought the working capital and equity into line with the bonding company minimums. However, the bonding company was not satisfied with the in-house statements provided. After much discussion and persistence on the part of the agent, the underwriter backed down. The time and cost involved were prohibitive especially in the middle of the season. Bonding seems to be the one area of the construction industry in which building a good reputation and record means absolutely nothing if financial statements do not meet strict requirements.

Bigane Paving Company takes full advantage of various support services available on the local level. IDOT offers a number of seminars each year as a means of continuing education for all DBE contractors. These services have helped Bigane reach a higher level of professionalism in addition to providing an extra resource for a growing small business. The seminars are also a means of becoming more familiar with IDOT procedures needed for a smooth-flowing project. These seminars permit a great deal of networking among the various DBE contractors that can be as beneficial as the seminar material.

The DBE and WBE programs have broadened the market for Bigane. The company has recently become involved with the Chicago Transit Authority's patching program. The DBE goals have also given Bigane a start with several general contractors on a variety of projects throughout the Chicago area. This introduction will hopefully expand to the contractor's other projects without any goals, as the program was designed to work.

Goals for minority participation on the federal level are handled agency by agency and have been used in the construction industry since the 1960s. In the last 10 years, goals for women have been added. This addition is an administrative change only because no legislation exists for enforcement. Goals were 10 percent minority business enterprise (MBE) and 3.25 percent WBE. In 1987, the Surface Transportation Act combined these goals into one 10 percent DBE goal. This change was actually a reduction in overall participation. However, the combined goal has helped women contractors in several ways. By being declared disadvantaged, various support programs previously only available to minority contractors were now available to women. These programs included insurance, bonding, and technical programs offered by the U.S. Department of Transportation. Because 70 to 80 percent of WBE contractors are Anglo women, they have seen the greatest improvement in terms of support programs available.

The effects of combined goals on actual participation seem to vary greatly with the region of the country. In Western states, the combined goals seem to have been most beneficial for MBE contractors. For example, the California Department of Transportation reports that before the combined goals WBE participation was $3\frac{1}{2}$ to 4 percent. The current figure is approximately $2\frac{3}{4}$ percent, which represents a 30 percent decrease. In the Midwest, women benefited because these areas as a whole do not have as great a minority population.

A variety of opinions exist as to the effect of the combined goals, even among women's groups. Women Construction Owners and Executives of the United States (WCOE) does not support the combined goals. WCOE feels that a dual-goal system would best serve the spirit of the set-aside programs. MBEs and WBEs face totally different problems when entering the construction market. Female contractors must try to break into a market that has been traditionally male-dominated. Many women feel that most contractors would rather deal with a minority contractor who is male than a woman contractor. In addition, general contractors seem more concerned about meeting MBE goals rather than WBE goals.

WCOE is working with several members of Congress to introduce legislation that will mandate universal goals for all federal construction work. This legislation will standardize the current system, which has different goals set by each contracting agency. WCOE is also working with Congress on a universal certification process that will help eliminate the duplication of paperwork and effort that is currently necessary.

HR 2351, The Women's Business Equity Act of 1989, will also create a permanent Office of Women Business Ownership. This office will provide technical assistance needed in operating a business and will parallel the assistance available to minority businesses through the minority business development centers in the U.S. Department of Commerce. These centers are not currently available to women.

The DBE and WBE program has made advances in bringing formerly excluded groups into the construction industry. This action can continue if all those concerned work together rather than only for their own interest. Minorities and women face different problems. To argue over which is the most disadvantaged is a waste of time and money. If the goal is to give everyone involved an equal chance in a thriving industry, the money would be best spent in educating the disadvantaged in the ways of the industry.

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