

# Cover Story: Some minority spend disparities rooted in capacity

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When **Methodist University Hospital** broke ground on its new, \$280 million tower in October, it did so within the shadow of a \$14 million, 700-space parking garage also being built on the campus.

The construction represents a new phase for the hospital, but it also represents two large projects for **Self Tucker Architects**, a 20-year-old minority-owned firm.

“We were the lead on the garage, in part, because we were the architect of record for the garage at **Memphis International Airport**,” said Juan Self, one of Self Tucker’s principals. “[On the hospital] we’re partners with HKS Architects out of Dallas. It has been a really great arrangement because it has increased our capacity in [health care]. That’s one of the key reasons we decided to team with HKS. We wanted to have an important role and come out the other side as a firm that’s deeper in our knowledge of health care.”

In 2015, Self Tucker was No. 24 on *Memphis Business Journal*’s list of black-owned businesses, which is ranked by each firm’s number of local, full-time employees.

Self Tucker’s growth to the point that it could be the lead on several multimillion-dollar projects could be called the exception to the rule for local minority-owned firms. Despite accounting for 43 percent of all Memphis businesses, black-owned firms took in less



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5/11/2017 The vast majority of local black-owned businesses — a whopping 54,166 of them in 2012 — have no additional employees other than the owner. By comparison, only 993 black-owned businesses in 2012 had e...  
than 1 percent of local sales receipts.

Early last year, Memphis Mayor Jim Strickland expressed concern that, in 2015, only 12 percent of city contracts went to minority and women business enterprises (MWBEs), calling those numbers “shameful.”

In the months since then, a lot of work has been done surrounding local MWBE contracting. The city hired a director of business diversity and compliance, and along with Start Co., they’ve created Propel, a minority business accelerator program.

The **Greater Memphis Chamber** is trying to streamline the MWBE certification process and create a system that can be used in both the public and private sector.

The Mid-South Minority Business Council (MMBC) Continuum has begun working with companies such as ServiceMaster Global Holdings Inc. and **Memphis Light, Gas & Water** on a Buy Local pilot program to increase the size of all local sales receipts. But, the overall aim is to grow the amount of business that goes to minority firms.

The Shelby County Commission recently approved an effort to award more government contracts to MWBEs by lowering the revenue threshold (for most industries) necessary to qualify for the county’s locally owned small business purchase program.

And, **St. Jude Children’s Research Hospital**, which is in the midst of an up to \$7 billion expansion, has expressed a commitment to exceed 30 percent MWBE participation on its projects.

With all of this going on, the next question for local minority firms is: Do they have the capacity to meet a potential uptick in demand for different contracts?

### **Scaling up by splitting up**

The vast majority of local black-owned businesses — a whopping 54,166 of them in 2012 — have no additional employees other than the owner. By comparison, only 993 black-owned businesses in 2012 had employees.

According to MBJ’s 2016-2017 Book of Lists, the largest black-owned business in the Memphis area was Top Notch Security Inc., with 257 local employees.

After the release of the city's minority business disparity study last summer (see "City vs. County," page 8), city officials put initiatives in place to help spur the growth of minority- and women-owned businesses. The highest profile of those is Propel, which launched in October and will help minority firms strengthen their business models.

Joann Massey, director of Business Diversity and Compliance for the **City of Memphis**, said the initiatives include a website to help with MWBE certification and a fellowship that will provide tax breaks for minority-owned firms.

"The new hot button word is minority contracting, and that's what I'm looking at right now," Massey said. "A lot of people have given it lip service. How can we develop a plan where we can get a full buy-in from all of the pertinent partners?"

Massey and Strickland have made improving the study's numbers a priority — even adding MWBE contracting to performance reviews for city department heads — but have constantly reiterated there isn't an easy fix.

"What has been a big barrier to improving our performance in minority and women business contracting is we've been throwing resources at a problem without being strategic about what we're doing," Massey said.

Carolyn Hardy, chair of the Greater Memphis Chamber, points to the redevelopment of Crosstown Concourse and recent construction at International Paper as success stories.

Crosstown boasted the highest level of female developers in recent history, while International Paper has also met its minority participation goals.

Hardy said Crosstown was successful because contracts were split up, so multiple firms could work on different parts of the project. In addition to increasing participation, splitting the contracts makes good business sense.

"If you have a concern about quality, cost or service, you minimize your risk by splitting it up. If one doesn't come through, you can fall back on the others," Hardy said.

Massey said the city has recently begun splitting some of its contracts, citing a contract for the library that was originally designed for the entire system.

Presenting a single contract was "easier for the administrator" who was overseeing the project, but Massey suggested breaking it into four separate contracts.

“You have people who have done things one way for so long, you have to change the way they think,” Massey said. “The system is flawed, but we’re working on that, and we’ll do that with as many contracts as we can.”

## **Ready to work**

Both Massey and Hardy say minority firms have to be ready when projects come their way. Hardy said several minority firms have a history of not getting city or county contracts, so they don’t bother to bid on projects anymore.

“I’ve seen a commitment from [Massey] and Mayor Strickland, but they’re trying to undo 20 years, and that doesn’t change overnight,” Hardy said.

And Massey, in her role, has seen situations in which minority firms had the best price, but there were mistakes on their bids that caused them to be classified as non-compliant. That issue is one she hopes to address through Propel.

“It’s so important for [minority-owned firms] to do what they need to do in order to be ready and qualified,” Massey said. “It doesn’t matter if it’s the lowest bid. It has to be compliant, because that’s part of the process and the policy. When you get on a plane, you have to have an ID and take your shoes off and put your laptop in a bin. That’s part of the process.”

Hardy takes it a step further. As the owner of a grain shipping business, she’s made investments to ensure she’s got the equipment that potential clients require in order to win contracts.

“I don’t play the good old boy club. You need to bid on contracts and get them on merit,” she said. “I better solve a trucking problem my clients have in the grain business. That’s all they care about.”

MMBC Continuum’s annual economic develop forum last summer dealt specifically with making sure firms were prepared when contracts become available.

Luke Yancy, MMBC Continuum’s president and CEO, until his September retirement, said he understands the apprehension minority-owned firms may have when it comes to trusting local government.

“When we’ve tried something over and over again and promises have been made over and over again, it’s hard to believe what is being said. But, any forward motion starts with conversation,” Yancy said. “If you show me something different, I need to start accepting what you say because otherwise I’ve got nothing else.”

Self of Self Tucker Architects said his firm has grown its capacity through a willingness to work with partners on other projects. But, he makes sure those partnerships are equal and everyone's expectations are clearly laid out.

"If we can't have a meaningful role, we won't partner with them, or we'll go as the prime ourselves," Self said.

And, while he is sure Self Tucker has lost bids it was qualified to win, it's always on to the next project.

"I look at it as learning lessons all along," Self said. "Sometimes it may be difficult to take, but you continue to press on. If it doesn't work one way, try it another way."

### **Correction:**

*An earlier version of this story said the Ikea Memphis project did not meet its minority participation goals. In fact, Ikea Memphis did satisfy its MWBE/LOSB participation goal, as determined by its 2015 PILOT agreement with the Economic Development Growth Engine (EDGE) of Memphis & Shelby County. The story has been updated to reflect this change.*

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