

OPINION

Five steps Boston can take to increase diversity in business

The city needs to do more to create opportunities for businesses owned by women and people of color.

By **Linda J. Bilmes and Natasha Lawrence** Updated September 30, 2021, 3:00 a.m.



Boston's "All Inclusive" tourism campaign, launched in April and shown here on The Moxy Hotel on April 2, was one of the biggest minority contracts the city has given out to Black-owned businesses. The \$2 million dollar campaign principals are, from left, Daren Bascome, Martha Sheridan, and Colette Phillips. JONATHAN WIGGS/GLOBE STAFF

One characteristic of a successful 21st-century city is the opportunity it offers for businesses owned by women and people of color to flourish. In this respect, Boston is

falling short. The city fails to make it onto any of the major “top 20” lists for entrepreneurship, investment, and contracting to small and disadvantaged companies.

A recent [disparity study](#) commissioned by former mayor Marty Walsh details Boston’s abysmal performance. Between 2014 and 2019, the city awarded 47,801 contracts worth \$2.2 billion. Just 1.2 percent went to Black- and Hispanic-owned businesses. Under 11 percent went to firms that were owned by women or any minorities. This data is consistent with a recent finding that Massachusetts’ total share of contracts to Black and Hispanic companies [declined by 20 percent](#) in recent years.

Black-owned businesses, the disparity study found, account for 3.5 percent of the firms qualified to work with the city as prime contractors, but they won just 0.4 percent of the contracts awarded; 5.6 percent of the firms eligible for subcontracts are Black-owned, but they received just 1.6 percent. It’s a similar story in the case of Hispanic-owned companies, which won only 0.8 percent of prime contracts and 2.4 percent of subcontracts despite having much higher percentages of eligible firms. In a city where Blacks and Hispanics make up 19.1 percent and 18.7 percent of the population, these statistics are especially troubling.

In 2017, the Boston City Council passed an ordinance, sponsored by Ayanna Pressley and Michelle Wu, to help diverse vendors secure contracts. For example, it requires city departments to solicit bids from at least one women-owned and one minority-owned business for small contracts. [Acting Mayor Kim Janey recently set a goal for Boston](#) to award 25 percent of contracts to women and minority-owned businesses. She called for streamlining the certification process, establishing a city and statewide database, providing additional capital and technical assistance, giving advance notice of certain contracts, and modernizing the tracking system.

Despite these efforts, there are entrenched interests that oppose broadening the distribution of contracts. Based on our analysis of best practices in Houston, Atlanta, Miami, and Charlotte, N.C., and other metro areas, here are five steps the city could take:

- Break up large contracts into smaller ones that are easier for small businesses to win. In many cases, there is no strategic reason why contracts are the size they are. For example, during the 2000 Census, the Commerce Department discovered that only three printing firms in the United States had the scale to compete for a nationwide contract to print 200 million forms. By breaking up the contract into smaller pieces, we were able to provide work for dozens of printers and translators around the country, including awarding contracts for forms in Spanish, Chinese, Vietnamese, and other languages to businesses in those communities, as well as small printers in rural areas.
- Examine every contract that is up for renewal before it is renewed. In many instances, contracts that have been in existence for years have built-in barriers — such as requirements for specific prior experience, minimum size or number of employees, use of specific software, banking, certification or bonding — to small, minority- or women-owned businesses that are unnecessary and may discourage innovation and outreach to certain populations.
- Establish a competition for preferred small and minority vendors in frequently purchased categories such as IT. One of the major barriers to increasing contracts with new vendors is that officials making the purchasing decisions are risk-averse and typically prefer to stick with companies they know. Once firms have won the right to be part of a pre-approved fast-track vendor list, it is easier for them to win business. This approach helps the federal government to spend 10 percent of its contracting dollars on small, disadvantaged businesses.
- Expedite payables. Small and minority-owned businesses usually lack the working capital required to absorb long payment cycles that are common in government contracts. Last year the federal government adopted new contracting guidelines to enable small businesses to get paid on an accelerated basis, with a goal of 15 days after receipt of invoice. Boston should follow suit and require prime contractors to pay subcontractors promptly.
- Conduct “barrier audits” to identify specific obstacles to participation by Boston’s minority-owned businesses. Many cities have used a similar approach, often with

unexpected results. For example, minority-owned businesses may worry about their eligibility as a bidder, based on the historical accounting data required. Cities can be more flexible and offer targeted, technical assistance, such as accounting services, as a way of increasing participation.

These steps can improve Boston's performance significantly and take advantage of the job-creating power of the city's women and people of color entrepreneurs. It can foster an atmosphere of opportunity, more jobs, and more creativity. With the new energy of a woman of color as mayor, it is the right moment to turn things around and get Boston on the "top 20" list.

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