

## DBE BUSINESS DEVELOPMENT PROGRAM

This two-year initiative is intended to encourage current and future DBE firms to take advantage of the twin opportunities of learning about how to set and achieve long-term business goals, based on their skills and abilities; and to meet short-term participation standards listed in 49 CFR Part 26, Appendix C, such as:

- The BDP consists of two stages: a developmental stage and a transition stage
- Within 6 months of beginning participation in the BDP, a DBE must submit, for SDDOT review and approval, a viable business plan addressing four (4) areas: market analysis, SWOT, business goals, and sales/revenue forecasts (estimate of contract awards)
- Participants will conduct an annual review of their business with the SDDOT, and develop sales/revenue forecasts for the upcoming year
- In the transition stage, participants will create a transition management plan to describe their planned activities and goals to demonstrate their ability to leave the DBE program

### 1. DEFINITIONS

**Business Development Plan** – the comprehensive plan for each DBE participating in the BDP. Plan components include a viable business plan, initial business review, SWOT analysis, market analysis, business goals, and organizational profile. The Plan will describe developmental stage activities and transitional stage activities in an annual operations plan.

**Business Plan** – a multi-year timeline of business objectives and activities to guide the DBE to his/her business goals. The plan will be reviewed and updated at least annually, and will serve as a benchmark document for annual business reviews.

**Business Review (Annual)** – a review of the DBE's business performance in the BDP over the year, measured against goals set in the business plan. Conducted within 45 days of the completion of the performance period. Used to identify necessary areas of improvement, to develop improvement plans, and to update sales/revenue projections for the upcoming performance period.

**Business Review (Initial)** – an assessment of the DBE's business organization and capacity, conducted at the beginning of the developmental stage of the BDP prior to the creation of the business plan. The initial business review will assess the DBE's SWOT analysis, market analysis, business goals and organizational needs.

**Business Targets, Goals & Objectives** – those items, listed and described by the DBE and included in the business plan, whose achievement or completion will enable the DBE to grow his/her business. Such items could include profitability, sales, revenue, net worth, financing/bonding capability, and effective business management practices.

**Developmental Stage** – the first stage of the Business Development Plan, focusing on the development of the DBE's knowledge, skills and abilities in the areas of business management and construction management, with an emphasis on project estimating, bidding and project management skills.

**Market Analysis** – a part of the DBE business plan which describes the markets in which the DBE plans to sell his/her products or services. This information will be reviewed and updated annually.

**Needs Assessment** – an appraisal of DBE capacity to effectively conduct its business and to participate in the BDP. The assessment will identify gaps or shortcomings in the knowledge, skills, abilities and resources of the DBE in the areas of business and construction management that can be improved by training, consulting assistance, or project experience.

**Sales/Revenue Forecast** – beginning in the first year of participation in the BDP and every year thereafter, a business goal set by the DBE.

**SWOT** – an in-depth analysis of a DBE’s business strengths, weaknesses, opportunities and threats in his/her market. This information will be referenced in the development of the DBE business plan, and will be reviewed and updated annually or as needed.

**Transition Management Plan** – the second phase of participation in the BDP, this is a timeline of business objectives and activities to achieve the goal of growth and viability for the DBE outside the BDP. The plan will be reviewed and updated at least annually, and will serve as a benchmark document for annual business reviews.

**Transition Stage** – the second stage of the Business Development Plan, focusing on the refinement of the DBE’s knowledge, skills and abilities to grow his/her business and to achieve viability and profitability outside the BDP

## **2. EXPECTED OUTCOMES**

There are three (3) expected outcomes from the creation and implementation of an effective BDP for DBEs in South Dakota:

1. DBEs participating in this program will complete and submit a viable business plan for approval.
2. Upon successful completion of developmental stage activities, DBEs participating in this program will qualify to undertake the transition stage of the Business Development Program.
3. DBEs participating in this program will increase their knowledge, skills and abilities in the area of construction business management.

## **3. BDP PROJECT MANAGER, CONTRACTOR – ACTIVITIES & DELIVERABLES**

- A. The Department of Transportation will designate a BDP Project Manager to coordinate all construction business management training/instruction, counseling and assistance to DBEs.
- B. The BDP Project Manager is the State’s DBE Coordinator who will ensure the goals, objectives and performance measures are accomplished by a contractor or service provider chosen through a competitive RFP process.
- C. The Contractor will manage the creation and maintenance of all program-related materials; as well as all program documents (DBE business reviews, annual performance reviews, sales/revenue forecasts, transition plans, etc.) developed for DBE participants.
- D. The Contractor will prepare and maintain sufficient communications tools and processes to keep DBEs and program partners informed at all times.

### **3.1 Identification, Recruitment, Enrollment of Two (2) DBE Firms**

In the first year of the BDP, two (2) DBE firms will be recruited to participate in the Program. Once a commitment to participate is made, the Contractor will conduct an initial business review of the DBE firm to mark their beginning status in those areas which will be measured at year's end to show progress.

### **3.2 Program Selection Criteria and Process**

DBE firms will be selected for the BDP based on a combination of program-related criteria:

- a) Primary NAICS code (highway construction or supply)
- b) Information from the 2014 DBE Needs Assessment Survey
- c) Performance data such as record of bids/quotes submitted in the last year
- d) Recommendation of the BDP Project Manager

DBE firms selected for the BDP will be solicited and encouraged to participate in the BDP for the Pilot's two year term.

## **4. STAGE ONE: THE DEVELOPMENTAL STAGE**

The developmental stage is designed to assist participants to overcome their social and economic disadvantage by providing such assistance as may be necessary and appropriate to enable them to access relevant markets and strengthen their financial and managerial skills.

### **4.1 4-Part Business Review**

The Contractor will meet with the DBE firm to conduct a business review of the firm, assessing the firm's knowledge and management of its most recent SWOT analysis, market analysis, business goals and organizational needs, such as:

- Business Management
- Marketing
- Training
- Estimating/Bidding
- Networking
- Planning/Forecasting
- Access to finance & bonding
- Available Human Resources
- Capacity to conduct intended work
- Overall business development needs

The results of the business review will comprise the core of the DBE firm's business plan.

#### **4.2 *Creation of a customized Business Plan: Addressing all Four Components***

The Contractor will work with the DBE firm to create or update a comprehensive, customized business plan that addresses each of the four components described above. The business plan will be formatted to include annual operations plans that set specific sales/revenue goals, and will include an annual review of the four business performance components.

Once completed, the DBE will submit their business plan to the SDDOT for review and approval. Upon approval, the DBE will apply the business plan to carry out its regular operations. The Contractor will create such training and support materials as necessary and appropriate to efficiently instruct DBE firms that are unfamiliar with developing business plans, or who indicate a choice for such instruction. Additionally, the Contractor will conduct timely follow-up activities such as check-ins and technical assistance to monitor the business plan and DBE performance throughout the year.

#### **4.3 *The Annual Sales/Revenue Forecast and Operations Plan***

Beginning with the initial submission of a comprehensive business plan, DBE firms will set an annual goal for sales and revenue, and will develop an operations plan to meet that goal. The operations plan will forecast month-by-month activities including quotes and bids, actual sales, operating and sales costs, and cash flow. The sales/revenue forecast should include

- (1) The aggregate dollar value of contracts to be sought under the DBE program, reflecting compliance with the business plan;
- (2) The aggregate dollar value of contracts to be sought in areas other than traditional areas of DBE participation; and
- (3) The types of contract opportunities being sought, based on the firm's primary line of business

The sales/revenue goal and operations plan will be reviewed at the end of the year for analysis and possible changes.

#### **4.4 *Annual Business Review of DBE Organization, Activities, Progress; and Sales/Revenue Forecasts***

The SDDOT will establish an anniversary date for, and will conduct an annual business review of the DBE firm to note performance and progress on the firm's comprehensive business plan, addressing the four components of the initial business review, as well as any other issues raised by the DBE firm during the year. The results of the annual business review will be used to adjust the DBE firm's next forecast and operations plan.

## **5. STAGE TWO: THE TRANSITIONAL STAGE**

The transitional stage of program participation follows the developmental stage and is designed to assist participants to overcome, insofar as practical, their social and economic disadvantage and to prepare the participant for leaving the program.

### **5.1 *Creation of a realistic Transition Management Plan***

Beginning in the first year of the transitional stage of program participation, each participant should annual submit for inclusion in its business plan a transition management plan outlining specific steps to promote profitable business operations in areas other than traditional areas of DBE participation after graduation from the program.

The transition management plan should be submitted to the DBE Program at the same time other modifications are submitted pursuant to the annual review. The plan should set forth the same information of steps the DBE firm will take to continue its business development after the firm leaves the program.

The Contractor will work with each DBE firm to create an individual transition management plan that provides long-range business goals (such as non-DBE sales/revenue, knowledge, skill & ability improvement in senior management, etc.); and will provide planning support to assist the DBE firm with reviewing year-by-year performance, offering business management training and networking assistance as requested.

### **5.2 *Indicators of Success for DBEs in the Program***

In determining whether a DBE firm has substantially achieved the goals and objectives of its business plan, the following factors, among others, should be considered by the DBE Program:

1. Project execution;
2. Sales, including improved ratio of non-traditional contracts to traditional-type contracts;
3. Award-to-bid ratio (hit rate)
4. Profitability;
5. Net worth, financial ratios, working capital, capitalization, access to credit and capital;
6. Ability to obtain bonding;
7. Growth in the business, i.e. increase in employees, expansion of facilities, etc.
8. A positive comparison of the DBE's business and financial profile with profiles of non-DBE firms in the same area or similar business category; and
9. Good management capacity and capability.

The following table of success indicators provides a development timeline for DBEs participating in the BDP.

## Indicators of Growth and Development in the DBE Business Development Program

Years in Program	1		2(+)
Organizational Characteristic	Entry	Development Stage	Transitional Stage
<b>Contracting Performance</b>			
<b>1. Profitability</b>	Operations result in net loss or break-even	Operations result in net profit, zero- or low growth in business	Consistent net profits with increased business
<b>2. Sales, including ratio of non-traditional contracts to traditional contracts</b>	Low sales, most or all contracts are traditional	Growing sales and moderate balance (80%-20%) of traditional to non-traditional contracts	Consistent growth trend in sales and strong balance (60%-40%) of traditional to non-traditional contracts
<b>3. Award-to-bid ratio (hit rate)</b>	Bids or quotes less than five contracts in a year; hit rate 0% - 20%	Bids or quotes 5 – 20 contracts a year; hit rate 5% - 20%	Bids or quotes 20 or more contracts a year; hit rate 10% +
<b>Financial Performance</b>			
<b>4. Net worth, financial ratios, working capital, capitalization, access to credit and capital</b>	<ul style="list-style-type: none"> <li>• Low or no growth in net worth</li> <li>• Low or no working capital</li> <li>• No access to credit or capital</li> </ul>	<ul style="list-style-type: none"> <li>• Moderate (define by number) growth in net worth</li> <li>• Positive working capital</li> <li>• Limited access to credit, capital</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent growth trend in net worth</li> <li>• Positive growing balance of working capital</li> <li>• Easy access to credit and capital</li> </ul>
<b>5. Ability to obtain bonding</b>	Not bondable	Low bonding capability, inconsistent bond performance	High bonding capability, good bond performance
<b>Business Management</b>			
<b>6. Growth in business: increase in employees, expansion of facilities, etc.</b>	No growth - no new hires or contracts	<ul style="list-style-type: none"> <li>• Low to moderate growth: 1-3 new hires for entire year</li> <li>• 1 – 5 more contracts than previous year</li> </ul>	<ul style="list-style-type: none"> <li>• Strong consistent growth: 3-5 employees per year</li> <li>• 5+ more contracts than previous year</li> <li>• New or larger facilities</li> <li>• New equipment</li> </ul>
<b>7. Positive comparison of business/financial profile with similar non-DBE firms</b>	Net negative comparison to similar sized non-DBE firms in similar work type	neutral comparison to similar sized non-DBE firms in similar work type	Positive comparison to similar sized non-DBE firms in similar work type
<b>8. Good management and capability</b>	<ul style="list-style-type: none"> <li>• Inefficient recordkeeping</li> <li>• Difficulty paying bills</li> <li>• Inconsistent contract performance</li> <li>• No planning</li> <li>• Low employee buy-in</li> </ul>	<ul style="list-style-type: none"> <li>• Adequate recordkeeping</li> <li>• Sufficient cash flow to pay bills</li> <li>• Contracts completed on time and within budget</li> <li>• Evidence of planning</li> <li>• Development of annual goals</li> <li>• Understanding of SWOT</li> <li>• Employees support mission</li> </ul>	<ul style="list-style-type: none"> <li>• Excellent recordkeeping</li> <li>• Ample cash flow</li> <li>• Effective contract management</li> <li>• Long-range planning, budgeting</li> <li>• Strong employee buy-in, support for organizational goals</li> </ul>

### **5.3 Graduation from the Business Development Program; Separation for Cause**

The SDDOT will review DBE performance at the end of the second year to determine whether the DBE should be graduated from the business development program; and if so, the SDDOT will notify the DBE in writing of its intent to graduate the firm in a letter of notification. The letter of notification should set forth findings, based on the facts, for every material issue relating to the basis of the program graduation with specific reasons for each finding.

The letter of notification should also provide the participant 45 days from the date of service of the letter to submit in writing information that would explain why the proposed basis of graduation is not warranted.

Participation of a DBE firm in the program may be discontinued by the SDDOT prior to expiration of the firm's program term for good cause due to the failure of the firm to engage in business practices that will promote its competitiveness within a reasonable period of time as evidenced by, among other indicators, a pattern of inadequate performance or unjustified delinquent performance. Also, the recipient can discontinue the participation of a firm that does not actively pursue and bid on contracts, and a firm that, without justification, regularly fails to respond to solicitations in the type of work it is qualified for and in the geographical areas where it has indicated availability under its approved business plan. The recipient should take such action if over a 2-year period a DBE firm exhibits such a pattern.

## 6. COORDINATION OF THE BDP WITH DBE SUPPORTIVE SERVICES

The Contractor will execute the Business Development Program as part of its current and future supportive services for the benefit of DBE firms, with the intent of providing the direct support necessary to ensure the best opportunity for DBE success.

Current DBE supportive services include:

### A. Business Development

**Goal:** To build business management capacity for DBEs earning less than \$5 million annually in gross sales.

**Objective:** Implement a comprehensive Business Development Plan (BDP) that includes instruction and assistance to help DBEs create and efficiently use a viable business plan, and to conduct one-on-one business reviews with follow-up individualized business management assistance.

### B. Native American Outreach

**Goal:** To build a network of tribal and inter-tribal organizations in order to share information about the DBE program and about Native construction business opportunities.

**Objective:** Make four (4) presentations to South Dakota Indian tribes and inter-tribal organizations to promote awareness of SDDOT contracting opportunities and the DBE program, establish four (4) partnerships.

### C. Technical Assistance

**Goal:** Provide one-on-one training and assistance to develop and improve the capability of DBEs in business and technical skills related to highway construction.

**Objective:** Provide information, training, focused assistance, resource identification, monitoring and evaluation to fifteen (15) DBEs.

### D. DBE Capacity Building

**Goal:** To increase awareness about the DBE program throughout the state.

**Objective:** Explain the DBE program to potential applicants and assist ten (10) firms to complete and submit applications for certification.

## 7. PROGRAM BUDGET AND NARRATIVE

We estimate costs of approximately \$21,566.19 for the implementation of the BDP. For year two of the Program, funding is contingent on the award and allocation of 2016 FHWA funds.

### DBE Supportive Services FY2014/CY2015 Business Development Program (BDP)

Name	Position	Hourly wage	BDP only (Hr)	BDP only (\$)
Burns, Sandra	Consultant	\$37.50	6	\$225.00
Murphy, Patrick	Project Manager Senior	\$22.00	364	\$8,002.50
Hansen, Greg	Consultant Outreach Specialist	\$37.50	21	\$796.88
Hodges, Tasha	Specialist	\$20.00	23	\$450.00
	Total labor			\$9,474.38
	Overhead rate		x labor =	\$9,284.89
			Subtotal	\$18,759.26
	Fixed Fee			\$1,875.93
			<b>Total Labor</b>	<b>\$20,635.19</b>
<b>Travel Expenses</b>		<b>Cost</b>	<b>BDP only</b>	<b>BDP only (\$)</b>
Mileage (\$.50/mile per GSA rate for SD)		\$0.50	1250	\$625.00
Meals (state rate max or actual w/receipt)		\$26.00	6	\$156.00
Lodging		\$50.00	3	\$150.00
			<b>Total Travel</b>	<b>\$931.00</b>
<b>Direct Expenses</b>		<b>Cost</b>		
DBE Directory		\$ 6,350.00	0	0
Procurement booths		\$243.12	0	0
Misc.		\$184.00	0	0
			<b>Total Direct Expenses</b>	<b>0</b>
			<b>Total all categories</b>	<b>\$21,566.19</b>

## APPENDIX A PERFORMANCE MEASURES

There will be two (2) levels of performance evaluation for this program. The first set of measures will track the performance of the DBE firms, quantifying the progress made from the initial business review measurements to measurements taken at annual reviews.

### **Level 1. DBE Performance Measures**

#### **Developmental Stage**

DBE firms will post initial numbers at the preliminary business review, and each year thereafter in the following categories:

- |                 |   |
|-----------------|---|
| ➤ Sales         | ➤ Number of bids submitted, \$\$ amount |
| ➤ Net Profit    | ➤ Award-to-bid ratio (Hit Rate)         |
| ➤ Profit Margin | ➤ Amount bonded                         |
| ➤ Net Worth     | ➤ RMA placement                         |

*(Where appropriate, figures will be separated for DBE-related and non-DBE project work.)*

#### **Transitional Stage**

DBE firms will create and use a transition management plan which complies with 49 CFR Part 26, Appendix C, Section (I). Such plan will be reviewed and updated annually for the term of the DBE's participation in the Program.

The second set of measures will chart the effectiveness of the BDP in assisting DBEs to meet their business goals.

### **Level 2. Program Performance Measures**

- |  |   |
|--|---|
| • Two (2) DBE firms enroll in BDP                                      | • Two (2) DBE firms participate in follow-up business management consulting                                 |
| • Two (2) DBE firms complete individual Business Development Plans     | • Contractor successfully creates and delivers appropriate tools, instruction and counseling to DBE firms   |
| • Two (2) DBE firms complete and submit viable business plan           | • DBE firms demonstrate progress through increases in reported measurements of level 1 performance measures |
| • Two (2) DBE firms participate in initial and annual business reviews |   |

## APPENDIX B EVALUATION, MONITORING AND REPORTING PROCESS

Formal evaluation of DBE firms relative to the Level 1 performance measures described in Appendix A will take place annually during the annual business review. Informal evaluation will be done each quarter, as part of a regular check-in between the Contractor and the DBE firm. Progress will be measured by increases in reported measurements of the majority of performance measures. Evaluation of program performance will be based on accomplishment of Level 2 performance measures described in Appendix A.

Program performance will be monitored and evaluated through the following reports:

### **Monthly Reports**

A monthly report will be submitted fifteen (15) days after the end of the month.

The monthly report will include:

- Measurable accomplishments and progress toward each goal for the reporting period
- Additional items impacting program performance
- Problems/challenges encountered and resolutions implemented

Progress on the performance goals and objectives will be submitted to the Federal Highway Administration on a monthly basis.

### **Annual Report**

An annual report will be submitted forty-five (45) days after the end of the contract year. The annual report will include:

- Quantifiable account of accomplishments to determine if program goals were reached
- Problems/challenges identified and resolutions implemented
- Recommendations for improvement
- Other items impacting performance

A comprehensive year-end report of all accomplishments will be submitted to FHWA Division Office, which will be forwarded to the Headquarters Office of Civil Rights 60 days after the program's completion.