

HUBZONE PROGRAM EVALUATION

SEPTEMBER 26, 2018



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Disclaimer: The statements, findings, conclusions, and recommendations found in this study are those of the contractor and do not necessarily reflect the views of the Office of Government Contracting and Business Development, the United States Small Business Administration, or the United States Government.

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GLOSSARY OF IMPORTANT TERMS AND ACRONYMS

Term/Acronym	Description
8(a) Program	A federal procurement socioeconomic program for small businesses
BRAC	Base Realignment and Closure
CFO Act	Chief Financial Officers Act of 1990
DHS	Department of Homeland Security
DOC	Department of Commerce
DOI	Department of Interior
DOT	Department of Transportation
DSBS	Dynamic Small Business Search
FPDS-NG	Federal Procurement Data System – Next Generation
GSA	General Services Administration
HCTS	HUBZone Certification Tracking System
HUBZone	Historically Underutilized Business Zone
HUBZone Aspirant Agencies	Federal agencies that did not reach the 3 percent goal of obligating 3 percent of prime contract dollars to HUBZone small businesses in FY 2016
HUBZone Champions	Federal agencies that reached the 3 percent goal of obligating 3 percent of prime contract dollars to HUBZone small businesses in FY 2016
HUBZone Contract Mechanism	Contract vehicle used to award prime contracts to HUBZone small businesses. These include HUBZone Price Evaluation Preference, HUBZone Set-Aside, and HUBZone Sole Source
NAICS	North American Industry Classification System
OPM	Office of Personnel Management
OSDBU	Office of Small and Disadvantaged Business Utilization
HUBZone Procedural Dollars	Any contract dollars awarded through a HUBZone contract mechanism
SBA	Small Business Administration
SBC	Small Business Concern
SBPAC	Small Business Procurement Advisory Council
SBSD	Small Business Socioeconomic Designation – a federal procurement socioeconomic programs
SDB	Small Disadvantaged Business – a federal procurement socioeconomic program
SDVO	Service-Disabled Veteran-Owned – a federal procurement socioeconomic program
Task or Delivery Order Contract	Any unique delivery orders or task orders using an indefinite delivery vehicle (i.e., GWACs, FSS, BOAs, BPAs, and IDCs) under a base contract
WOSB	Women-Owned Small Business – a federal procurement socioeconomic program

Note: Additional, in-depth definitions can be found in Appendix A

EXECUTIVE SUMMARY

BACKGROUND AND PURPOSE

The Historically Underutilized Business Zone (HUBZone) Program is a socioeconomic program managed by the Small Business Administration (SBA). The focus of this program is to promote economic development in “HUBZones,” or areas of proven economic need, via preferential access to federal contracting opportunities.

Since the inception of the program, the Federal Government has not met its goal to obligate 3 percent of eligible prime contract dollars to HUBZone small businesses. Twenty-four federal agencies under the *Chief Financial Officers (CFO) Act of 1990* (CFO Act) accounted for 99.28 percent of the total prime contract dollars obligated to HUBZone small businesses in FY 2016 (total of \$6.8 billion dollars). Of these agencies, only nine obligated 3 percent of their prime contract dollars to HUBZone small businesses in FY 2016: the Department of Agriculture (USDA); the Department of Commerce (DOC); the General Services Administration (GSA); the Department of Homeland Security (DHS); the Department of the Interior (DOI); the Office of Personnel Management (OPM); the Small Business Administration (SBA); the Department of Transportation (DOT); and the Department of the Treasury (Treasury). The agencies that achieved the 3 percent goal are being called “HUBZone Champions,” and the agencies that did not achieve the 3 percent goal are being called “HUBZone Aspirant Agencies” in this report.

The purpose of this evaluation is to examine factors that contribute to federal agencies reaching the HUBZone Program socioeconomic goal using a mixed-methods analytic approach.¹ The SBA can use findings from the evaluation to develop strategies and additional studies to: 1) increase the number and dollar amount of HUBZone contracts to eligible small businesses, 2) support the improvement of marketing and best practices of the HUBZone Program across CFO Act agencies, and 3) provide recommendations for the HUBZone Program.

EVALUATION QUESTIONS

Three main questions guided the evaluation methodology and framework:

1. What factors have contributed to federal agencies reaching the HUBZone Program socioeconomic goal set by the SBA of 3 percent?
2. What barriers and challenges have prevented some federal agencies from reaching their 3 percent goal? How can these barriers be addressed?

¹ In this report, this goal will at times be referred to as the 3 percent goal.

3. What factors predict successful federal contract awards for HUBZone firms?

EVALUATION METHODS

This mixed-methods evaluation relies on data from three sources: locked FY 2016 contracting data from the Federal Procurement Data System - Next Generation (FPDS- NG); HUBZone FY 2016 Portfolio data from the Dynamic Small Business Search (DSBS), supplemented with data from the System for Award Management (SAM); and individual interviews with key stakeholders (i.e., Office of Small and Disadvantaged Business Utilization (OSBDU) Directors, District Staff, and HUBZone Program staff).

The key stakeholders Global Evaluation & Applied Research Solutions (GEARS) interviewed include: 1) representatives from federal agencies that met or exceeded the 3 percent goal of obligating their contracting dollars to HUBZone firms in FY 2016, 2) representatives from federal agencies that did not meet the 3 percent goal and had the lowest percentage of awarded contracts to HUBZone firms in FY 2016, 3) staff from SBA District Offices, and 4) HUBZone staff from the SBA headquarters office.² The following section outlines key findings from the evaluation.

KEY FINDINGS BY EVALUATION QUESTION

1. What factors have contributed to federal agencies reaching the HUBZone Program socioeconomic goal of 3 percent set by the SBA?

- Targeted publicity of the HUBZone program (e.g., targeted marketing and outreach).
- Training opportunities targeted at HUBZone contracting.
- Participation in matchmaking events between prime vendors and subcontractors.
- Distinct use of HUBZone contract mechanisms (e.g., setting aside acquisition opportunities for the program).
- Awarding contracts more often to businesses with additional SBA socioeconomic contracting program designations (e.g., 8(a), women owned, veteran-owned, etc.).

2. What barriers and challenges have prevented some federal agencies from reaching their 3 percent goal? How can these barriers be addressed?

- Being able to identify small businesses that can maintain HUBZone certification requirements, including the HUBZone 35 percent employee residence requirement.

² SBA District Offices are responsible for the delivery of SBA programs and services to local small businesses (<https://www.sba.gov/tools/local-assistance/districtoffices>).

- A perception held by agencies that there is a lack of small businesses in HUBZones that can meet the agency's contract demands.
- Persuading eligible small businesses to apply for the HUBZone program.
- Lack of planning to set-aside HUBZone awards.
- A perception that well-established small businesses receive the majority of HUBZone contracts.
- The above barriers can be addressed through marketing and communication strategies as well as training and technical assistance

3. What factors predict successful federal contract awards for HUBZone firms?

- The evaluation's qualitative analyses demonstrated that small businesses that were able to market their services and business models to contracting officers – and that had knowledge of the Federal Government acquisitions process – were viewed as the most successful by both HUBZone Champions and HUBZone Aspirant Agencies.

CONCLUSIONS

The evaluation led to the following four conclusions:

- **Conclusion: Based on qualitative data, the most important factors for a federal agency to reach the 3 percent goal are the following: extensive marketing of the HUBZone Program to small businesses as an effort to increase the vendor base of HUBZone small businesses bidding on contracts at the specific gency; targeted research on HUBZone small businesses' capabilities to fulfill contracting needs, and comprehensive training for small businesses about federal procurement.**

Although, providing technical assistance, support, and related outreach activities are not part of the requirement of the HUBZone Program, qualitative data suggest that providing these services to nascent businesses may increase interest in qualified businesses applying to the program. Strategies used at successful agencies can be shared with contracting officers, contracting officer's representatives (CORs), and program managers at the HUBZone Aspirant agencies.

- **Conclusion: The evaluation's qualitative findings indicated that, while HUBZone Champions indicated using HUBZone contract mechanisms at higher rates than agencies that did not reached the 3 percent goal, HUBZone contract mechanism use is low overall.**

A future study should examine factors inhibiting use of HUBZone contract mechanisms and best practices in planning to set aside acquisition opportunities for HUBZone small businesses.

- **Conclusion: The evaluation’s qualitative interviews concluded that agencies that did not meet the 3 percent goal placed higher importance than Champions on recruiting small businesses for other SBA socioeconomic programs, including the 8(a), Small Disadvantaged Business, Service-Disabled Veteran-Owned, and Women-Owned Small Business programs.**
- **Conclusion: The main barriers and challenges preventing some federal agencies from reaching the 3 percent goal include a combination of perceptions of HUBZone small businesses’ capabilities and skills and untargeted marketing strategies.**

Potential barriers and challenges can be resolved by reviewing and enhancing communications across HUBZone stakeholders and reviewing communication strategies and protocols among and between the HUBZone Program Office and SBA District Offices. Although it is not required, CFO Act agencies may wish to consider expanding their marketing strategies to include outreach, the introduction of the HUBZone Program, how to become certified, and basic information on how to pursue contracts once they receive certification.

RECOMMENDATIONS AND ACTIONABLE STEPS

Based on the results of the evaluation, GEARS proposes the following six recommendations along with their respective actionable steps:

- **Recommendation: Develop and distribute a comprehensive survey assessing attitudes and experience in the HUBZone Program to all HUBZone small businesses, both certified and de-certified. Use this survey as an impetus to test the economic impact of the HUBZone Program in various geographic areas.**

Data derived from responses to this survey could be leveraged to develop a pilot randomized control study comparing economic impacts of HUBZone small businesses with other small businesses on outcomes such as job growth and technological resources. When federal agencies and small businesses see the impact of the HUBZone Program it will promote HUBZone, which in turn will help achieve the 3 percent goal. Results from the pilot study may have the power to inform legislative changes to improve the program.

- **Recommendation: Educate Contracting Officers, Contracting Specialists and Contracting Officer’s Representatives (CORs) on effective market research strategies using SBA’s search tools and the 2012 *Market Research Guide for Contracting Officers*. In addition, educate HUBZone small businesses on how to successfully market their services and business models to Contracting Officers.**

Tools such as SBA search engines and the *Market Research Guide for Contracting Officers* (SBA, 2012) provide information that can help both contracting officers and CORs to increase efficiency in information gathering about HUBZone small businesses eligible for HUBZone contracts.

Actionable Steps

- Train contracting officers and CORs on how to use search tools to find small businesses eligible to fulfill the needs of HUBZone contracts.
- Train small businesses via webinars, industry days, and/or matchmaking events on how to market themselves using online tools including FedBizOpps and other federal procurement Websites. For example, FedBizOpps has a feature called “Interested Vendor” that supports self-marketing by providing a small business with the opportunity to indicate interest in specific solicitations, provide contact information, NAICS codes, and search for other businesses with which to partner.
- Consider assigning an internal agency employee at each CFO Act agency whose sole responsibility is managing the HUBZone Program and ensuring that the portfolio of certified HUBZone small businesses at their agency is maintaining compliance with the program. This employee can coordinate efforts between contracting officers, OSDBUs, and small businesses and certification and recertification processes.
- Create a database that identifies HUBZone small businesses that have successfully maintained certification throughout a set period for HUBZone set-aside opportunities. What will distinguish this database from others is that contracting officers and HUBZone specialists will include compliance indicators and the type of matchmaking and indicators that have been identified by agencies. In the long-term, this database should assist in providing a profile for success with certification and compliance.

- **Recommendation: Coordinate efforts with the Small Business Procurement Advisory Council (SBPAC) to expand on best practices in communicating with HUBZone stakeholders about legislative changes affecting SBA socioeconomic programs.**

The SBA can work in tandem with SBPAC to employ strategic guidelines or processes to inform contracting officers, SBA staff in its District Offices, and HUBZone small businesses about legislative changes that affect socioeconomic programs. This approach may help retain HUBZone firms in the program through the freeze on HUBZone maps until 12/31/2021.

Actionable Steps

- Provide to CFO Act agencies, contracting officers, HUBZone district staff, and HUBZone small businesses, a brief e-mail or mobile alert on changes in legislation.
 - Develop a fact sheet detailing the main points of how legislation changes may affect the HUBZone Program and distribute it to all HUBZone stakeholders.
 - Hold a briefing for all HUBZone stakeholders on how legislative changes may affect the HUBZone Program.
- **Recommendation: Create a task force of Agency Contracting Officers to share best practices in identifying HUBZone small businesses appropriate for Agency contracting needs.**

While the *Blueprints for Success* document developed by SBA in 2016 provides concrete examples of how best practices used by HUBZone Champions have directly affected HUBZone goaling, it would be highly beneficial to also create a compendium of best practices among contracting officers at these agencies. Also important are learning the methods SBA district staff use to recruit small businesses into the program.

Actionable Steps

- Engage procurement officials beyond federal agencies' Office of Small and Disadvantaged Business Utilization (OSDBU) directors, including Agency contracting officers and CORs, to share best practices in reaching the 3 percent goal.
- Have the SBA develop a series of workshops or lunches to share strategies that go beyond monthly SBPAC meetings and encourage small group discussions. Open these events to both

federal agency contracting officers and others who have experienced challenges reaching the 3 percent goal.

- Develop a toolkit of best practices used by contracting officers to identify capable small businesses to fulfill the terms of HUBZone contracts and strategically set aside contracts for HUBZone small businesses.
- Have the SBA conduct biannual, data-driven performance reviews of federal agencies to examine recruitment success and small business success in achieving goals.
- **Recommendation: Clarify the HUBZone Program’s standard operating procedures as well as contracting staff roles by improving communication across stakeholders.**

An analysis of interviews resulted in the overall impression that communication strategies across the spectrum of HUBZone stakeholders may impede progress towards achieving HUBZone goals. Specifically, most CFO Act agency OSDBU directors did not indicate they have direct communication with contracting officers, HUBZone district staff, or HUBZone small businesses. Instead, an unofficial system is in place, in which staff situated at the Office of the HUBZone Program act as an alternate point of contact. As a result, the delineation of roles and responsibilities among these groups is obscure.

Actionable Steps

- Create a process or workflow model describing current lines of communication regarding HUBZone Program issues.
- Adjust the model to enhance efficient lines of communication.
- Distribute the model to all HUBZone Program stakeholders involved in communications and operations.
- **Recommendation: Develop a two-prong approach to maintain the total amount of prime contract dollars obligated to certified HUBZone small businesses by Champions and simultaneously increase certified prime contract dollars obligated by HUBZone Aspirant Agencies.**

A two-prong approach can help maintain the success of HUBZone Champions while simultaneously leveraging HUBZone small businesses’ strengths to appeal to HUBZone Aspirant Agencies.

Actionable Steps

- Create a strategic task force consisting of successful HUBZone small businesses in both NAICS Sector 23: Construction and NAICS, and Sector 54: Professional, Scientific, and Technical Services, given that results of the data analysis indicated that both HUBZone Champions and HUBZone Aspirant Agencies made the largest percentage of awards in the sectors. GEARS also recommends that this task force consist of CFO Act agencies and representatives from the HUBZone Program.
- Create a strategic task force consisting of successful HUBZone small businesses within unique sectors and industries underrepresented in the current roster of HUBZone certified firms.
- Make better use of the Procurement Technical Assistance Centers (PTACs) in providing targeted technical assistance at each district office for HUBZone small businesses in underrepresented sectors.
- Hold monthly or bi-monthly industry days specifically for small businesses that are not in the following NAICS sectors: 23, 31-33, 54, and 56.
- Develop training for contracting officers to recruit small businesses outside of the following main NAICS sectors: 23, 31-33, 54, and 56.
- Encourage HUBZone Aspirant Agencies to build their portfolios of HUBZone firms by training contracting officers to promote their programs to small businesses.
- Encourage contracting officers at HUBZone Aspirant Agencies to identify HUBZone Sole Source awards or set-asides for HUBZone small businesses.
- Train to contracting officers at both HUBZone Champions and HUBZone Aspirant Agencies on how to leverage HUBZone Set-Asides, HUBZone Sole Source awards, and the HUBZone Price Evaluation Preference for HUBZone small businesses with certifications other than HUBZone.

I. INTRODUCTION

BACKGROUND AND PURPOSE

In 1997, Congress passed the Small Business Administration (SBA) Reauthorization Act (Public Law 105-135), which includes provisions for economic development and employment opportunities in metropolitan or rural areas with low income, high poverty rates, and/or high unemployment rates (Small Business Reauthorization Act of 1997). In 1999, the SBA began accepting applications for the Historically Underutilized Business Zone (HUBZone) Program to meet the requirements of the Act. The HUBZone Program's goals are to:

- Provide federal contracting assistance for qualified small businesses located in HUBZones.
- Increase employment opportunities, investment, and economic development in HUBZones.

The HUBZone Program fuels economic development through the establishment of preferences facilitating access to federal contracting opportunities via HUBZone certification (Alexander, 2002; U.S. Small Business Administration, 2018). Certified HUBZone small businesses in impoverished areas then utilize HUBZone competitive and sole source contracting and price evaluation preferences to create and retain jobs and increase capital investments in their communities (U.S. Small Business Administration, 2016).

A HUBZone is an area that is in one or more of the following:

- A qualified census tract (as defined in section 42(d)(5)(B)(ii) of the Internal Revenue Code of 1986);
- A qualified "non-metropolitan county" (as defined in section 143(k)(2)(B) of the Internal Revenue Code of 1986), with a median household income of less than 80 percent of the state median household income based on U.S. Census data or with an unemployment rate of not less than 140 percent of the statewide average, based on U.S. Department of Labor recent data;
- Lands within the boundaries of an Indian reservation;
- Redesignated areas;
- Qualified BRACs; or
- Qualified disaster areas.

To qualify for the HUBZone Program, a small business must:

- Be 51 percent owned and controlled by U.S. citizens, a community development corporation, a small agricultural cooperative, a Native Hawaiian Organization, or an Indian tribal government;
- Have its principal office located in a designated HUBZone; and
- Have at least 35 percent of its employees reside in a designated HUBZone.

The SBA Does the Following:

- Determines which businesses are eligible to receive HUBZone contracts.
- Maintains a listing of qualified HUBZone small businesses that federal agencies can use to locate vendors.
- Adjudicates protests of eligibility to receive HUBZone contracts.
- Reports to Congress on the program's impact on employment and investment in HUBZone areas.

(Source: SBA.gov, How Does the HUBZone Program Work?
<https://www.sba.gov/offices/headquarters/ohp/spotlight>)

The HUBZone Program is marketed to potential small businesses by SBA district staff as an opportunity to promote job growth, capital investment, and economic development in HUBZone areas by providing preferential contracting assistance.

HUBZone contracting mechanisms include competitive and sole source contracting, a 10 percent price evaluation preference in full and open contract competitions, and subcontracting opportunities. Once small businesses are identified, they are encouraged to apply for the program through the SBA Office of the HUBZone Program. This office is responsible for overseeing the HUBZone certification and compliance processes regarding the goal for federal agencies to obligate 3 percent of total prime contract dollars to HUBZone small businesses. While these agencies were responsible for contributing 99.3 percent of prime contract dollars to HUBZone small businesses in FY 2016 across all federal agencies, only nine of them met the 3 percent goal requirement.

The SBA contracted the Global Evaluation & Applied Research Solutions (GEARS), Inc. to identify the following: factors that result in the successful attainment of HUBZone awards, barriers that impede the achievement of the 3 percent goal, and systemic efforts the SBA can implement to both support agencies in achieving the 3 percent goal and improve the HUBZone Program.

The SBA can use findings from this evaluation to develop strategies and additional studies to: 1) increase the number and dollar amount of HUBZone contracts for eligible small businesses, 2) support improvement in marketing and best practices of the HUBZone Program across *Chief Financial Officers (CFO) Act of 1990 (CFO Act)* agencies, and 3) provide a foundation for policy changes in the HUBZone Program at the federal level.

LITERATURE REVIEW AND ENVIRONMENTAL SCAN

GEARS conducted a literature review and an environmental scan to 1) summarize information on HUBZone Program implementation and outcomes; 2) identify factors that influence program outcomes; and 3) better understand the factors and contexts that influence goaling outcomes. GEARS sought updated information and research on HUBZone awards, federal contracting, and policies to advance practices that improve the HUBZone Program.

LITERATURE REVIEW METHODOLOGY

GEARS searched the following databases for documents published or released between 2000 and 2018: Academic Search Complete; Business Source Complete; EconoLit; ERIC; Library, Information Science & Technology Abstracts; Legal Source; Primary Search; Regional Business News; and SocINDEX. GEARS entered key search terms in various combinations and phases into the databases. Examples of key words used include the following: HUBZone, procurement, legislation, contracting, marketing, value, policy, certifications, small business, barriers, program outcomes, designation, underserved, disadvantaged, economic development and sustainability. In addition, GEARS narrowed its document retrieval to peer-reviewed journals and Federal Government reports. The search yielded 14 articles that were reviewed for this evaluation.

LITERATURE REVIEW RESULTS

A comprehensive table illustrating findings from the literature review can be found in Appendix B. The results of the literature review are presented with respect to four content areas:

- Marketing, outreach, and technical assistance for the HUBZone Program.
- Improving HUBZone certification and meeting small business contracting needs.
- Training of federal agency contracting officers and small businesses.
- Sharing best practices in HUBZone Program implementation.

Marketing, Outreach, and Technical Assistance for HUBZone Program Implementation

In 2010, the Interagency Task Force on Federal Contracting Opportunities for Small Businesses was convened. This task force developed proposals and recommendations for ensuring that small businesses—including firms owned by women, minorities, socially and economically disadvantaged individuals, and service-disabled veterans—were given fair access to Federal Government contracting opportunities.

The report resulting from the Interagency Task Force made the following three overarching recommendations: 1) develop clearer and more comprehensive small business contracting policies, 2) provide for a better trained workforce and hold agencies accountable for meeting small business goals, and 3) leverage technology to enhance transparency, increase federal procurement accessibility for small businesses, and improve data quality. These three recommendations have 13 sub-recommendations. The following sub-recommendations are of interest to the current HUBZone evaluation:

- Develop a government-wide framework for Mentor-Protégé programs and clarify rules for small business teaming.
- Strengthen the skills of the acquisition workforce by revising existing core certification; requiring training on small business contracting, procurement policies and regulations, and creating focused refresher materials for continuous learning.
- Enhance FedBizOpps, the government-wide point of entry on business opportunities, to serve as a one-stop resource for annual requirements forecasting agencies' prime contracting opportunities, for posting subcontracting opportunities, as the outreach calendar of all federal agency matchmaking and training events, and as a directory of online agency small business resources.
- Improve the accessibility and usability of small business procurement data in the Federal Procurement Data System (FPDS).

The SBA's Office of Government Contracting & Business Development developed a *Market Research Guide for Contracting Officers*. This publication identified the Dynamic Small Business Search (DSBS) as a useful tool to assess the capabilities and capacity within the various small business subcategories, which can be invaluable to federal agency efforts in identifying capable firms, particularly if an agency needs to increase opportunities to meet its goals. The DSBS system helps Contracting Officers identify vendors who perform work similar to agency needs (SBA, 2012).

The U.S. Government Accountability Office (formerly known as the "General Accounting Office")³ (GAO) 2002 report also addressed marketing of opportunities and clarified the role of the Commercial Marketing Representative (CMR). The GAO recommended that CMR's role be a combination of compliance monitoring and matchmaking, with an emphasis on matchmaking to facilitate these opportunities.

³ Prior to 2004, the GAO was known as the "General Accounting Office." Presently, it is designated as the "Government Accountability Office."

In terms of technical assistance (TA), a study by Blitz (2008) suggested that staff of Small Business Development Centers could provide TA and that the volunteers of SCORE and the growing network of Women's Business Centers could also provide seasoned advice. It is important to consider referring customers to one of these providers for assistance with preparing business plans, counseling for specific business problems, or to expertly prepare financial projections. The Blitz studies and GAO reports emphasized the importance of marketing and outreach to attract small businesses to participate and succeed in the HUBZone Program.

In assessing the HUBZone Program, the GAO issued reports to the SBA on the status of its recommendations regarding areas of the HUBZone Program notification and certification processes, notification of eligibility, and verification of firms' information. In 2016, the GAO described the actions taken by the HUBZone Program to address earlier observations it made regarding the recertification process. The March 2016 report indicated that the HUBZone Program had addressed the recertification process to ensure that firms receive appropriate notifications that could impact eligibility and the verification process for firms applying for recertification (GAO, 2016).⁴ As of February 2017, the SBA was implementing additional steps to ensure that all currently certified firms would be notified of changes that could affect their program eligibility (GAO, 2017).

Training for Federal Agency Contracting Staff and Small Businesses

The Interagency Task Force on Federal Contracting Opportunities for Small Businesses emphasized training as a strategy to improve the HUBZone Program and identified both federal workforce trainings and trainings for small businesses as strategies. The Task Force indicated the need for *a better equipped and more informed acquisition workforce*. The Task Force also suggested that workforce training should be required for contracting officers, small business specialists, and program managers to strengthen the agencies' ability to use contracting authorities in the most effective manner possible. It reported that a series of online training courses were available (www.sba.gov/training) that walk small business owners through the steps involved in becoming a government contractor. These tools help small businesses navigate the contracting process. Mandelbaum (2007) indicated that the SBA's Office of Government Contracting helps small businesses break into the government market and describes the resources provided by the SBA.

Sharing Best Practices in HUBZone Program Implementation

The Small Business Procurement Advisory Council (SBPAC) has established a two-year schedule for presentations every month that provide each agency with an opportunity to discuss agency best

⁴ GAO-16-423R HUBZone Program.

practices. These are the practices implemented by the agency that could also be implemented by other agencies having procurement powers. In determining best practices, the results of a study by Eagle Eye Publishers (2012) show that understanding the agency acquisition practices associated with successful small business procurement goal achievement can help boost small business utilization levels across government agencies. Assessing different standards and using multi-dimensional procurement measures across agencies assists in uncovering reasons for small business over and underutilization. This takes the analysis of small business utilization beyond simple goal assessment to uncovering reasons for over- and under-achievement. As reasons for differing levels of performance become clear, agencies can take appropriate measures to address needed change. Overall, high-achieving agencies appear to be more effective in their outreach to the small business community and in managing their existing small business relationships. Their effectiveness cuts across market segments, meaning that the types of goods and services procured do not predetermine successful small business utilization (Eagle Eye Publishers, 2012). However, this finding was not examined according to different acquisition opportunities, including HUBZone set-aside opportunities.

Another important strategy would be for federal agencies, with SBA's support, to improve government accountability and facilitate the sharing of best practices (Interagency Task Force on Federal Contracting Opportunities for Small Businesses, 2010). HUBZone staff have been uniformly described as helpful and informative. However, to ensure systematic outreach and promotion of the HUBZone Program, *Blueprints for Success* (SBA, 2016) acts as a starting point for Champion federal agencies to support strategies and best practices used to attract and help small businesses gain access to federal procurement opportunities in the HUBZone Program.

FINDINGS FROM THE ENVIRONMENTAL SCAN

With the limited published literature available on the HUBZone Program, GEARS conducted an environmental scan for a much broader scope of information from unpublished/internal documents on strategies, guidance on market research, federal contracting, and program performance assessment related to the HUBZone Program. Appendix C highlights the main findings in the environmental scan. The information, resources, and references from the environmental scan support and mirror that of the literature review, since both activities rely heavily on government documents and sources.

Successes and Challenges of the HUBZone Program

In FY 2016, nine agencies governed by the *CFO Act* achieved the Federal Government statutory goal of obligating 3 percent of prime contract dollars to HUBZone small businesses. Fifteen CFO Act agencies did not achieve the Federal Government goal. *Blueprints for Success* suggests that leadership support is

an essential factor for success in achieving the 3 percent goal. Furthermore, *Blueprints* suggest that success is only achieved through the efforts of the SBA and the coordination of federal partners.

Training and Capacity Building for Contracting Staff

The *Market Research Guide* (2012) helps contracting officers to understand and use market research to find qualified small business vendors with the capabilities to meet the needs of their agencies' contracts. The guide also helps contracting officers develop effective acquisition plans and an understanding of the industry and market. In addition, the *Market Research Guide* helps contracting officers to connect with qualified small business vendors. In terms of training, each federal agency uses different training methods.

Training and Capacity-Building for Small Businesses

SBA online training for small businesses covers many topics related to the HUBZone certification and contract application processes. These topics include: 1) program eligibility and certification requirements, 2) federal contracting assistance to qualified small firms, 3) accessing the SBA's general login system, 4) applying for HUBZone certification, 5) completing and submitting the online HUBZone application, 6) submitting the requested documentation, 7) avoiding common mistakes, and 8) resources and tools.

In addition, the SBA developed a *HUBZone Mini-Primer*, which covers the following topics: 1) understanding HUBZone Protests, 2) filing a HUBZone Status Protest, 3) who can file a HUBZone Status Protest, 4) where and how a HUBZone Status Protest should be submitted, 5) responding to a Protest, 6) when SBA makes a Protest decision, and 7) appealing a Protest decision.

Laws, Regulations, and Policies around HUBZone Implementation

The National Defense Authorization Act for Fiscal Year 2018 (Pub. L. No. 115-91) amends the Small Business Act to expand the ability of small businesses in rural areas to participate in the HUBZone Program by allowing governors to directly petition the SBA to designate additional rural areas as HUBZones. The law also requires the SBA to publish performance metrics designed to measure the success of the HUBZone Program.

OVERVIEW OF THE REPORT

To provide context for the findings, this report provides a brief description of the HUBZone Program with information about legislative changes that have occurred to the program since its inception, accompanied by a concise description of the program's logic model.

PROGRAM DESCRIPTION AND LOGIC MODEL

One of the main goals of the HUBZone Program is to obligate 3 percent of all federal prime contract dollars to HUBZone small businesses. However, this goal has never been reached since the program's inception in 1997. In FY 2016 specifically, only 1.67 percent of prime contract dollars (\$6.8 billion) were awarded to HUBZone small businesses (FY 2007 to FY 2016, *Blueprints for Success: Achieving the HUBZone 3 Percent Goal*; U.S. Small Business Administration, SBGR, 2016).

While the Federal Government has collectively never reached the 3 percent goal, a select number of federal agencies have met their individual 3 percent goals during several fiscal years. There are 24 federal agencies identified in the *Chief Financial Officers (CFO) Act of 1990* that have been key players in the distribution of SBA socioeconomic program dollars, including HUBZone procedural dollars. In FY 2016, these agencies contributed 99.28 percent of HUBZone prime contract dollars to HUBZone small businesses (\$6.8 billion). Of these CFO Act agencies, six of them have consistently met the 3 percent HUBZone goal from FY 2012 to FY 2016: 1) Department of Agriculture, 2) Department of Homeland Security, 3) Department of the Interior, 4) Department of Transportation, 5) Department of the Treasury, and the 6) Small Business Administration. In FY 2016, the Department of Commerce, General Services Administration, and Office of Personnel Management also met their 3 percent goals. Across these nine agencies, the moniker "HUBZone Champion" was coined, indicating agencies that implemented effective strategies that have enabled them to award 3 percent of small business eligible prime contract dollars to HUBZone small businesses (U.S. Small Business Administration, 2016).

The remaining 15 CFO Act agencies did not meet their 3 percent HUBZone goal in FY 2016, with agencies obligating anywhere from 0.15 percent (Department of Energy) to 2.90 percent (Nuclear Regulatory Commission) of prime contract dollars to HUBZone small businesses. The current evaluation helps to identify factors that result in some agencies meeting their 3 percent goal and barriers that prevent others from reaching that goal. The first methodical step in this process was to identify the specific evaluation components from the SBA HUBZone Logic Model.

PROGRAM LOGIC MODEL

The SBA HUBZone Logic Model guided the scope of the evaluation (See Figure 1 below). This logic model describes how small business concerns (SBCs) are made aware of the HUBZone Program via marketing from SBA district staff.

HUBZone Program staff liaises with federal agencies' Office of Small and Disadvantaged Business Utilization and district staff to encourage small businesses to apply for HUBZone certification. Upon certification, federal agency acquisition staff identify HUBZone small businesses eligible for fulfilling

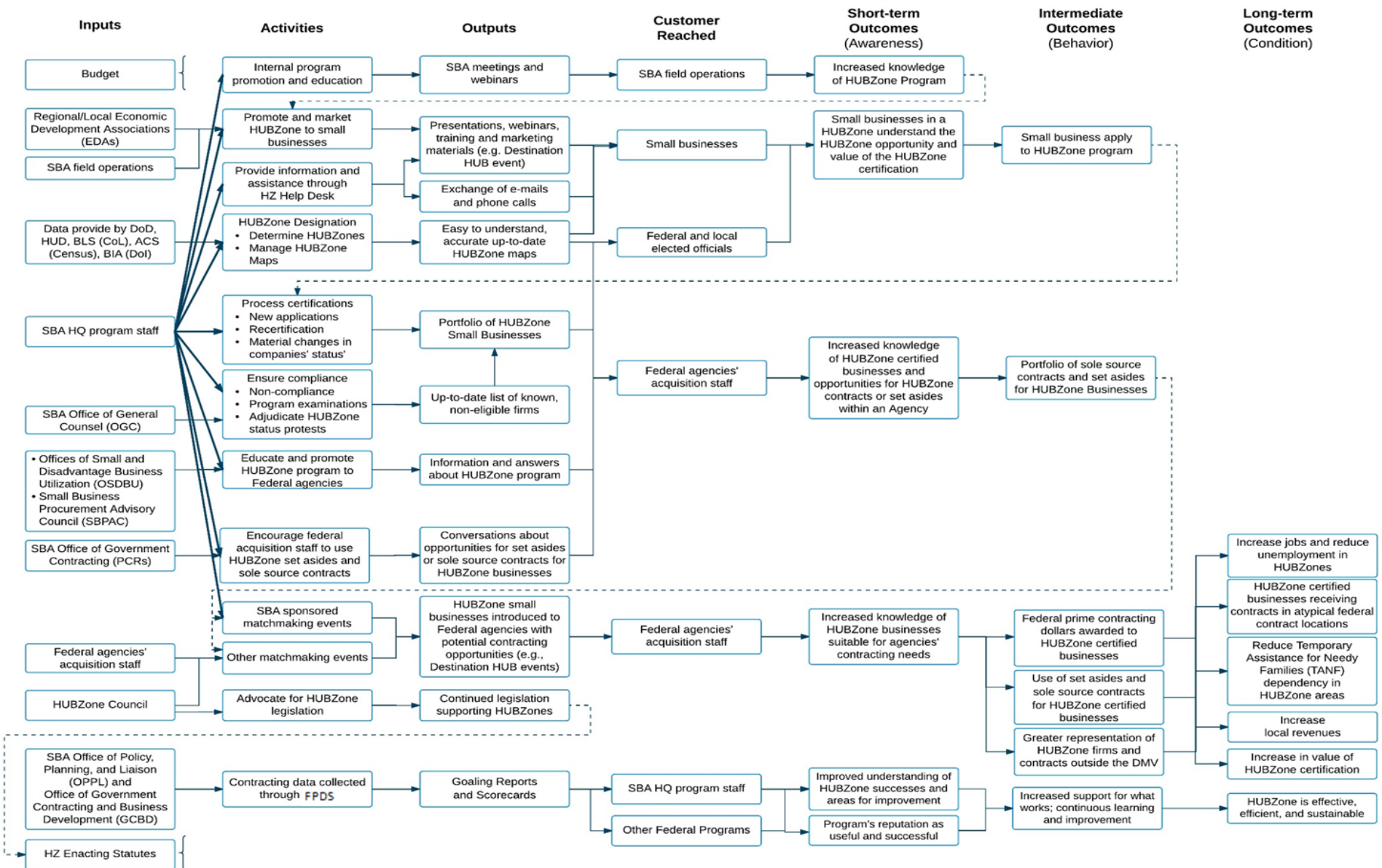
government contract needs and then federal prime contract dollars are awarded to those small businesses by agencies.

The specific components of the program's logic model that focus on the current evaluation are *inputs*, *activities*, and *short-term outcomes*. *Inputs* include the collection of information about the HUBZone Program via both discussions with the internal SBA and HUBZone Program staff and qualitative interviews with program stakeholders. *Activities* include specific actions taken by agencies to reach program goals and enact beneficial change in the program, including organization of evaluation information that can be used to promote the HUBZone Program and educate internal SBA and HUBZone staff, federal agencies, and small businesses on HUBZone procurement. Progress in achieving *short-term outcomes* is the main goal of the evaluation. The evaluation uses information from both qualitative and quantitative data analyses to develop recommendations that will move the HUBZone Program towards both immediate and long-term outcomes.

Figure 1. SBA HUBZone Program logic model

SBA: HUBZone Program Logic Model

Mission: To encourage economic development in historically underutilized business zones - "HUBZones" - through preferential access to federal procurement opportunities



{ Mini brackets indicate that a box is applicable to all the items in the following column

External Influences: 1) Legislative Changes: 35 percent of employees of a HUBZone firm must reside in a HUBZone, and this is a percentage that may change in the future – impact would be positive to increase the number of firms in compliance with the HUBZone Program and able to receive HUBZone contracts; 20 percent cap from HUD removed in June 2016 to increase the quantity of census tracts able to be qualified for the HUBZone Program and current discussion about whether the 20 percent cap will be reinstated (cap from IRS LIHTC program) – impact will be negative reducing number of firms. 2) Buying Policy Changes: Trends toward category management and how this may impact buying policies of the federal government

EVALUATION METHODOLOGY

The current evaluation uses a mixed-methods approach involving quantitative data analyses and qualitative interview data analyses. The methodology described in this section includes: 1) the evaluation questions; 2) use of quantitative data sources; and 3) qualitative interview methodology.

EVALUATION QUESTIONS

GEARS worked in collaboration with the SBA to develop the following targeted questions for the evaluation:

1. *What factors have contributed to federal agencies reaching the HUBZone Program socioeconomic goal set by the SBA of 3 percent goal?*
 - 1a. What are the characteristics of HUBZone Champions, i.e., federal agencies that have met or exceeded the 3 percent goal?
 - 1b. What effective marketing strategies and activities were implemented by HUBZone Champions?
 - 1c. What have HUBZone Champions done differently than agencies that have not met their 3 percent goal?
2. *What barriers and challenges have prevented some federal agencies from reaching their 3 percent goal? How can these barriers be addressed?*
3. *What factors predict successful federal contract awards for HUBZone firms?*

DATA SOURCES

After a final list of evaluation questions was developed, the SBA and the HUBZone Program provided GEARS with two quantitative datasets: “FY 2016 HUBZone Contracting Data” and “HUBZone Portfolio of Firms for FY 2016” data.

FY 2016 HUBZone Contracting Data

The first dataset is locked FY 2016 goaling data from the Federal Procurement Data System – Next Generation (FPDS-NG). These administrative data are an extract from the larger locked *Federal Procurement Data System – Next Generation* (FPDS-NG)⁵ file through which prime small business

⁵ Federal Procurement Data System – Next Generation. (2018). FY 2016 Small Business Goaling Report. Retrieved from https://www.fpds.gov/fpdsng_cms/index.php/en/newsroom/133-fy-2013-small-business-goaling-report-3.html on April 9, 2018.

achievements are calculated for federal agencies as well as the Federal Government as a whole for a fiscal year.

HUBZone Portfolio of Firms for FY 2016

The second dataset GEARS used is from the SBA’s government contracting database, which is supplemented by data from the System for Award Management (SAM). This dataset includes information on all small businesses possessing HUBZone certification at any point in time during FY 2016. The data provide details about firm characteristics, including the year the business was established, its North American Industry Classification System (NAICS) primary economic sector and industry retrieved from SAM, vendor location, and average annual revenue. Once the data were received, GEARS formatted several variables for analyses.

INTERVIEWS

Interview data comprised a critical portion of the evaluation and provided novel information on the HUBZone Program. A purposive sampling approach was used to select eligible individuals to participate that would be best able to answer the research questions. The evaluation team held collaborative discussions to identify the populations of interest for the interviews as well as the sample of eligible participants. The following table identifies the populations chosen for each evaluation question, as well as the rationale for choosing interviewees from this group.

Table 1. Rationale for selection of the groups interviewed

Evaluation Question	Population	Rationale for Choosing Population
1a. What are the characteristics of HUBZone Champions?	<i>Question answered via analysis of quantitative data</i>	--
1b. What effective marketing strategies and activities were implemented by HUBZone Champions?	OSDBU directors from agencies that met the 3 percent goal in the most recent fiscal year	It is important to obtain Champion intelligence on strategies that have helped them reach the 3 percent goal
	HUBZone Program staff	The HUBZone Program’s objective perspective on successful versus unsuccessful agency marketing and outreach strategies adds value to the evaluation
	SBA district staff	District staff can verify whether agency marketing and outreach were effective in recruiting small businesses

Table 1. Rationale for selection of the groups interviewed

Evaluation Question	Population	Rationale for Choosing Population
1c. What have HUBZone Champions done differently than agencies that have not met their 3 percent goal?	OSDBU directors from agencies that met the 3 percent goal in the most recent fiscal year	Interviews with both OSDBU directors from HUBZone Champions agencies and those that did not reach the 3 percent goal can be compared/contrasted for differences and triangulated with quantitative findings
	OSDBU directors from agencies that did not meet the 3 percent goal in the most recent fiscal year	
2. What barriers and challenges have prevented some federal agencies from reaching their 3 percent goal? How can these barriers be addressed?	OSDBU directors from agencies that did not meet the 3 percent goal in the most recent fiscal year	OSDBU directors from agencies that did not reach the 3 percent goal in the most recent fiscal year have first-hand knowledge on individual challenges in reaching the HUBZone goal
	HUBZone Program staff	HUBZone Program staff can provide objective opinions on reasons why some agencies have not reached the 3 percent goal both in the most recent fiscal year and historically
3. What factors predict successful federal contract awards for HUBZone firms?	OSDBU directors from agencies that met the 3 percent goal in the most recent fiscal year	All four populations will provide varied perspectives on important features enabling some small businesses to obtain HUBZone contract awards
	OSDBU directors from agencies that did not meet the 3 percent goal in the most recent fiscal year	
	HUBZone Program staff	
	SBA district staff	

GEARS conducted qualitative interviews with four populations: 1) OSDBU directors from federal agencies that met or exceeded the 3 percent goal of obligating their contracting dollars to HUBZone firms in FY 2016 (*n* = 4 agencies interviewed); 2) OSDBU directors from federal agencies that did not meet the 3 percent goal and had the lowest percentage in obligating their contracting dollars to HUBZone firms in FY 2016 (*n* = 8 agencies interviewed); 3) staff from SBA District Offices (*n* = 27 individuals interviewed); and 4) HUBZone Program Staff at SBA (*n* = 4 individuals interviewed). Appendix D contains details on the recruitment strategy and process. Appendices E1 through E4 present all protocols used across these groups, and Appendix F provides demographic characteristics of the 12 individuals interviewed at federal agencies.

ANALYTIC APPROACH

GEARS used a mixed-methods data analytic approach that incorporates qualitative data obtained through stakeholder interviews and descriptive statistics provided in the above-mentioned databases. The sections that follow describe the content and preparation of both the quantitative and qualitative data.

QUANTITATIVE DATA

All analyses were conducted using Microsoft Excel or SPSS version 24 (IBM corporation, 2016). For the current evaluation, we used a combination of descriptive statistical procedures and graphic visualization in order to analyze and present the data and quantitatively answer evaluation questions. These methods were used to provide descriptive data to support qualitative data that was used for evaluation questions.

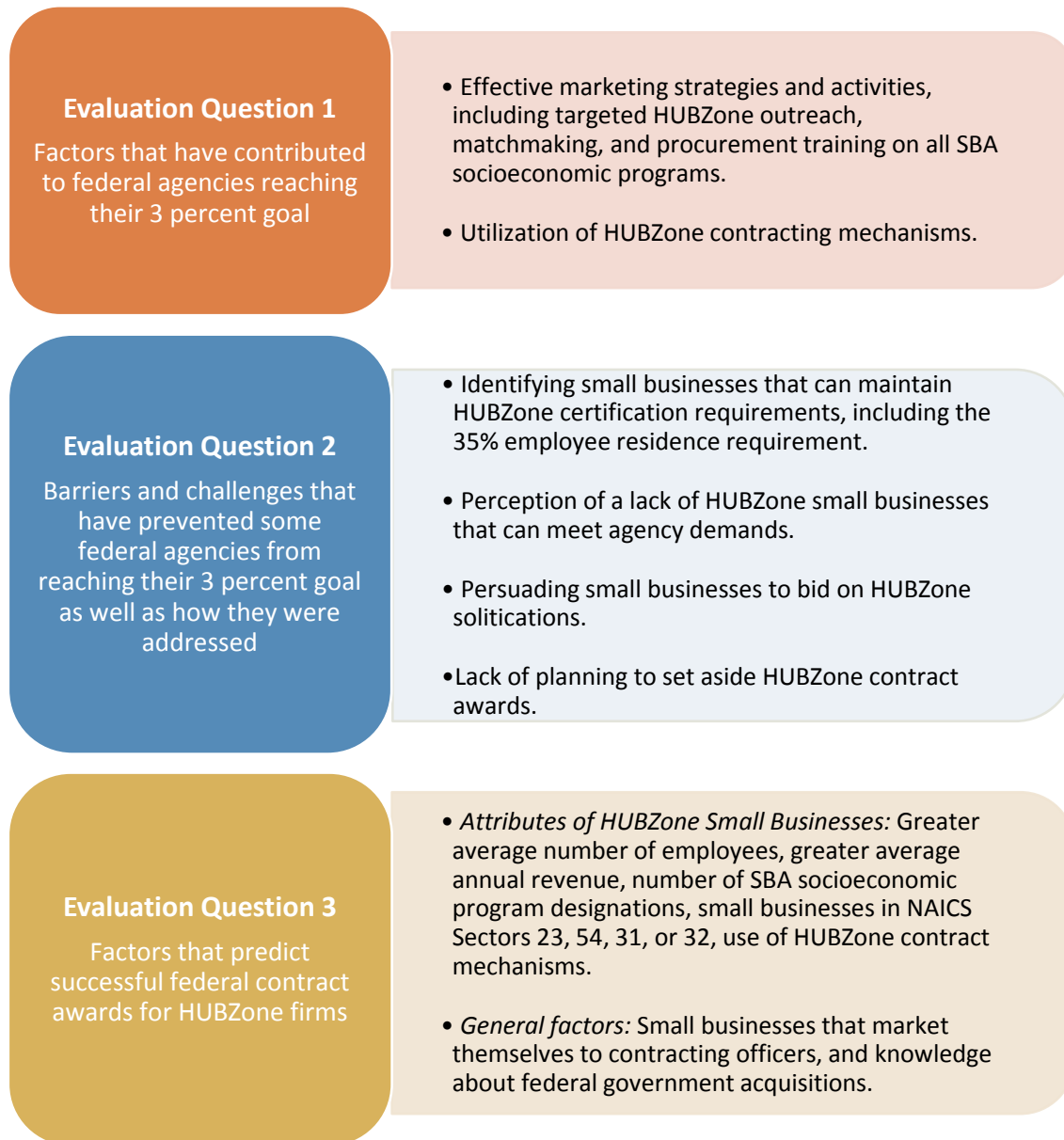
QUALITATIVE DATA

GEARS used Braun and Clarke's (2006) thematic content analysis technique as the primary qualitative technique. This type of analysis involves exploring patterns across interviews that are meant to answer research and evaluation questions. Once patterns are identified, they are discussed iteratively among coders until they reach both consensus on the final list of themes answering each question and the saturation of information. Saturation refers to the situation where there are no new insights or codes of information indicated by the respondents or data (Morse, 2004). GEARS implemented several quality controls in analysis of interviews to ensure inter-rater reliability. After training, coders agreed on categories 80 to 85 percent of the time. The recruitment strategy and qualitative approach is described in greater detail in Appendix D.

II. OVERVIEW OF FINDINGS

OVERVIEW

Figure 2. Overview of main findings by evaluation question



Characteristics and profiles of the 24 CFO Act agencies, SBA district office interviewees, and HUBZone Program staff interviewees provide a context for understanding the above evaluation analyses and findings. Consequently, information on each of these stakeholder/participants groups is highlighted next.

PROFILE OF CFO ACT AGENCIES

CFO Act agencies were classified into two groups: 1) agencies that either *met* or *exceeded* the 3 percent goal of obligating their contracting dollars to HUBZone firms in FY 2016 (heretofore designated as “HUBZone Champions”) and 2) agencies that did *not* meet the 3 percent goal in FY 2016 (heretofore designated as HUBZone Aspirant Agencies). Tables 2a and 2b provide a list of all 24 CFO Act agencies, including 9 HUBZone Champions and 15 HUBZone Aspirant Agencies.

Table 2a. CFO Act Agencies that Reached the 3 Percent HUBZone Goal in FY 2016 (n = 9)

HUBZone Champions in FY 2016 (n = 9)	% Prime contract dollars	Prime contract dollars (\$Million)
1. U.S. Department of Transportation (DOT)*	10.86%	\$206.17
2. U.S. Small Business Administration (SBA)	6.54%	\$9.90
3. U.S. Department of the Interior (DOI)*	4.87%	\$149.34
4. U.S. Department of the Treasury	4.49%	\$135.01
5. U.S. Department of Commerce (DOC)	4.23%	\$193.86
6. U.S. Department of Homeland Security (DHS)*	4.21%	\$590.34
7. U.S. Department of Agriculture (USDA)	3.94%	\$232.60
8. U.S. General Services Administration (GSA)*	3.89%	\$163.19
9. U.S. Office of Personnel Management (OPM)	3.19%	\$29.96

*A representative from the agency was interviewed for this evaluation.

Table 2b. CFO Act Agencies that Did Not Reach the 3 Percent HUBZone Goal in FY 2016 (n = 15)

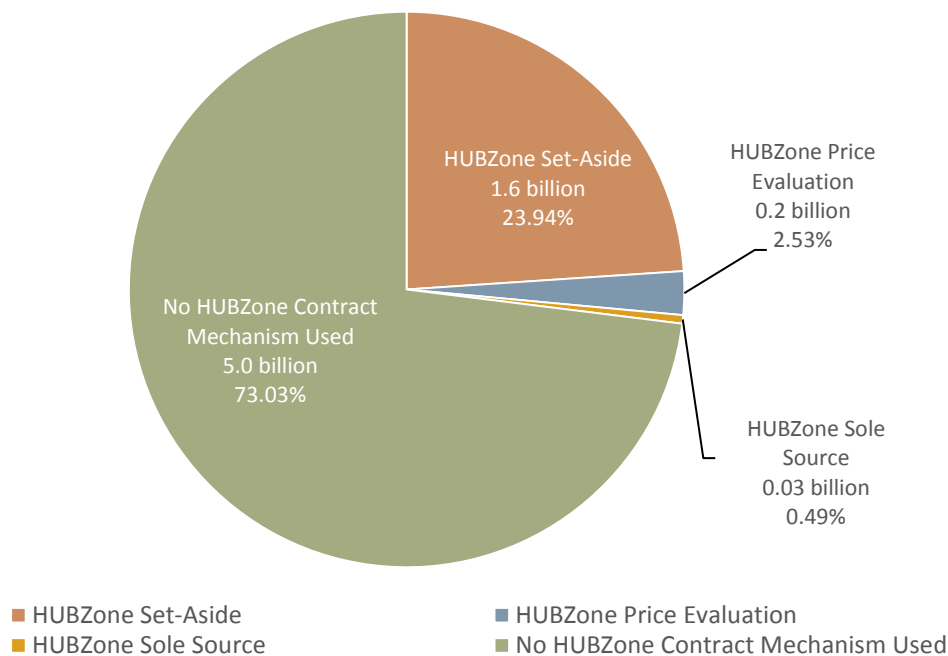
Aspirant Agencies in FY 2016 (n = 15)	% Prime contract dollars	Prime contract dollars (\$Million)
1. Nuclear Regulatory Commission (NRC)	2.90%	\$6.59
2. U.S. Department of Labor	2.77%	\$50.61
3. National Science Foundation (NSF)	2.37%	\$10.33
4. U.S. Department of State	2.37%	\$203.42
5. U.S. Department of Veterans Affairs	1.58%	\$366.22
6. U.S. Department of Defense	1.57%	\$3.96
7. U.S. Social Security Administration (SSA)*	1.57%	\$23.58
8. U.S. Department of Housing and Urban Development (HUD)*	1.20%	\$13.32
9. U.S. Department of Justice (DOJ)*	1.05%	\$74.33
10. U.S. Department of Health and Human Services (HHS)	1.03%	\$242.93
11. U.S. Environmental Protection Agency (EPA)*	0.61%	\$9.75
12. U.S. Department of Education (ED)*	0.58%	\$13.86
13. National Aeronautics and Space Administration (NASA)*	0.52%	\$82.70
14. U.S. Agency for International Development (USAID)*	0.19%	\$8.33
15. U.S. Department of Energy (DOE)*	0.15%	\$38.42

*A representative from the agency was interviewed for this evaluation.

Figure 3 below shows the distribution of prime contract dollars awarded across the 24 CFO Act agencies. The total dollar sum of obligations for HUBZone small businesses in FY 2016 was \$6.8 billion, or 1.67 percent of the total small business eligible prime contract dollars for FY 2016 (i.e., \$410.7 billion). Overall, the total sum of action obligations for HUBZone small businesses was 1.3 percent below the overall 3 percent goal across federal agencies.

In addition, 73 percent of eligible HUBZone certified dollars were awarded to HUBZone small businesses through means other than HUBZone contract mechanisms in FY 2016. This finding points to the fact that CFO Act agencies may not set aside contracts using HUBZone contract mechanisms, but instead rely on other procedures when obligating certified prime contract dollars to HUBZone small businesses (e.g., small business set asides, full and open competition, etc.).

Figure 3. Amount and percent of HUBZone prime contracting dollars across CFO act agencies in FY 2016



PROFILE OF SBA DISTRICT OFFICE INTERVIEWEES

SBA District Offices in this sample ranged in size from 4 to 14 individuals, with an average of 9 employees per office. Most individuals had been employed at their district office for an average of 7 years, with length of employment ranging from 2 to 20 years. Fourteen of the 27 office staff interviewed supplied information about the specific employee types at their offices.

PROFILE OF HUBZONE HEADQUARTERS INTERVIEWEES

GEARS completed four interviews with HUBZone Program staff. Interviews were conducted with a Director, a Business Opportunity Specialist, a Management Support Specialist, and a Senior Program Analyst.

SUMMARY OF KEY FINDINGS

GEARS used both quantitative and qualitative data to answer the evaluation questions. Triangulation of these sources resulted in the following four key findings:

KEY FINDING 1

HUBZone Champions may be more amenable to utilizing the HUBZone Program compared with agencies that did not meet the 3 percent goal in FY 2016, via targeted marketing and outreach strategies and willingness to set aside procurement contracts for HUBZone small businesses.

KEY FINDING 2

Results of the data analysis indicated that both HUBZone Champions and HUBZone Aspirant Agencies made the largest percentage of awards in sectors 23 – Construction and 54 – Professional, Scientific, and Technical Services. In FY 2016, HUBZone Champions awarded 44.63 percent of certified HUBZone dollars to small businesses categorized as sector 54 – Professional, Scientific, and Technical Services, and 31.09 percent to sector 23 – Construction. HUBZone Aspirant Agencies awarded the greatest percentage of certified HUBZone dollars to sector 23 (i.e., 43.14 percent), followed by 22.46 percent of certified HUBZone dollars to sector 54.

KEY FINDING 3

The main barriers and challenges preventing some federal agencies from reaching the 3 percent goal can be summarized as issues in communications, operations, and marketing.

The main challenges stated across interview groups included:

- Several interviewees highlighted the barrier of identifying small businesses able to maintain HUBZone certification requirements, including the 35 percent employee residence requirement.
- A perception from both agencies that did not reach the 3 percent goal and HUBZone district staff is that there is a lack of small businesses in HUBZones that can meet the product and/or service demands of individual agencies.
- Persuading small businesses to bid on HUBZone solicitations.

- Lack of planning at federal agencies to set aside HUBZone awards for small businesses.

KEY FINDING 4

Facilitators of success for HUBZone small businesses receiving contracts varied between HUBZone Aspirant Agencies and HUBZone Champions. However, common factors predicting successful federal contract awards to HUBZone firms are based on their knowledge of the federal procurement process. Essentially, there is a perception that small businesses that both know how to market their services to contracting officers and have extensive knowledge of the Federal Government acquisitions process are more likely to receive HUBZone contracts.

The evaluation's findings concluded that:

- HUBZone small businesses with a greater average number of employees received greater sums of certified HUBZone dollars from CFO Act agencies.
- HUBZone small businesses with more SBA socioeconomic designation received a greater sum of certified HUBZone dollars from CFO Act agencies in FY 2016.
- HUBZone small businesses in NAICS sectors Sector 23- Construction and Sector 54 - Professional, Scientific, and Technical Services received a greater amount of certified HUBZone dollars across CFO Act agencies in FY 2016.
- Among agencies that did not meet the 3 percent goal, factors associated with higher sums of certified HUBZone dollars obligated included: 1) higher average annual revenues; 2) use of HUBZone Set-Aside or HUBZone Price Evaluation Preference; and 3) small businesses in NAICS Sector 31- Manufacturing of Non-Durable Goods or NAICS Sector 32 - Manufacturing of Durable Goods.

III. FINDINGS BY EVALUATION QUESTION

EVALUATION QUESTION 1

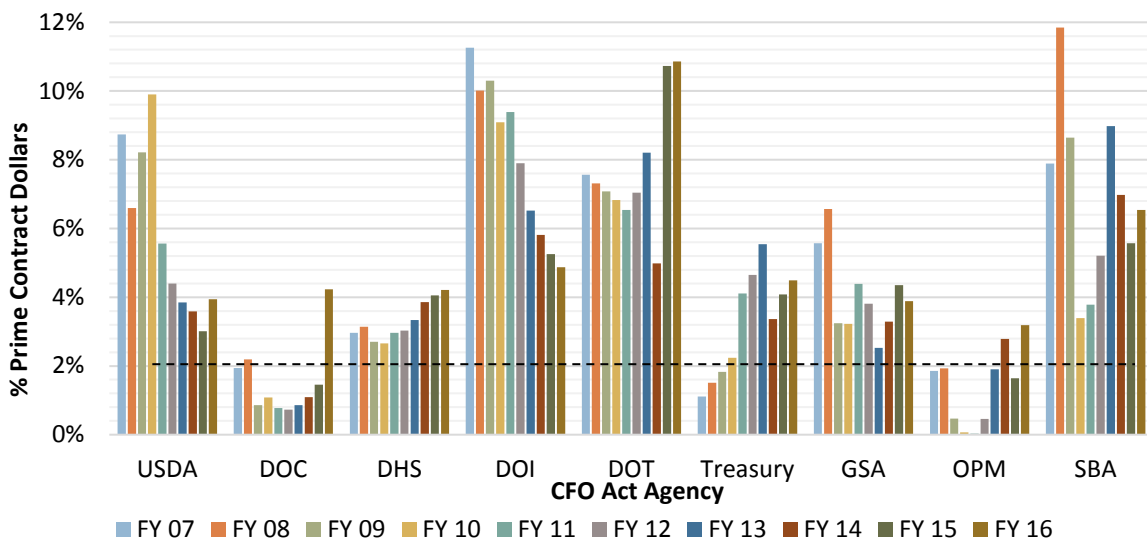
The first evaluation question asks, “What factors have contributed to federal agencies reaching the HUBZone Program socioeconomic goal set by the SBA of 3 percent?” To answer this question, GEARS examined characteristics and marketing and outreach strategies of HUBZone Champions. The characteristics included the percent and amount of prime contract dollars awarded to HUBZone small businesses, primary NAICS economic industries in which certified HUBZone dollars were awarded, and the use of HUBZone contracting mechanisms versus other contract procedures.

CHARACTERISTICS OF HUBZONE CHAMPIONS

HUBZone Prime Contract Dollars

Figure 4 presents the percent of prime contract dollars awarded to HUBZone small businesses by FY 2016 HUBZone Champions over a 10-year period. The dashed line represents the 3 percent goal and provides a baseline point from which to compare how far above or below the target these agencies were during each fiscal year.

Figure 4. Percent of prime contract dollars awarded to HUBZone businesses by FY 2016 HUBZone Champions from 2007-2016



The graph displays several interesting points. First, 4 CFO Act agencies have consistently met the 3 percent goal over the past 10 years: The Department of Agriculture (USDA); the Department of Interior (DOI); the Department of Transportation (DOT); and the Small Business Administration (SBA).

Furthermore, both DOI and DOT have consistently obligated more than five percent of prime contract dollars to HUBZone small businesses over this timeframe.

The steady success of these agencies should be taken into consideration when developing strategies to reach the 3 percent goal. For instance, after attributes of success are identified among HUBZone Champions, trends in other types of small business awards and the relative size of those awards could be compared with contracts awarded to HUBZone small businesses. The objective would be to see if the HUBZone awards reflect the agencies' overall trends (by NAICS sector) or if HUBZone awards favor certain industries.

Next, the percentage reached varies widely among agencies. For instance, DOI obligated over 11 percent of prime contract dollars to HUBZone small businesses in 2007 but experienced a downward trend in every fiscal year thereafter. In contrast, DHS remains relatively steady around the 3 percent goal from FY 2007 to FY 2012, then increased from FY 2012 to 2016. Variation in achievement can be seen across all nine successful CFO Act agencies.

Of note, both DOC and OPM reached the 3 percent goal for the first time in the 10-year period at 4.23 percent and 3.19 percent, respectively. The *Blueprints for Success* report (2016) addresses this achievement, attributing the agencies' success to the obligation of HUBZone contracting dollars to small businesses in the professional, scientific, and technical services sector (NAICS code 54; U.S. Small Business Administration, 2016)—one of the five economic sectors that has received the greatest sums of certified HUBZone dollars from FY 2012 to FY 2016.

Major Economic Sectors and Industries











The North American Industry Classification System (NAICS) is the standard classification tool used by federal agencies to describe U.S. small businesses (U.S. Census, 2017). From FY 2012 to FY 2016, the top NAICS economic sectors have remained consistent among HUBZone Champions: 1) Sector 23 – Construction; 2) Sector 54 – Professional, Scientific, and Technical Services; 3) Sector 56 – Administrative Support, Waste Management, and Remediation Services; 4) Sector 33 – Advanced Manufacturing; and 5) Sector 31 – Manufacturing of Non-Durable Goods (SBA, 2016).

Figure 5 shows the top four sectors receiving the highest sum of certified HUBZone dollars in FY 2016 from each HUBZone Champion. Overall, sectors 23, 31, 33, 54, and 56 are represented in 2016 data, with some variation. Sector 54, Professional, Scientific, and Technical Services, received the highest sum of HUBZone certified dollars in FY 2016 across six Champion agencies: 1) USDA (\$67 million); 2) DOC (\$164 million); 3) DHS (\$337 million); 4) OPM (\$21 million); 5) SBA (\$7 million); and 6) the

Treasury (\$115 million). Sector 23, Construction, received the highest sum across three agencies: 1) GSA (\$103 million); 2) DOI (\$94 million); and 3) DOT (\$193 million).

Figure 5. Top four NAICS Sectors awarded contracts by HUBZone Champions in FY 2016 (Millions)



<u>Key</u>			
	Sector 11: Agriculture, Forestry, Fishing, & Hunting		Sector 33: Advanced Manufacturing
	Sector 22: Utilities		Sector 51: Information
	Sector 23: Construction		Sector 54: Prof., Sci., & Tech. Services
	Sector 31: Non-Durable Goods Manufacturing		Sector 56: Admin. Support, Waste Management
	Sector 32: Durable Goods Manufacturing		Sector 62: Health Care & Social Assistance

The evaluation revealed two findings of note as a result of the examination of top NAICS industries awarded contracts by six of the HUBZone Champions (See Table 3). All HUBZone Champions, except for DOT, obligated a large percentage of HUBZone certified dollars to a computer-related industry in FY 2016. Specifically, eight of nine HUBZone Champions awarded small businesses contracts with the NAICS designation of “541519: Other Computer Related Services” and six of nine Champions awarded contracts in the “541512: Computer Systems Designs Services” industry. Other computer-related industries are also represented throughout each Champion’s portfolio of FY 2016 awards.

A second finding of interest is that both DOC and OPM, CFO Act agencies that became a HUBZone Champion for the first time in the past 10 years, awarded contracts to small businesses primarily in either computer-related services or computer manufacturing. This finding may indicate either that: 1) agencies with a high demand for technical services have better capabilities of finding small businesses to fulfill those needs, or 2) there are an increasing number of small businesses within the HUBZones portfolio from which agencies can chose that specialize in computer-related services.

A closer look at HUBZone FY 2016 Portfolio data helped to gauge the probability of each possibility. Data were analyzed for 290 small businesses in computer-related industries (not including EIN equal to #N/A) and 2,688 small businesses in other industries in total. Descriptive analyses indicated that HUBZone small businesses assigned a NAICS designation of 541511, 541512, and 541519 have a more recent date of incorporation (Median = 2006; Average = 2005) than HUBZone small businesses with other NAICS designations (Median = 2002; Average = 1997). Additionally, HUBZone small businesses in computer-related industries (i.e., 541511, 541512, and 541519) received HUBZone certification at later dates (Median = 2014; Average = 2013) when compared with small businesses in other industries (Median = 2011; Average = 2011).

Findings related to later dates of certification among small businesses with NAICS designations of 541511, 541512, and 541519 may preclude that there are an increasing number of small businesses within HUBZones that specialize in computer-related services.

Table 3. Top five NAICS industries awarded across HUBZone Champions

Department of Agriculture		Department of Commerce		General Services Administration	
115310 Support Activities for Forestry	\$51 million	541512 Computer Systems Design Services	\$107 million	236220 Commercial and Institutional Building Construction	\$76 million
541511 Custom Computer Programming Services	\$36 million	541511 Custom Computer Programming Services	\$23 million	561210 Facilities Support Services	\$21 million
237310 Highway, Street, and Bridge Construction	\$21 million	541519 Other Computer- Related Services	\$12 million	238220 Plumbing, Heating, and Air-Conditioning Contractors	\$19 million
311421 Fruit and Vegetable Canning	\$18 million	541611 Administrative Mgmt. and General Mgmt. Consulting Services	\$12 million	541519 Other Computer-Related Services	\$8 million
541519 Other Computer- Related Services	\$13 million	541990 All Other Professional, Scientific, and Technical Services	\$7 million	541512 Computer Systems Design Services	\$7 million
Department of Homeland Security		Department of the Interior		Office of Personnel Management	
541519 Other Computer- Related Services	\$177 million	236220 Commercial Institutional Building Construction	\$30 million	541519 Other Computer-Related Services	\$13 million
541512 Computer Systems Design Services	\$91 million	237110 Water/Sewer Line and Related Structures Construction	\$16 million	334111 Electronic Computer Manufacturing	\$7 million
561612 Security Guards and Patrol Services	\$57 million	237310 Highway, Street, and Bridge Construction	\$16 million	541611 Administrative Mgmt. and General Mgmt. Consulting Services	\$4 million
541611 Administrative Mgmt. and General Mgmt. Consulting Services	\$50 million	238990 All Other Specialty Trade Contractors	\$9 million	541512 Computer Systems Design Services	\$4 million
236210 Industrial Building Construction	\$28 million	541519 Other Computer- Related Services	\$7 million	561210 Facilities Support Services	\$1 million

HUBZone Contracting Mechanisms

HUBZone contracting mechanisms are federal procurement opportunities for HUBZone small businesses. These mechanisms include HUBZone Price Evaluation Preference, HUBZone Set-Aside, and HUBZone Sole Source. Contracts awarded through HUBZone mechanisms count towards the 3 percent goal. However, agencies may also count toward their goal prime contract dollars awarded to HUBZone small businesses through all other small business contracting mechanisms.

Figure 6 shows the distribution of HUBZone certified dollars through HUBZone contract mechanisms across HUBZone Champions during FY 2016.

Figure 6. Distribution of eligible prime contract dollars through HUBZone contract mechanisms across HUBZone Champions in FY 2016

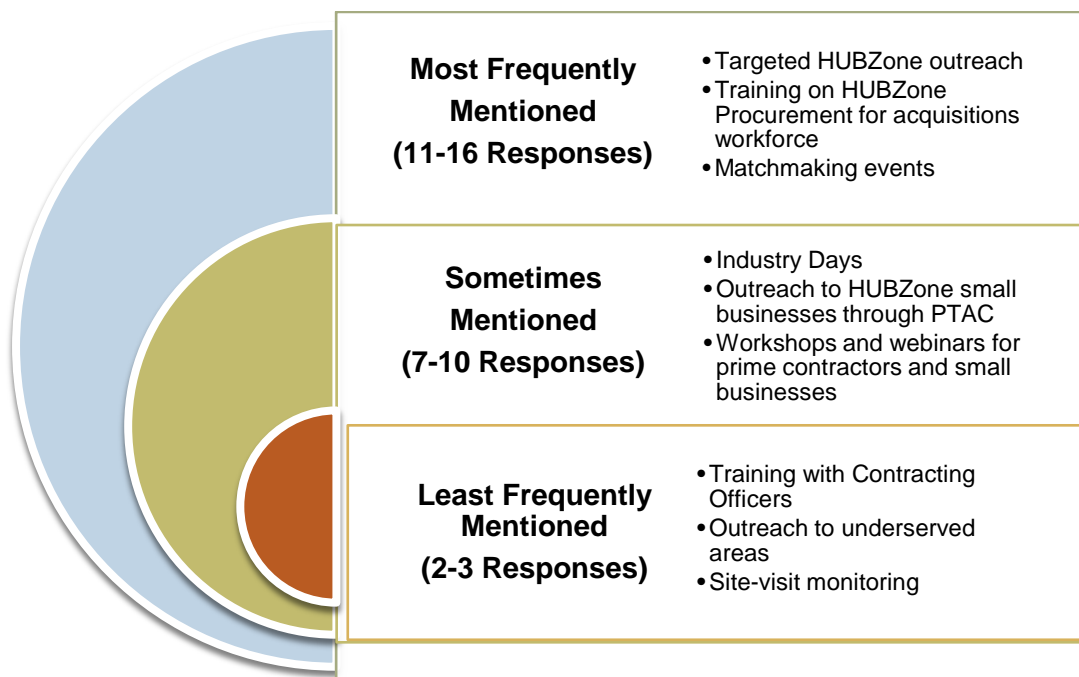


Of note, each HUBZone Champion obligated most prime contract dollars through methods other than HUBZone mechanisms. The use of HUBZone mechanisms also varied by Champion. For example, the Department of Homeland Security obligated approximately equal amounts of prime contract dollars through both HUBZone set-asides (45.6 percent) or alternate mechanisms (54.3 percent). In contrast, OPM awarded virtually no prime contracts through HUBZone mechanisms and achieved the 3 percent goal through non-HUBZone contracts (98.3 percent).

STRATEGIES AND ACTIVITIES IMPLEMENTED BY HUBZONE CHAMPIONS

In addition to utilization of HUBZone procedures, we were interested in the methods used by Champions to market the HUBZone Program to potential small businesses. Effective marketing strategies and activities implemented by HUBZone Champions are presented in Figure 7. The most frequently mentioned themes are discussed subsequently.

Figure 7. Effective marketing strategies and activities from most to least frequently mentioned



Targeted Publicity of the HUBZone Program

HUBZone Champions focus a portion of their overall marketing specifically to HUBZone small businesses. For instance, an interviewee representing one Champion agency stated: “[We have] a large

focus on HUBZone outreach and marketing. [We have] held over 10 outreach events in FY 2016 and we are planning future ones for FY 2018, in the fall.” In addition, another HUBZone Champion stated:

“We host a monthly Small Business Vendor Outreach session with prearranged 15-minute appointments ... we do it about 10 times a year, and some of the events are open to all small businesses and some months we have a targeted approach. The past few years, in May of each year, we have a HUBZone Vendor Outreach session.”

The following strategies were also implemented by HUBZone Champions:

- Holding an annual outreach event to publicize the HUBZone Program within the census track communities and/or areas. These educational events discuss the certification process as well as the benefits of being a HUBZone small business.
- Assigning an internal agency employee whose sole responsibility is managing the HUBZone Program. This level of involvement creates a level of expertise and investment within the agency that can assist with the education of others internally about all facets of the program.
- Using the Procurement Technical Assistance Center (PTAC) as a vehicle for publicizing the program.⁶ In this strategy, the standard marketing and educational material dissemination of the HUBZone Program as well as other informational services are provided as integral to the PTAC role.

Training Opportunities Targeted at HUBZone Contracting

One strategy that distinguishes HUBZone Champions from other CFO Act agencies is the creation of training opportunities specifically targeted to identifying HUBZone firms. Some agencies create tools that will help to identify HUBZone firms. For instance, one HUBZone Champion stated:

“We also created some market research tools. For example, we provided our [Contracting Officers] a list of HUBZone firms that were sorted by the North American Industry Classification System (NAICS) and Product Service Code (PSC). That way, when they had a requirement, they could specifically go to this list and have the HUBZone firms identified for them.”

The following broad training opportunities were identified:

⁶ Procurement Technical Assistance Centers (PTACs) provide technical assistance to small businesses that want to sell products and services to local, state, and Federal Government entities (<https://www.sba.gov/tools/local-assistance/ptac>).

- Trainings designed specifically for HUBZone firms (identified by three interviewees).
- “In-reach” trainings of the Acquisitions Workforce designed to help potential small businesses apply for HUBZone and other certifications (identified by two interviewees).
- Trainings designed in collaboration with other governmental agencies or the HUBZone Program (identified by one interviewee).

Participation in Matchmaking Events

A final unique strategy employed by HUBZone Champions is matchmaking between prime vendors and subcontractors. One HUBZone Champion stated,

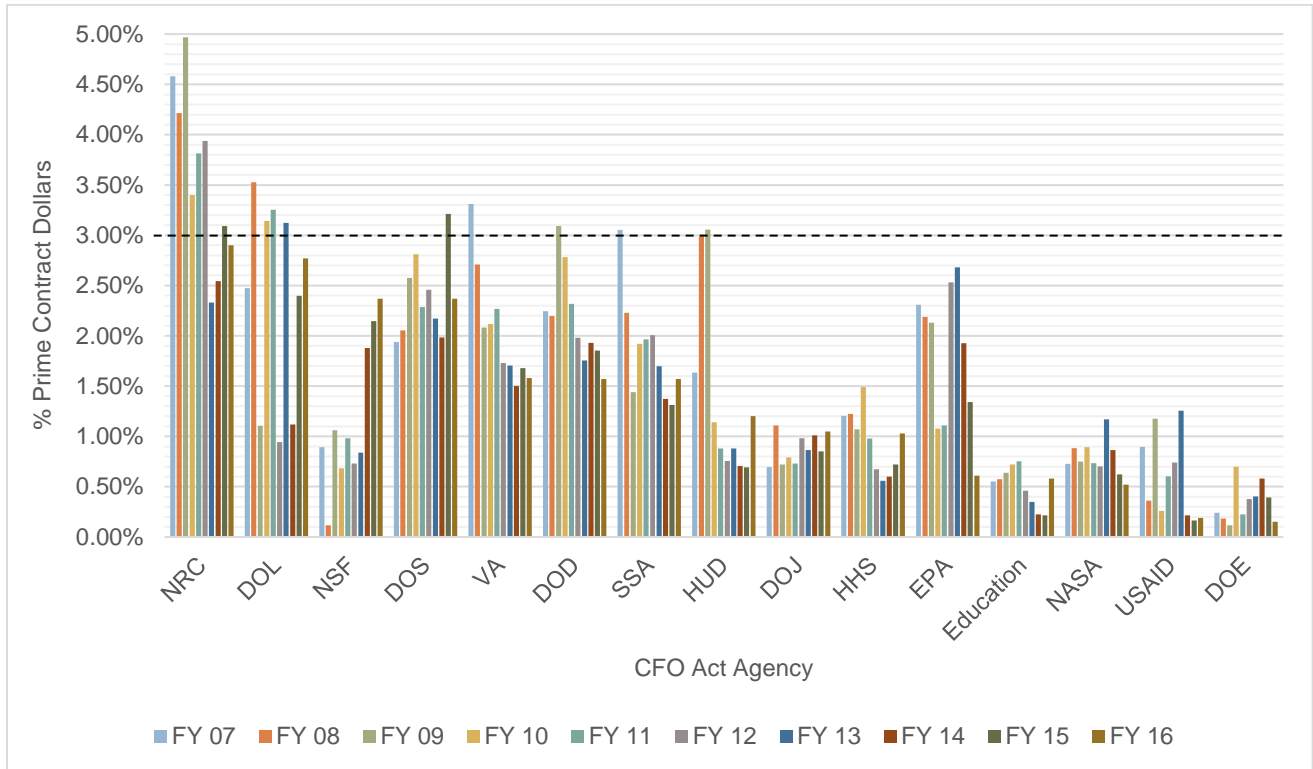
“We get all types of invites from PTAC, different federal councils looking for opportunities to do counseling, match-making with HUBZone companies. We developed a strong marketing plan by attending these types of events, by hosting these types of events, and answering and sponsoring any type of HUBZone questions that come through our office.”

AGENCIES THAT MET AND DID NOT MEET THE 3 PERCENT GOAL

In the following section, GEARS used both qualitative and quantitative data to examine differences between agencies that did and did not meet the 3 percent goal in FY 2016. Figure 8 shows the percent over time of prime contract dollars obligated to HUBZone small businesses by CFO Act agencies that did not meet the 3 percent goal in FY 2016.

It should be noted that, among these agencies, the Nuclear Regulatory Commission (NRC) reached the 3 percent goal consistently from FY 2007 to FY 2012 and again in FY 2015. In all other years, from FY 2007 – FY 2016, NRC fell below the 3 percent goal. In addition, the Department of Labor (DOL), Department of State (DOS), Department of Veterans Affairs (VA), Department of Defense (DOD), the Social Security Administration (SSA), and the Department of Housing and Urban Development (HUD) met the 3 percent goal at some point during this time frame. In contrast, the Department of Justice (DOJ), Department of Health and Human Services (HHS), Environmental Protection Agency (EPA), Department of Education (Dept. of Ed.), National Aeronautics and Space Administration (NASA), and the U.S. Agency for International Development (USAID), did not meet the 3 percent goal from FY 2007 to FY 2016.

Figure 8. Percent of prime contract dollars obligated to HUBZone Small Businesses by agencies that did not meet the 3 percent goal in FY 2016 (Data from FY 2007 – FY 2016)



The following differences between the 15 agencies listed above and HUBZone Champions are examined in this section:

- Differences in use of HUBZone set-asides
- Differences in distribution of contract awards to small businesses in other SBA socioeconomic categories, including:
 - 8(a) Program
 - Small Disadvantaged Business
 - Service-Disabled Veteran Owned Business
 - Women-Owned Business

Differences in Use of HUBZone Contract Mechanisms

Compared to HUBZone Champions, HUBZone Aspirant Agencies conveyed that they did not utilize HUBZone contract mechanisms. The main reason for this is a perspective that there are not enough small businesses qualified to meet the needs of a HUBZone contract. Table 4 provides a comparison of quotes from HUBZone Champions and HUBZone Aspirant Agencies on the topic of HUBZone contract mechanisms.

Table 4. Emblematic quotes from HUBZone Champions and HUBZone Aspirant Agencies on the issue of HUBZone contracting mechanisms*

<i>HUBZone Champions actively set aside contracts for HUBZone small businesses</i>	<i>Agencies That Did Not Meet 3% Goal indicated that there are not enough small businesses qualified and interested in the HUBZone Program</i>
<p>“By using market research and engaging in outreach activities, we try to identify projects that can be set aside for the HUBZone Program.”</p>	<p>“One of the struggles we had before was that the market research was not indicating that actions could be set aside for HUBZone.”</p>
<p>“If you set aside a certain percentage of your acquisitions, you know for sure that you're going to award to a company that's a HUBZone, and that's helpful in planning and meeting goals and making sure we're serving the interests of that particular business group.”</p>	<p>“Feedback that I've gotten from HUBZone companies is that they would like more of our acquisitions set aside for HUBZone. My observation is that has not occurred because we're not able to identify two or more HUBZone companies qualified to do the work, interested in submitting the bid for acquisition.”</p>
<p>“[Our acquisitions workforce] will set aside some recurring contract requirements specifically for the HUBZone Program. This is beneficial for two reasons: One is, of course it's going to assist {the agency} in reaching its HUBZone goal and two, we can count on the forecasting of an approximate number of dollars being obligated to the HUBZone Program.”</p>	<p>“We are not issuing set-asides often, because we are not able to issue set-asides for HUBZone firms. We don't have the “Rule of Two” met.</p>

*Note. The context of dialogue indicates that interviewees may use the term “set-aside” in place of all HUBZone contracting mechanisms.

** Rule of Two: If market research results in a reasonable exception of receiving offers from two or more HUBZone small business concerns and the award will be made at a fair market price, HUBZone set-aside shall be utilized before a small business set-aside or full and open competition (Federal Acquisition Regulation [FAR], 2014).

HUBZone Champions appeared to be more amenable to setting aside acquisition opportunities for the HUBZone Program. In fact, Champions mentioned consciously planning to set aside HUBZone contracts using a variety of methods including market research, HUBZone-oriented outreach, or even setting aside recurring contracts. From interview analysis, one can conclude that there exists a clear demarcation of use in HUBZone contracting opportunities between HUBZone Champions and HUBZone Aspirant Agencies.

Differences in Distribution of Certified Small Business Dollars to Small Businesses with Other Socioeconomic Designations

Interview data indicate that CFO Act agencies more often may award contracts to small businesses with additional SBA socioeconomic contracting program designations. Specifically, staff from one agency that did not meet the 3 percent goal and 12 HUBZone district staff mentioned this topic.

Table 5. Quotes pertaining to SBA socioeconomic programs

	Type of SBA Program	No. of Respondents	Comment
Most Frequently Mentioned	8(a) Program Certification	11	“We have encouraged folks to consider small 8(a) firms that are HUBZone certified. We have tried to get to the HUBZone goal by doing that.” – <i>Agency that Did Not Meet 3 Percent Goal</i>
Sometimes Mentioned	Women-Owned Small Business	6	“If you see someone that you're working with and they're Women-Owned and you think they could be HUBZone, send them over to me and let me get them certified HUBZone and then you can have someone who is both.” – <i>District staff</i>
Least Mentioned	Service-Disabled Veteran-Owned	2	“If you look at a lot of the HUBZone companies, they already have another designation. They're either veteran, a woman, or 8(a).” – <i>District staff</i>
Least Mentioned	Non-Specified Certification	2	“The firms that I've talked to that are in the HUBZone [Program], they usually have other government certifications, so basically this HUBZone only adds to and augments their other efforts that they've been putting out there.” – <i>District staff</i>
Not Mentioned	Small Disadvantaged Business	0	--

The qualitative interview findings indicated that some HUBZone stakeholders may maintain the perspective that HUBZone small businesses with additional program certifications may have the upper hand in procuring contracts.

EVALUATION QUESTION 2

The following section describes barriers to successful HUBZone goaling as reported by the four interview groups.

BARRIER 1: IDENTIFYING SMALL BUSINESSES THAT ARE ABLE TO MAINTAIN HUBZONE CERTIFICATION REQUIREMENTS

The most prevalent barrier across interview groups was identifying small businesses able to maintain HUBZone certification requirements, including the 35 percent employee residence requirement.⁷ One of the main eligibility criteria for the HUBZone Program is that 35 percent of a potential small business’s employees must reside in a HUBZone geographic area (U.S. Small Business Administration, 2014). Overall, this barrier was mentioned by 58 percent of interviewees ($n = 25$).

Table 6. Exemplary quotes from Barrier 1

“Thirty-five percent of employees also have to reside in the HUBZone district and, you know, that’s a distinct barrier to obtain professional services, because the reality is as people become more professional they more than likely tend to move outside of HUBZone areas.”

– Agency that Did Not Meet the 3 Percent Goal

“The big hiccup with HUBZone businesses is having a third of your employees that have to live in a HUBZone. It seems like that’s the biggest challenge, far and away, for a business to be able to succeed and grow. Once they start growing, the problem is that they have a hard time finding employees that are in a HUBZone.”

– HUBZone District staff

The recommendation to reduce the 35 percent employee residence requirement to help agencies reach the 3 percent goal was made by 30 percent of district staff (8 out of 27 district staff interviewed), 38 percent (3 out of 8) of HUBZone Aspirant Agencies, and one HUBZone Champion Agency.

The amount of reduction varied based on the skills and experience of the individual being recruited. One interviewee from a HUBZone Champion Agency who had been in the role of Office of Small and Disadvantaged Business Utilization (OSDBU) Director for 14 years, suggested lowering the requirement to 15 percent. Four district staff varying in years of experience with small business programs (range of experience: 7 to 14 years) suggested less severe reductions ranging from 20 to 33 percent. As an

⁷ Changes in the HUBZone maps may place small businesses outside the bounds of their first-designated HUBZone location and/or reduce the number of employees living in a HUBZone.

example, the interviewee noted that by lowering the requirement to 33 percent, a firm with three employees and only one that lives in the HUBZone would still qualify for HUBZone certification.

BARRIER 2: LACK OF HUBZONE SMALL BUSINESSES THAT CAN MEET AGENCY NEEDS

A second major barrier reported by interviewees is that most small businesses have limited skills to meet agency needs. This, in turn, results in a smaller pool of businesses eligible for HUBZone contracts, which is supported by existing data. Overall, 18 individual interviewees (40 percent) mentioned the lack of small businesses that can meet agency needs as a barrier to awarding contracts.

There were three specific subthemes discussed by interviewees that pertain to Barrier 2:

- **An insufficient number of HUBZone small businesses in general** (6 SBA District staff and 2 HUBZone Aspirant Agencies). The most prevalent subtheme was the perception by interviewees that there is an insufficient number of HUBZone small businesses. In other words, eight interviewees were under the impression that the pool of HUBZone-certified small businesses was not large enough to draw resources.
- **A lack of HUBZone small businesses with the capacity to work on large projects** (6 SBA District staff and 1 HUBZone Aspirant Agency). A second subtheme drawn from interviews is the perception that HUBZone small businesses do not have the capabilities or infrastructure to work on large government contracts. For instance, one interviewee from an agency that did not meet the 3 percent goal said their strategy for finding small businesses to fulfill contracting needs involves focusing on well-established firms with enough infrastructure to subcontract tasks to other businesses. This agency perceived that there are *not* enough of these well-established businesses within the pool of HUBZone-certified small businesses.
- **A lack of HUBZone small businesses with highly technical skills** (2 SBA District staff and 1 HUBZone Aspirant Agency). Three interviewees remarked that HUBZone small businesses may lack sophisticated technical skills needed to fulfill certain contracts.

Table 7. Exemplary quotes from Barrier 2

Insufficient number of HUBZone small businesses in general

“We teamed up with the National HUBZone Council and they took the requirement [for a HUBZone acquisition] and passed it out to their membership. There just weren't enough of them out there. And this is a low skill technical requirement. We just couldn't get enough HUBZone companies to compete for these individual acquisitions.”

– HUBZone Aspirant Agency

Table 7. Exemplary quotes from Barrier 2

A lack of HUBZone small businesses with the capacity to work on large projects

“I do have a couple HUBZone firms that are very small ... one thing that we come across is that maybe sometimes the opportunity is too large, or they don't have the proper experience. So yes, they're HUBZone certified, but they're not quite ready to jump in on some of the bigger projects.”
– *HUBZone District staff*

Lack of highly technical skills

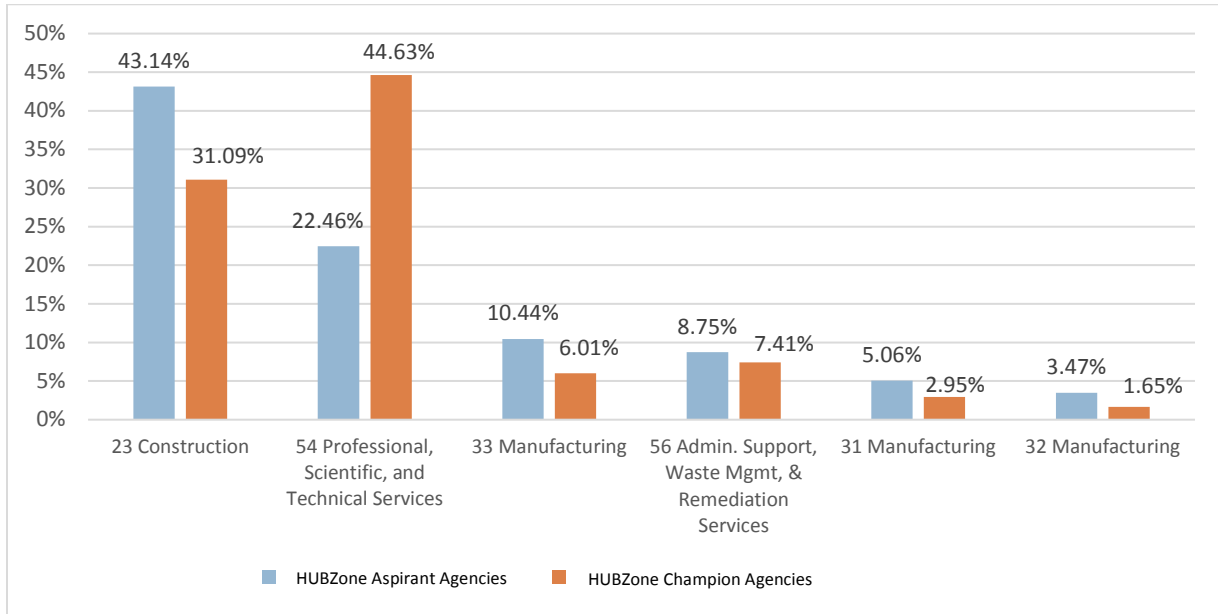
“...the nature of our work is very, very high tech and a lot of small businesses, especially HUBZone firms, don't really have the skills we need.”
– *HUBZone Aspirant Agency*

To determine whether these views were supported by existing data, we examined the distribution of certified HUBZone contract dollars across NAICS economic sectors. Across CFO Act agencies, vendors classified under the NAICS Economic sector 23 – Construction were obligated the greatest sum of certified HUBZone dollars in FY 2016, followed by sectors 54 – Professional, Scientific, and Technical Services; 33 – Manufacturing; 56 – Administrative Support, Waste Management, and Remediation Services; 31–Manufacturing, and 32– Manufacturing.⁸

Overall, both HUBZone Champions and HUBZone Aspirant Agencies made the largest percentage of awards in sectors 23 – Construction and 54 – Professional, Scientific, and Technical Services. Specifically, in FY 2016, HUBZone Champions obligated 44.63 percent of certified HUBZone dollars to small businesses categorized as sector 54 and 31.09 percent to sector 23 (See Figure 9 for sector designations). Agencies that did not meet the 3 percent goal obligated the greatest percentage of certified HUBZone dollars to sector 23 (i.e., 43.14 percent), followed by 22.46 percent of certified HUBZone dollars to sector 54. These data suggest that there may be incorrect perceptions among interviewees of the pool of HUBZone applicants capable of performing highly technical work.

⁸ Manufacturing Firms (NAICS 31-33) differ by the following criteria: 31 – Non-Durable Goods (e.g., food, beverage, tobacco manufacturing), 32 – Durable Goods (e.g., wood product, paper, chemical manufacturing), and 33 – Advanced Manufacturing (e.g. machinery, computer and electronic equipment, transportation equipment manufacturing).

Figure 9. Percentage of HUBZone certified dollars awarded to small businesses in FY 2016 by major NAICS economic sector



BARRIER 3: PERSUADING SMALL BUSINESSES TO APPLY FOR AND MAINTAIN HUBZONE CERTIFICATION

Overall, 13 interviewees expressed that a barrier preventing the success of the HUBZone Program is the effort to persuade small businesses to apply for HUBZone certification, thus preventing the pool of HUBZone small businesses from growing (30.23 percent of all interview respondents). These factors include a cumbersome application process, lack of communication from the HUBZone Program on technical assistance pertaining to the application process, and poor marketing of the program. In addition, after small businesses become HUBZone-certified, the process of maintaining compliance is also difficult due to a perception that the program provides a low return on investment.

Table 8. Exemplary quotes from Barrier 3

“We get complaints about the application process being cumbersome and that it takes a long time to get an answer. Firms that have pursued the HUBZone certification ... sometimes they give up or they feel like they are asked to give too much information. I know that we have to balance that with eligibility criteria [as well]. We’ve had a couple of negative comments and experiences with the application process as it stands now.”

– HUBZone District staff

Table 8. Exemplary quotes from Barrier 3

“[The HUBZone Program] is a product that's not marketed well by SBA. It doesn't market the fact that it's economic development in distressed areas. It just states that it's the 'HUBZone Program.' The thing is that it's still just treated as a secondary program. You hear about the Women-Owned Small Business Program... you hear about the Service-Disabled Vet Program. HUBZone is kind of always brought up as an afterthought.”

– *HUBZone District Staff*

“The law that governs this program, in terms of the geographical designations, does not provide enough certainty for the return on the investment. [Thus], some businesses may shy away from it because they may not have the return on investment.”

– *HUBZone Program staff*

BARRIER 4: LACK OF PLANNING TO SET-ASIDE HUBZONE AWARDS

Lack of planning for HUBZone set-aside awards was identified as a barrier by one HUBZone Aspirant Agency, one HUBZone Champion Agency, and one member of the HUBZone Program staff.

Specifically, agencies stated that they do not focus on reserving procedural dollars for HUBZone set-asides each fiscal year. An interviewee from the HUBZone Program stated that, “Looking at contracting data, there seems to be a lack of methodological planning [by agencies] to have enough HUBZone set-asides.”

BARRIER 5: WELL-ESTABLISHED SMALL BUSINESSES RECEIVE THE MAJORITY OF HUBZONE CONTRACTS

A specific concern pointed out by five interviewees is that many small businesses may not have a concrete strategy on marketing themselves to contracting officers, nor a past performance history that would make them competitive for attaining HUBZone contracts. Thus, HUBZone contracts continue to be distributed to more well-established companies (i.e., companies incorporated into the HUBZone Program at earlier dates).

Table 9. Barrier 5: Exemplary quotes

“The more knowledgeable firms or firms who ... either have prior experience on their own or they have prior experience as an employee of another company who had done federal contracting... They seem to be far and away the most successful. Whereas people who have no knowledge of federal contracting really struggle and they're very unsuccessful.”

– *HUBZone District staff*

“This company, {name of company}, they are very well established. They are very well-known, and they do a good job, but they do all of that because they have that type of support. And they have been HUBZone – they used to be 8(a) many, many years ago and then the HUBZone Program came out and {individual} applied for the HUBZone Program and... they get contracts... They have that infrastructure and they keep themselves updated on everything that they need to know when it comes to doing business with the Federal Government, period.”

– *HUBZone District staff*

HOW CAN BARRIERS BE ADDRESSED?

During the interview, participants were asked to provide suggestions for eliminating barriers to HUBZone goaling. Table 10 describes all suggestions provided by more than one interviewee and provides a visual framework of solutions for specific barriers.

GEARS categorized these suggestions and feedback into the following broad categories: 1) communications, 2) operations, and 3) marketing. The number of interviewees and their classification is listed after each suggestion presented below.

COMMUNICATIONS

- Interviewees recommended that a review of communication strategies be conducted across the SBA, HUBZone Program, and stakeholders, including federal agencies and district staff. Specifically, interviewees expressed concern with the timeliness of changes in legislation reported by HUBZone. This is a problem because district staff and small businesses under the HUBZone Program vary in their perceptions of certification requirements and HUBZone eligibility. (*HUBZone Champion – 1 interviewee; HUBZone Aspirant Agency – 2 interviewees; SBA district office staff – 1 interviewee; HUBZone Program staff – 1 interviewee*)

- Interviewees suggested that the HUBZone Program review current practices and consider ways to improve communication to district staff and federal agencies. This may include a review of current technical assistance strategies. *(District Offices – 3 interviewees)*

OPERATIONS TRAINING AND TECHNICAL ASSISTANCE

- Interviewees recommended that district staff can be utilized to provide technical assistance to HUBZone firms or to answer questions about the program. *(District Offices – 3 interviewees)*
- Interviewees recommended that the SBA may need to clarify the parameters for the HUBZone principal office requirement on their Website. As it stands, some respondents said it is difficult to navigate certification requirements for HUBZone including the principal office requirement. *(District Offices – 3 interviewees)*
- Interviewees recommended that a task force with agency and HUBZone representatives could provide targeted training to resource partners (e.g., SCORE counselors, SBDC staff, other organizations that work with small businesses) on HUBZone procurement opportunities, if the HUBZone Program widened its collaborative efforts with federal agencies. *(District Offices – 2 interviewees)*
- Interviewees recommended that the HUBZone Program provide additional educational and training opportunities on small business contracting opportunities to both agencies and SBA District Offices. This could be accomplished via the hiring of a core of staff persons dedicated to education and training. *(District Offices – 2 interviewees)*

MARKETING

- Interviewees recommended the review of practices of contracting officers at HUBZone Aspirant Agencies for proactivity in identifying and cultivating the capacity of potential HUBZone firms from the Dynamic Small Business Search (DSBS). *(District Offices – 3 interviewees)*

Table 10. Solutions to barriers provided by more than one interviewee

Solutions	Response Frequency	Barrier			
		<i>35% Requirement</i>	<i>Lack of capable SBs</i>	<i>Persuading SBs* to bid/re-bid</i>	<i>Lack of HBZ** set-asides</i>
1. Review communication strategies used by HUBZone Program to inform stakeholders about changes to legislation	5	✓	--	✓	--
2. Review and clarify HUBZone certification requirements on the SBA Website	3	✓	--	✓	--
3. Review current technical assistance strategies implemented by HUBZone Program	3	--	--	✓	✓
4. Utilize district office staff to provide technical assistance to small businesses on applying for and maintaining HUBZone status	3	--	✓	✓	--
5. Review practices in identifying and cultivating the capacity of potential HUBZone firms using DSBS***	3	✓	✓	--	✓
6. Develop a task force of agency representatives to provide training to resource partners	2	✓	--	✓	--
7. Create an education and training core at HUBZone HQ to develop HUBZone educational trainings for agencies and District Offices	2	✓	✓	--	✓

*SB = Small Business

**HBZ = HUBZone

***DSBS = Dynamic Small Business Search

EVALUATION QUESTION 3

The final evaluation question addressed factors that facilitate small businesses obtaining HUBZone contracts.

CHARACTERISTICS OF FY 2016 HUBZONE SMALL BUSINESSES

Characteristics of FY 2016 HUBZone Small Businesses from Qualitative Interviews

There were four main small business characteristics mentioned among the 43 interview respondents: 1) capability to offer construction services (41.86 percent; $n = 18$);⁹ 2) multiple small business certifications (34.88 percent; $n = 15$);¹⁰ 3) independent marketing strategies (25.58 percent; $n = 11$),¹¹ and 4) knowledge around Federal Government acquisitions and procurement (23.26 percent; $n = 10$)¹².

The most frequently mentioned factor contributing to success was the capability of offering construction services. For instance, one district staff provided a rationale for this stating, “In my experience, [small businesses most awarded] have been more of the what we call the blue-collar type of industry such as construction or janitorial, because those employees are more likely to live in HUBZones.” This sentiment was shared among 18 individuals.

The second most frequent facilitator of success, stated by 15 interviewees, was having multiple certifications, including 8(a) Program certification, Small Disadvantaged Business certification, Service-Disabled Veteran-Owned Small Business certification, and Women-Owned Small Business certification.

A third facilitator of success mentioned by 11 respondents was the development of individual marketing strategies. Specifically, interviewees stated that small businesses experience more success in securing HUBZone contracts when they can successfully market their capabilities to prime contractors. Some examples of effective marketing strategies were mentioned by one agency interviewee, who said:

“The firm leads with the capabilities, not HUBZone status, to impress us. So, it speaks to the maturity and the capability of a small firm that wins the day... The one thing that has helped with HUBZone contracts is having a clearly qualified small firm come to us and we can clearly recognize that they can meet our needs.”

⁹ $n=18$ (1 HUBZone Champion, 1 respondent from agency that did not reach goal and 16 district staff).

¹⁰ $n=15$ (2 respondents from agencies that did not reach goal and 13 district staff).

¹¹ $n=11$ (3 respondents from agencies that did not reach goal and 8 district staff).

¹² $n=10$ (3 respondents from agencies that did not reach goal and 7 district staff).

The final facilitator of success is knowledge about federal procurement. Interviewees stated that, in addition to being able to effectively market themselves, small businesses should educate themselves on SBA socioeconomic programs and procurement opportunities. A district staff member stated:

“I think the [small businesses] that are successful have taken the time to learn and understand the government market. So many businesses just say, ‘Oh, I’m HUBZone. Oh this [procurement opportunity] is HUBZone. I’m going to bid [on] it.’ And they don’t understand [that] the government is competitive.”

Characteristics of FY 2016 HUBZone Small Businesses from Quantitative Data

Overall, GEARS obtained quantitative data from the HUBZone Certification Tracking System (HCTS) for 5,156 unique small businesses by EIN.¹³ Prior to running descriptive analyses, the data were examined for outliers, which were removed or transformed.

The median average annual revenue of small businesses in the FY 2016 HUBZone Portfolio was \$1.2 million (Mean = \$9.2 million, SD = \$74.0 million). The median average number of employees at each small business was 8 (Mean = 188, SD = 11,102). The mode of the average year the small business was established was 2007 (Mean = 1997, Range from 1857 to 2016).¹⁴

¹³ In the current descriptive analysis, the number of unique small businesses was obtained using “Vendor EIN.” EIN was filtered to reflect only HUBZone small businesses that were certified during FY 2016. From unique EIN, averages of the following variables were calculated: annual revenue, number of employees, and year established. These averages were further analyzed for mean, median, standard deviation, mode, and range.

¹⁴ These numbers were calculated after eliminating or transforming outlying Vendors EIN based on annual revenue and number of employees.

IV. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The purpose of this evaluation was to determine factors that facilitate or act as barriers in the goal of the Federal Government to award 3 percent of all prime contract dollars to small businesses in the HUBZone Program. In this section, specific conclusions for each of the evaluation questions are discussed.

EVALUATION QUESTION 1

WHAT FACTORS HAVE CONTRIBUTED TO FEDERAL AGENCIES REACHING THE HUBZONE PROGRAM SOCIOECONOMIC GOAL SET BY THE SBA OF 3 PERCENT?

The primary group of focus for this question were the nine HUBZone Champions obligating 3 or more percent of total eligible prime contract dollars to HUBZone contracts in FY 2016. GEARS undertook a comprehensive analysis of characteristics including the following: use of HUBZone contract mechanisms; major NAICS economic sectors and industries awarded contracts; and marketing and outreach strategies, to generate a snapshot of HUBZone Champions. We then compared HUBZone Champions and other CFO Act agencies to identify distinguishing features that could potentially affect HUBZone goaling.

Analyses revealed that HUBZone Champions may be invested in utilizing the HUBZone Program as a contracting opportunity, but HUBZone contracting mechanisms are associated with a higher sum of certified HUBZone dollars obligated to small businesses among agencies that did not reach the 3 percent goal. There are several indicators pointing to this conclusion. First, qualitative interviews indicated that Champions engage in use of targeted marketing and outreach strategies in identifying small businesses for HUBZone contracts. Additionally, OSDDBU directors at Champion agencies stated that procurement opportunities were consciously set aside for HUBZone small businesses at their agency.

EVALUATION QUESTION 2:

WHAT BARRIERS AND CHALLENGES HAVE PREVENTED SOME FEDERAL AGENCIES FROM REACHING THEIR 3 PERCENT GOAL? HOW CAN BARRIERS BE ADDRESSED?

Potential small businesses' barriers and challenges can be resolved by reviewing and enhancing communications across HUBZone stakeholders, reviewing HUBZone Program Office and SBA

District Office operations, and refining marketing strategies implemented by Contracting Officers at CFO Act agencies to recruit small businesses to bid on HUBZone solicitations. For instance, one central barrier was the perception that small businesses are deterred from applying for HUBZone certification and HUBZone small businesses are hesitant to maintain continued compliance with the HUBZone Program. Essentially, individuals in both groups are dissuaded from participation in the program due to a perception that both the application and compliance processes are onerous.

In addition, several agencies that did not reach the 3 percent goal stated that the pool of potential small businesses in HUBZones lack skills that could help fill their agency's demands. For example, although there were more than 9,000 small businesses in the HUBZone portfolio in the late 2000s, only 5,172 small businesses were HUBZone certified in FY 2016. Some interviewees went further to state that HUBZone firms are geared towards more blue-collar industries. Data from the current analysis concludes that these opinions may warrant further scrutiny, and that small businesses with highly technical capabilities have received HUBZone contracts in large amounts. For instance, the NAICS economic sector receiving the highest sum of awards by Champions for HUBZone contracts is Sector 54 – Professional, Scientific, and Technical Services. **Reviewing operative procedures undertaken by COs, CORs, and program managers to identify agencies' search strategies for businesses may help to alleviate this barrier.**

EVALUATION QUESTION 3:

WHAT FACTORS PREDICT SUCCESSFUL FEDERAL CONTRACT AWARDS FOR HUBZONE FIRMS?

Interview data analyses indicated that agencies vary in opinion on facilitators of success. However, both HUBZone Champions and agencies that did not meet the 3 percent goal hold common ground on the perspective that small businesses should be able to aggressively market themselves to contract officers, as well as educate themselves on Federal Government procurement.

METHODOLOGICAL LIMITATIONS

The following limitations regarding data collection and analyses should be taken into consideration when interpreting the implications of the current evaluation's findings.

LIMITED SAMPLE OF QUALITATIVE INTERVIEWS

Due to logistical and budget-related issues, only a small number of HUBZone Program staff and CFO Act agencies were interviewed. Sample size limitations concluded that current analyses may not be

representative of the opinions of all staff from the HUBZone Program or from CFO Act agencies, despite providing valid themes that were saturated across groups (Morse, 2004). A larger, more diverse sample may have yielded different perspectives that could better inform barriers and facilitators of HUBZone small business procurement.

In addition, the use of a limited sample also omits alternate views from other individuals in these categories. For example, we did not conduct interviews with representatives from the Department of Defense—the largest contributor of HUBZone prime contract dollars in FY 2016, which may affect generalizability and applicability of results. Having the perspective of an OSDDBU director or contracting officer from DoD may have provided alternate insights into the HUBZone Program. Furthermore, richer interview data may have emerged from the inclusion of other federal stakeholders, such as HUBZone-certified and de-certified small business firms.

BIAS IN QUALITATIVE SAMPLING

Because participation in interviews was voluntary, it is possible that staff who agreed to participate in the study are different from staff who chose not to participate. Thus, the views of participating staff (i.e., mainly OSDDBU directors) do not represent the views of all eligible staff. Furthermore, it is possible the CFO Act agency representatives invited to participate were not the best suited to provide responses to the interview questions.

RECOMMENDATIONS

Recommendation 1: Develop and distribute a comprehensive survey assessing attitudes and experience in the HUBZone Program to all HUBZone small businesses, both certified and de-certified. Use this survey as an impetus to conduct a pilot study testing the economic impact of the HUBZone Program in various geographic areas.

Data derived from responses on this survey could be leveraged to develop a pilot randomized control study comparing economic impacts of HUBZone small businesses vs. other small businesses on outcomes such as job growth and technological resources. Results from the pilot study may have the power to inform legislative changes that would improve the program.

Recommendation 2: Educate Contracting Officers, Contracting Specialists, and Contracting Officer's Representatives (CORs) on effective market research strategies using SBA's search tools and the 2012 *Market Research Guide for Contracting Officers*. In addition, educate HUBZone small businesses on how to successfully market their services and business models to Contracting Officers.

Tools such as SBA search engines and the *Market Research Guide for Contracting Officers* (SBA, 2012) provide information that can help both Contracting Officers and CORs to increase efficiency in information gathering about HUBZone small businesses eligible for HUBZone contracts.

Actionable Steps

- Train contracting officers and CORs on how to use search tools to find small businesses eligible to fulfill the needs of HUBZone contracts.
- Train small businesses via webinars, industry days, and/or matchmaking events on how to market themselves using online tools including FedBizOpps and other federal procurement Websites.
- Consider assigning an internal agency employee at each CFO Act agency whose sole responsibilities are managing the HUBZone Program and ensuring that the portfolio of certified HUBZone small businesses at their agency maintain compliance with the program. This employee can coordinate efforts between contracting officers, OSDBUGs, and small businesses and streamline both the application and certification processes.
- Create teams of both contracting officers and these HUBZone specialists to implement a combined compliance and matchmaking database that identifies HUBZone small businesses that have successfully maintained certification throughout a set period for HUBZone set-aside opportunities.

Recommendation 3: Coordinate efforts with the Small Business Procurement Advisory Council (SBPAC) to expand on best practices in communicating with HUBZone stakeholders about legislative changes affecting SBA socioeconomic programs.

One of the main barriers to reaching the 3 percent goal is effectively persuading small businesses to either apply for the HUBZone Program or re-apply to maintain their status after decertification. Interviewees described that the cumbersome process of application and recertification may dissuade these businesses from retaining status in the program.

The National Defense Authorization Act of 2018 (NDAA) freezes HUBZone maps until 12/31/2021. After this date, maps will be updated every 5 years according to economic qualifiers. This change in legislation alters an already confusing certification and application process that may result in extensive changes in HUBZone maps after 12/13/2021.

To circumvent small businesses from leaving the program prior to that date, the SBA can work in tandem with SBPAC to expand on best practices for agencies to inform contracting officers, SBA staff in its District Offices, and HUBZone small businesses about legislative changes that affect socioeconomic programs. This approach may help retain HUBZone firms in the program through the freeze on HUBZone maps until 12/31/2021.

Actionable Steps

- Provide brief e-mails or mobile alerts to CFO Act agencies, contracting officers, HUBZone district staff, and HUBZone small businesses on changes in legislation.
- Develop a fact sheet detailing the main points of how changes in legislation may affect the HUBZone Program and distribute it to all HUBZone stakeholders.
- Hold a briefing for all HUBZone stakeholders on how changes in legislation may affect the HUBZone Program.

Recommendation 4: Create a task force of agency Contracting Officers to share best practices in identifying HUBZone small businesses appropriate for agency contracting needs.

While the *Blueprints for Success* document developed by SBA in 2016 provides concrete examples of how best practices used by HUBZone Champions have directly affected HUBZone goaling, it would be highly beneficial to also create a compendium of best practices among contracting officers at these agencies. Also important are learning the methods SBA district staff use to recruit small businesses into the program. GEARS recommends taking the following actions:

- Engage procurement officials beyond directors of the Office of Small and Disadvantaged Business Utilization, such as agency contracting officers and CORs, to share best practices in reaching the 3 percent goal.
- Have SBA develop a series of workshops for shared strategies that go beyond monthly SBPAC meetings and encourage small group discussions. Open these events to both federal agency contracting officers and others who have experienced challenges reaching the 3 percent goal.
- Develop a best practices toolkit for contracting officers to identify capable small businesses to fulfill the terms of HUBZone contracts and strategically set aside contracts for HUBZone.
- Have SBA conduct biannual, data-driven performance reviews of federal agencies to examine recruitment success and small business success in achieving goals.

Recommendation 5: Clarify the HUBZone Program’s Standard Operating Procedures as well as contracting staff roles by improving communication across stakeholders.

Analysis of interviews gave the overall impression that communication strategies across the spectrum of HUBZone stakeholders may impede progress towards HUBZone goaling. Specifically, most CFO Act agency OSDBU directors did not indicate they have direct communication with contracting officers, HUBZone district staff, or HUBZone small businesses. Instead, an unofficial system is in place, in which staff located at the Office of the HUBZone Program act as a proxy point of communication. As a result, the delineation of roles and responsibilities among these groups is obscure. For these reasons, GEARS recommends taking the following action steps:

- Create a process or workflow model describing current lines of communication regarding HUBZone Program issues.
- Adjust the model to enhance efficient lines of communication.
- Distribute the model to all HUBZone Program stakeholders involved in communications and operations.

Recommendation 6: Develop agency-specific guidance based on goal status to improve or maintain the total amount of certified prime contract dollars obligated to HUBZone small businesses by Champions and simultaneously increase certified prime contract dollars obligated by agencies that did not meet the 3 percent goal.

Actionable Steps

- Create a strategic task force with the goal of developing strategies to make HUBZone solicitations more appealing to small businesses in NAICS sectors. For example, one task force could include successful HUBZone small businesses in both NAICS Sector 23 – Construction and NAICS Sector 54 – Professional, Scientific, and Technical Services; CFO Act agencies, and representatives from the HUBZone Program. They would be charged with discussing strategies specific to those industries and the needs of those agencies.
- Capitalize on the success of HUBZone small businesses as demonstrated by greater average number of employees and experience with SBA small business program certification. This can be accomplished by:
 - Creating comprehensive workshop trainings to potential HUBZone small businesses on how to develop the infrastructure of their business and grow their employee base.

- Developing a database of demographic information to identify potential small business applicants eligible for several SBA socioeconomic program certifications.
- Providing a “Small Business Spotlight” section on the SBA and/or HUBZone Website highlighting the accomplishments of multi-certified businesses in the HUBZone Program.
- Create a strategic task force consisting of successful HUBZone small businesses within unique sectors and industries underrepresented in the current roster of HUBZone certified firms. The goals of the task force could include developing strategies to:
 - Recruit small businesses in niche industries.
 - Help SBA district office staff and contracting officers at agencies identify HUBZone solicitations appropriate for small businesses in underrepresented sectors.
- Maximize the role of Procurement Technical Assistance Centers (PTACs) in providing targeted technical assistance at each District Office for HUBZone small businesses in underrepresented sectors.
- Hold monthly or bi-monthly industry days specifically for small businesses that are not in the main NAICS sectors of 23, 31-33, 54, and 56.
- Develop training for contracting officers to recruit small businesses outside of the main NAICS sectors of 23, 31-33, 54, and 56.

Whereas the above actionable steps apply both to HUBZone Champions and agencies that did not meet the 3 percent goal, the steps below are leveraged to increase success among individual groups.

Actionable Steps

- Encourage HUBZone Aspirant Agencies to build their portfolios of HUBZone firms by training contracting officers to identify HUBZone small businesses that could fulfill the needs of subcontracts for prime contracts.

V. DIRECTIONS FOR FUTURE RESEARCH

The following suggestions for potential areas of research may help to provide additional insight as the HUBZone Program continues to make improvements:

- *An analysis of impact of the HUBZone Program by geographic areas and component agencies.* Potential variables of interest may include job growth, educational attainment, and other indicators of economic prosperity. A longitudinal study can be used to collect data on these indicators and statistically model whether HUBZone significantly impacts community welfare. Some agencies may have components that are location-based near or in HUBZone areas that are able to secure more HUBZone contracts. For example, if the USDA Forest Service has locations near a HUBZone, they may be able to recruit more HUBZone forestry small businesses.
- *A comprehensive study of the utilization of the HUBZone Program at the Department of Defense.* While representatives from DoD were not interviewed in the current study, the Department and its component branches obligated the highest amount of certified prime contract dollars to HUBZone small businesses in FY 2016. A comprehensive study examining strategies used by DoD would provide insight on how the Department sets aside HUBZone solicitation opportunities and maintains a comprehensive portfolio of HUBZone small businesses.
- *In-depth analyses of strategies used by the Department of Homeland Security.* An examination of NAICS sectors and industries awarded HUBZone contracts by Champions concluded that there is a more equal representation of contract awards across industries among certain agencies. One such agency is DHS. Strategies used by DHS may be more translatable across unsuccessful agencies than strategies to recruit and award contracts to HUBZone small businesses at Champion agencies with needs that are focused mainly in 1 or 2 industries.
- *Qualitative interviews with Contracting Officers.* One of the key stakeholders in the HUBZone Program, and those who are responsible for securing small businesses, are contracting officers and procurement analysts. Interviews discussing marketing strategies, identification strategies, and knowledge of the HUBZone Program would add an important perspective to future evaluations.
- *Qualitative interviews with HUBZone small businesses.* One of the major recommendations made in the current evaluation focuses on methods to improve tools used HUBZone small businesses to identify and win HUBZone contracts. Obtaining qualitative data from HUBZone small businesses would identify issues that prevent or foster success in the HUBZone Program.

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Appendix A. Description of the Federal Procurement Socioeconomic Programs

8(a) Program	<u>8(a) Business Development Program</u> : A business assistance program of the U.S. Small Business Administration for small disadvantaged businesses. The 8(a) Program provides a broad scope of assistance to businesses that are owned and controlled at least 51 percent by socially and economically disadvantaged individuals. There is no federal prime procurement goal directly associated with the 8(a) Program, though prime contract dollars obligated to 8(a) small businesses and 8(a) joint ventures are included as part of the five percent Small Disadvantaged Business statutory goal.
SDB	<u>Small Disadvantaged Business Program</u> : A small business that is at least 51 percent unconditionally owned by an individual that is socially and economically disadvantaged may self-certify through the System for Award Management as a Small Disadvantaged Business. The Federal Government seeks to award at least five percent of federal prime procurement dollars each fiscal year to SDBs, and this goaling category includes, beyond self-certified SDBs, 8(a) small businesses and 8(a) joint ventures.
SDVO	<u>Service-Disabled Veteran Owned Small Business Program</u> : A certification enabling service-disabled veterans preferential access to federal contracting opportunities. Businesses at least 51 percent owned and controlled by a service-disabled veteran may self-represent their socioeconomic status to the Federal Government through the System for Award Management. There is a statutory mandate that the Federal Government award at least three percent of prime contract dollars to SDVO small businesses in each fiscal year.
WOSB	<u>Women-Owned Small Business Program</u> : Preferential federal contracting opportunities are provided by the Federal Government to women-owned small businesses in industries where WOSBs are underrepresented. The Federal Government aims each fiscal year to award at least five percent of federal prime contract dollars to WOSBs, and this WOSB socioeconomic category for the federal procurement goal is inclusive of prime contract dollars obligated to the following categories: women-owned small businesses; women-owned small business joint ventures; economically disadvantaged women-owned small businesses; and economically disadvantaged women-owned small business joint ventures. A WOSB or EDWOSB representation by a small business requires a self-certification through the System for Award Management or a third-party certification through four U.S. Small Business Administration partner organizations.

Sources: 1) SBA SME 2) Small Business Committee. *The Impact of Category Management on the Small Business Industrial Base [webinar]*. Accessed at <https://smallbusiness.house.gov/calendar/eventsingle.aspx?EventID=400906>.

Appendix B. High-Level Findings and Citations from Literature Review

Findings and Recommendations	Citations*
<p><i>Strategies for Marketing, Outreach, Technical Assistance, and Policy Development for HUBZone Program Implementation</i></p> <ul style="list-style-type: none"> • Develop a government-wide framework for Mentor-Protégé programs and clarify rules for small business teaming¹ • Improve the skills of the acquisition workforce¹ • Enhance FedBizOpps, the government-wide point of entry on business opportunities and make it a one-stop resource for posting contracting opportunities, the outreach calendar of all federal agency matchmaking and training events¹ • Use the <i>Dynamic Small Business Search</i> or its successor tools as tools to assess the capabilities and capacity within the various small business subcategories, which can be invaluable to federal agency efforts in identifying capable firms² • Refer small business customers to the Small Business Development Centers for assistance³ 	<p>¹ Interagency Task Force on Federal Contracting Opportunities for Small Businesses. (2010). <i>Executive Summary: Report on Small Business Federal Contracting Opportunities</i></p> <p>² U.S. Small Business Administration. (2012). <i>Market Research: A Guide for Contracting Officers</i></p> <p>³ Blitz, S. (2008). <i>Bring Value to Your Customers, Banking Solutions</i></p>
<p><i>Strategies for Improving HUBZone Certification and Meeting Small Business Contracting Needs</i></p> <ul style="list-style-type: none"> • Facilitate the identification and rapid adoption of best practices across federal agencies to maximize successful strategies¹ • Address the recertification process to ensure that firms receive appropriate notifications that could impact eligibility² • Implement additional controls for recertification, including criteria for requesting and verifying firm information, and ensuring sufficient staffing for the certification process³ • Reassess SBA’s recertification process and add additional controls⁴ 	<p>¹ Interagency Task Force on Federal Contracting Opportunities for Small Businesses. (2010). <i>Executive Summary: Report on Small Business Federal Contracting Opportunities</i></p> <p>² U.S. Government Accountability Office. (2016). <i>HUBZone Program: Actions Taken on February 2015 GAO Recommendations</i>, 79 (96), 1-15</p> <p>³ U.S. Government Accountability Office. (2016). <i>HUBZone Program: Opportunities Exist to Further Improve Oversight</i></p> <p>⁴ U.S. Government Accountability Office. (2016). <i>HUBZone Program: Oversight Has Improved but Some Weaknesses Remain</i></p>
<p><i>Training for Federal Agency Contracting Staff and Small Businesses</i></p> <ul style="list-style-type: none"> • Make training required for Contracting Officers, small business specialists, and program managers¹ • Implement online training courses that have been rolled out (www.sba.gov/training) that walk small business 	<p>¹ Interagency Task Force on Federal Contracting Opportunities for Small Businesses. (2010). <i>Executive Summary: Report on Small Business Federal Contracting Opportunities</i></p> <p>² Mandelbaum, R. (2007). Does the SBA Still Matter? <i>Inc. Magazine</i>, Page 106</p>

Findings and Recommendations	Citations*
<p>owners through the steps involved in becoming a government contractor¹</p> <ul style="list-style-type: none"> • Help small businesses break into the government market² • Marshal resources and explains regulations and have the SBA Procurement Center representatives and other staff counsel small businesses on penetrating the bureaucracy² 	
<p><i>Sharing Best Practices in HUBZone Program Implementation</i></p> <ul style="list-style-type: none"> • Facilitate the identification and rapid adoption of best practices across federal agencies to maximize successful strategies¹ • Use the Small Business Procurement Advisory Council’s monthly best practice presentations to provide each agency with an opportunity to discuss agency best practices² • Implement more effective outreach with the small business community • Conduct additional research with contracting staff to provide better insight into the processes³ 	<p>¹ Interagency Task Force on Federal Contracting Opportunities for Small Businesses. (2010). <i>Executive Summary: Report on Small Business Federal Contracting Opportunities</i></p> <p>² SBA. (2016). Small Business Procurement Advisory Council (SBPAC) <i>Report to Congress</i></p> <p>³ Eagle Eye Publishers, Inc. (2012). <i>Characteristics of Recent Federal Small Business Contracting</i></p>

*Citations correspond to superscript in “Findings and Recommendations” Column

Appendix C. High-Level Findings and Citations from Environmental Scan

No.	Findings in the Environmental Scan	Source
1	<p>Major Findings from Blueprints for Success</p> <ul style="list-style-type: none"> • Increase the number of agencies that achieve the 3 percent goal as only nine agencies governed by the Chief Financial Officers Act of 1990 achieved in FY 2016 the Federal Government goal of obligating 3 percent of prime contract dollars to HUBZone small businesses • Emphasize leadership support as an important factor for success • Success is only achieved through the efforts of both the SBA and federal partners working together. 	<p>SBA. (2016). <i>Blueprints for Success – Achieving the HUBZone 3 Percent Goal</i> (FY 2016)</p>
2	<p>The Market Research Guide helps Contracting Officers to</p> <ul style="list-style-type: none"> • Understand and use market research to find qualified small business vendors • Formulate effective acquisition plans • Develop an understanding of the industry and market • Connect with small business contract professionals, Business Opportunity Specialists, PTAC employees and small business specialists 	<p>SBA. (2012). <i>A Market Research Guide for Contracting Officers</i></p>
3	<p>Training by federal agencies</p> <ul style="list-style-type: none"> • Standardize and share training activities. Each federal agency had different training activities • Identify and share best practices in training among federal agencies 	<p>SBA. (2010). <i>Report to Congress on Agency Office of Small Business Utilization Training and Travel Costs for Fiscal Year (2010)</i></p>
4	<p>Major findings and recommendations by Interagency Task Force</p> <ul style="list-style-type: none"> • Take important steps to increase opportunities for small businesses, from creating new online training to issuing a proposed rule to create set-asides • Mobilize leadership commitment and use the right tools so that federal agencies can meet the small business contracting goal • Strengthen and update policies • Improve the knowledge base and efficiency level of the procurement workforce • Establish a one-stop shop for easier access to procurement information 	<p>Interagency Task Force on Federal Contracting Opportunities for Small Businesses. (2010). <i>Executive Summary: Report on Small Business Federal Contracting Opportunities</i></p>
5	<p>Major types of contracts available for small businesses</p> <ul style="list-style-type: none"> • Use set-aside contracts for small businesses that help small businesses compete for and win federal contracts. There are two kinds of set-aside contracts: competitive set-asides and sole-source set-asides • Use set-asides for government contracting programs 	<p>https://www.sba.gov/federal-contracting/contracting-guide/types-contracts#section-header-0</p>

No.	Findings in the Environmental Scan	Source
6	<p>Major topics covered by the SBA online training</p> <ul style="list-style-type: none"> • Program eligibility and certification requirements • Federal contracting assistance to qualified small firms • Accessing SBA's general login system • Applying for HUBZone certification • Completing and submitting the online HUBZone application • Submitting requested documentation • Avoiding common mistakes • Resources and tools 	<p><i>https://www.sba.gov/tools/sba-learning-center/training/hubzone-primer-eligibility-certification-requirements</i></p>
7	<p>Major topics covered by the HUBZone Mini-Primer</p> <ul style="list-style-type: none"> • Understanding HUBZone protests • Filing a HUBZone status protest • Who can file a HUBZone status protest? • Where and how a HUBZone status protest should be submitted? • Responding to a protest • When SBA makes a protest decision • Appealing a protest decision 	<p><i>https://www.sba.gov/tools/sba-learning-center/training/hubzone-mini-primer-3</i></p>
8	<p>Explanations of the HUBZone Map</p> <ul style="list-style-type: none"> • HUBZone qualification is generally determined by income levels and unemployment rates • Most qualified areas are determined by county (in non-metropolitan areas) or census tract (usually in metropolitan areas) • The 2018 National Defense Authorization Act (NDAA) freezes the current HUBZone Map until December 31, 2021 • Base Relocation & Closure areas (BRACs) now enjoy HUBZone status for eight years • Major Disaster Areas will be treated as HUBZones for a period of five years • Catastrophic Incident Areas will be treated as HUBZones for a period of 10 years 	<p><i>http://www.hubzonecouncil.org/clubportal/ClubStatic.cfm?clubID=528&pubmenuOptID=41944</i></p>
9	<p>HUBZone related content in the 2018 National Defense Authorization Act</p> <ul style="list-style-type: none"> • Amend the SBA Act to expand the ability of small businesses in rural areas to participate in the HUBZone Program • Allow governors to directly petition SBA to designate additional rural areas as HUBZones • Reduce the number of a small firm's employees required to live within a HUBZone from 35 percent to 33 percent • Publish performance metrics designed to measure the success of the HUBZone Program 	<p>U.S. House of Representatives. (2018). National Defense Authorization Act (NDAA)</p>

Appendix D. Recruitment Strategy for Qualitative Interviews

The SBA HUBZone Headquarters staff was key in assisting GEARS with recruiting potential interviewees for each group. After the recruitment stage, GEARS drafted outreach materials for SBA staff to send to potential interviewees, including e-mail text introducing the purpose of the evaluation and an accompanying interview protocol relevant to the interviewee's group. GEARS staff then followed-up, scheduled, and conducted all interviews. Overall, reach across this stage of recruitment involved individuals across 18 CFO Act agencies ($n = 18$) and the final sample of participants from this group was 12 individuals ($n = 4$ agencies that met the 3 percent goal in FY 2016 or "HUBZone Champions," and $n = 8$ agencies that did not meet the 3 percent goal in FY 2016).

Braun and Clarke's (2006) thematic analysis approach was used as the primary qualitative technique. This type of analysis involves exploring patterns across interviews that are meant to answer research and evaluation questions. Once patterns are identified, they are discussed iteratively among coders until consensus on the final list of themes answering each question and a saturation of information is reached. Saturation refers to the situation where there are no new insights or codes of information indicated by the respondents or data. GEARS conducted a content analysis and employed quality controls to ensure interrater reliability. After training, coders agreed on categories 80-85 percent of the time.

A third-party contractor transcribed each interview. These interviews were then sent to the GEARS evaluation team and then were uploaded in NVivo version 11 (2016). NVivo software supports qualitative and mixed methods research. The software program assists in categorizing and classifying data by theme or topic and contains features that help to analyze connections between themes and topics.¹⁵ During the analytic process, three independent GEARS coders first developed a preliminary list of themes after having reviewed the transcripts. Transcripts were then randomly assigned to each coder based on a randomization program (www.randomizer.org). Coders met weekly to discuss the coding process and to add/combine emerging themes. Interviews were then coded based on final, agreed-upon codes.

¹⁵ NVivo qualitative data analysis Software; QSR International Pty Ltd. Version 11, 2017.

Appendix E1. A Protocol for Interviews with HUBZone Program Staff

Introduction Script:

First, I would like to thank you for taking the time to participate in this interview. As you know, the HUBZone Program of the Small Business Administration (SBA) has tasked the Global Evaluation & Applied Research Solutions (GEARS) to evaluate the HUBZone Program.

The purpose of the current evaluation is to identify the facilitating factors and barriers in the process of HUBZone firms bidding and obtaining federal contracts. The findings from this evaluation will hopefully provide critical insights to inform improvements in the HUBZone Program processes, customer service, and service delivery, which will in turn improve program outcomes and impact. Utilizing the actionable insights to be obtained from this evaluation, more HUBZone firms will bid for federal contracts and more will succeed in acquiring federal contracts, so that more federal agencies will meet or exceed their 3 percent federal contracting goal.

Participation in this interview is voluntary. The information collected will be analyzed in the aggregate, so that no personally identifiable information of any individual staff will be entered in the analysis or the evaluation report. Please answer the questions as completely as you can. Thanks so much for your feedback! Your input is important in helping the SBA improve the HUBZone Program.

If we could have your consent, we would like to audio-record our discussion so that we can fully capture your input. The recording will be destroyed as soon as we complete the summary of our discussion. Please let us know if you have any questions or concerns. If not, let's begin our interview.

A. Introductory Questions

- How long have you been working with the HUBZone Program?
- How many staff members are there in the HUBZone Program?

B. Specific Questions

- What outreach activities and marketing strategies has the HUBZone Program implemented?
- What are the characteristics of the federal agencies that have met or exceeded the 3 percent goal (HUBZone Champions)?
- What outreach activities and marketing strategies have the HUBZone Champions implemented?
- What are the characteristics of the federal agencies that have NOT met the 3 percent goal?
- What are the major barriers and issues that have prevented these agencies from reaching the 3 percent goal?
- What do you think are the facilitating factors that have encouraged eligible firms to bid for federal contracts?

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- What are the inhibiting factors that have discouraged or prevented HUBZone firms from bidding for federal contracts?
- What do you think are the facilitating factors that have enabled HUBZone firms to succeed in obtaining federal contracts?
- What are the inhibiting factors that have prevented HUBZone firms from succeeding in obtaining federal contracts?
- Do you think we can eliminate or reduce the impact of these inhibiting factors? If yes, how?
- What program activities are currently available to encourage HUBZone firms to bid for federal contracts?
- What program activities are currently available to help HUBZone firms succeed in obtaining federal contracts?
- What additional program activities would help to encourage HUBZone firms to bid for federal contracts?
- What additional program activities would help HUBZone firms to succeed in obtaining federal contracts?
- Do you have any additional suggestions and comments?

Thank you so much for your input!

Appendix E2. A Protocol for Interviews with SBA District Office Staff

Introduction Script:

First, I would like to thank you for taking the time to participate in this interview. As you know, the HUBZone Program of the Small Business Administration (SBA) has tasked the Global Evaluation & Applied Research Solutions (GEARS) to evaluate the HUBZone Program.

The purpose of the current evaluation is to identify the facilitating factors and barriers in the process of HUBZone firms bidding and obtaining federal contracts. The findings from this evaluation will hopefully provide critical insights to inform improvements in the HUBZone Program processes, customer service, and service delivery, which will in turn improve program outcomes and impact. Utilizing the actionable insights to be obtained from this evaluation, more HUBZone firms will bid for federal contracts and more will succeed in acquiring federal contracts so that more federal agencies will meet or exceed its 3 percent federal contracting goal.

Participation in this interview is voluntary. The information collected will be analyzed in the aggregate so that no personally identifiable information of any individual staff will be entered in the analysis or the evaluation report. Please answer the questions as completely as you can. Thanks so much for your feedback! Your input is important in helping the SBA improve the HUBZone Program. If we could have your consent, we would like to audio-record our discussion so that we can fully capture your input. The recording will be destroyed as soon as we complete the summary of our discussion. Please let us know if you have any questions or concerns. If not, let's begin our interview.

A. Introductory Questions

- How long have you been working at the SBA district office?
- How many staff members are there in the district office?

B. Specific Questions

- What outreach activities and marketing strategies has the HUBZone Program implemented?
- What do you think are the facilitating factors that have encouraged eligible firms to bid for federal contracts?
- What are the inhibiting factors that have discouraged or prevented HUBZone firms from bidding for federal contracts?
- What do you think are the facilitating factors that have enabled HUBZone firms to succeed in obtaining federal contracts?
- What are the inhibiting factors that have prevented HUBZone firms from succeeding in obtaining federal contracts?
- Do you think we can eliminate or reduce the impact of these inhibiting factors? If yes, how?

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- What program activities are currently available to encourage HUBZone firms to bid for federal contracts?
- What program activities are currently available to help HUBZone firms succeed in obtaining federal contracts?
- What additional program activities would help to encourage HUBZone firms to bid for federal contracts?
- What additional program activities would help HUBZone firms to succeed in obtaining federal contracts?
- Do you have any additional suggestions and comments?

On behalf of SBA/HUBZone, thank you for your input!

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Appendix E3. *A Protocol for Interviews with Staff from Federal Agencies that Have Met or Exceeded the 3 Percent Goal*

Introduction Script:

First, I would like to thank you for taking the time to participate in this interview. As you know, the HUBZone Program of the Small Business Administration (SBA) has tasked the Global Evaluation & Applied Research Solutions (GEARS) to evaluate the HUBZone Program.

The purpose of the current evaluation is to identify the facilitating factors and barriers in the process of HUBZone firms bidding and obtaining federal contracts. The findings from this evaluation will hopefully provide critical insights to inform improvements in the HUBZone Program processes, customer service, and service delivery, which will in turn improve program outcomes and impact. Utilizing the actionable insights to be obtained from this evaluation, more HUBZone firms will bid for federal contracts and more will succeed in acquiring federal contracts so that more federal agencies will meet or exceed its 3 percent federal contracting goal.

The information collected with this interview will be analyzed in the aggregate so that no personally identifiable information of any individual staff or agency will be entered in the analysis or the evaluation report. Please answer the questions as completely as you can. Thanks so much for your feedback! Your input is important in helping us to help the HUBZone Program.

Your agency has been selected among the HUBZone Champions that have met or exceeded the goal of obligating 3 percent of total contracting dollars to the HUBZone firms. We would like to learn from your experience in your outreach and marketing strategies for your contracting programs and efforts.

If we could have your consent, we would like to audio-record our discussion so that we can fully capture your input. The recording will be destroyed as soon as we complete the summary of our discussion. Please let us know if you have any questions and/or concerns. If not, let's begin our interview.

A. General Questions

- How long have you been working with the contracting office?
- How many staff members are there in your contracting division?

B. Specific Questions

- What outreach and marketing strategies has your agency implemented to encourage HUBZone firms to bid for contracts of your agency?
- What strategies and activities has your agency implemented to help HUBZone firms to succeed in obtaining contracts from your agency?
- What do you think are the facilitating factors that have encouraged eligible firms to bid for contracts of your agency?

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- Are there any inhibiting factors that may have discouraged or prevented some HUBZone firms from bidding for contracts of your agency? If yes, what are they?
- What do you think are the facilitating factors that have helped HUBZone firms to succeed in obtaining contracts from your agency?
- Are there any inhibiting factors that may have prevented some HUBZone firms from succeeding in obtaining contracts from your agency?
- Do you think we can eliminate or reduce the impact of the inhibiting factors? If yes, how?
- What program activities are currently available to encourage more HUBZone firms to bid for contracts of your agency?
- What program activities are currently available to help more HUBZone firms succeed in obtaining contracts from your agency?
- What additional program activities would help to encourage more HUBZone firms to bid for contracts of your agency?
- What additional program activities would help more HUBZone firms to succeed in obtaining contracts of your agency?
- Do you have any additional suggestions and comments?

On behalf of SBA/HUBZone, thank you for your interest!

Appendix E4. A Protocol for Interviews with Staff from Federal Agencies that Have Not Met the 3 Percent Goal

Introduction Script:

First, I would like to thank you for taking the time to participate in this interview. As you know, the HUBZone Program of the Small Business Administration (SBA) has tasked the Global Evaluation & Applied Research Solutions (GEARS) to evaluate the HUBZone Program.

The purpose of the current evaluation is to identify the facilitating factors and barriers in the process of HUBZone firms bidding and obtaining federal contracts. The findings from this evaluation will hopefully provide critical insights to inform improvements in the HUBZone Program processes, customer service, and service delivery, which will in turn improve program outcomes and impact. Utilizing the actionable insights to be obtained from this evaluation, more HUBZone firms will bid for federal contracts and more will succeed in acquiring federal contracts so that more federal agencies will meet or exceed its 3 percent federal contracting goal.

The information collected with this interview will be analyzed in the aggregate so that no personally identifiable information of any individual staff or agency will be entered in the analysis or the evaluation report. Please answer the questions as completely as you can. Thanks so much for your feedback! Your input is important in helping us to help the HUBZone Program.

Your agency has been selected among the agencies that that have not met the goal of obligating 3 percent of total contracting dollars to the HUBZone firms. We would like to identify your outreach and marketing strategies that have worked and those that have not worked.

If we could have your consent, we would like to audio-record our discussion so that we can fully capture your input. The recording will be destroyed as soon as we complete the summary of our discussion. Please let us know if you have any questions and/or concerns. If not, let's begin our interview.

A. General Questions

1. How long have you been working with the contracting office? How many staff members are there in your contracting division?

B. Specific Questions

1. What outreach and marketing strategies has your agency implemented to encourage HUBZone firms to bid for contracts of your agency?
2. What outreach and marketing strategies has your agency implemented to help HUBZone firms to succeed in obtaining contracts from your agency?
3. What are the inhibiting factors that have discouraged or prevented HUBZone firms from bidding for contracts of your agency? Are there any facilitating factors that may have encouraged eligible firms to bid for contracts of your agency? If yes, what are they?
4. What are the inhibiting factors that have prevented HUBZone firms from succeeding in obtaining contracts from your agency? Are there any facilitating factors that may have helped some HUBZone firms to succeed in obtaining contracts from your agency?
5. Do you think we can eliminate or reduce the impact of the inhibiting factors? If yes, how?
6. What program activities are currently available to encourage HUBZone firms to bid for contracts of your agency? What program activities are currently available to help HUBZone firms succeed in obtaining contracts from your agency?
7. What additional program activities do you think would encourage HUBZone firms to bid for contracts of your agency? What additional program activities do you think would help HUBZone firms to succeed in obtaining contracts of your agency?
8. Do you have any additional suggestions and comments?

On behalf of SBA/HUBZone, thank you for your input!

Appendix F. Table of CFO Act Agency Characteristics

Demographic Characteristics of Individuals Interviewed at Federal Agencies (n = 12)*

HUBZone Champions	No. of Individuals on Call	Years with Agency	No. of Contracting Staff at Agency	Direct Contact with Contracting Staff? (Y/N)
1. Department of the Interior	1	14	--	--
2. Department of Homeland Security	1	14	--	--
3. Department of Transportation	1	Not discussed	--	--
4. General Services Administration	2	16.7**	1,735	Y

HUBZone Aspirant Agencies	No. of Individuals on Call	Years with Agency	No. of Contracting Staff at Agency	Direct Contact with Contracting Staff? (Y/N)
1. Department of Energy	2	*<1 year	--	--
2. Department of Housing and Urban Development	4	16.6*	88	--
3. National Aeronautics and Space Administration	1	Not discussed	650	Y
4. Agency for International Development	2	10	140	N
5. Department of Education	1	30	--	--
6. Department of Justice	1	8	--	--
7. Environmental Protection Agency	1	9	170	Y
8. Social Security Administration	1	12	10	N

**Note.* Most individuals interviewed were OSDDBU directors, but other employee types were represented as well.

***Note.* This number represents the average number of years of employment across the multiple individuals interviewed.