

# **Small Contractors Initiative**

## **Read Me First: Approach and Pre- and Post-Course Steps**

### **Introduction**

SBA is collaborating with HUD in an effort to prepare construction contractors to obtain surety bonds and access capital to better compete for a broad array of federally funded work. The effort, called the Small Contractors Initiative (SCI), features an eight-week course curriculum recently completed by HUD that was field tested through a pilot delivery in 2016 hosted by the Maryland SBDC. The curriculum addresses minimum threshold requirements for bondability. Contractors learn where they need improvement in their financial, accounting, and business capacity to obtain a bond and use the bondable status to pursue a diverse set of HUD funded and assisted contracts. Services will include hands on training, interactions with bonding agents and business lenders, workshops, one-on-one business mentoring, and networking among the participating contractors, bonding agencies and the SBA.

### **Premise, Outcomes and Audience**

The premise behind this initiative is that while there are many opportunities at HUD and other agencies for small contractors to get work, many do not climb that ladder of opportunity due to their inability to secure bonding or secure sufficient working capital. These contractors face a wide range of challenges, from a limited understanding of how and where to get a bond, to weaknesses in financial and project management systems, to issues related to undercapitalization.

Through this initiative we can assist some contractors in obtaining bonding. Primarily these will be contractors with no major substantive weaknesses. In addition to those contractors which succeed in getting bonding as a result of their participation in this initiative, we can also assist a broader group in expanding their capacity and helping them prepare for seeking bonding in the near future. All participants will improve their business management and presentation practices, and most will see their volume of government-funded contracting increase as a result of the training and services this initiative offers.

The audience for this initiative is focused on small construction businesses which have been identified as exhibiting deficiencies such as insufficient liquidity, poor credit scores of the owner, lack of an accounting system, inability to present their business and plan to lenders and bonding agents, weaknesses in project estimating and/or management, etc. Some of these can be addressed through training, technical assistance and mentoring, and some such as insufficient liquidity may be addressed through helping them obtain additional resources such as working capital financing. Shortfalls can range from rapidly curable - resulting in successfully becoming bondable within the SCI timeframe, to more serious - taking more than a year to correct. The participants will be a mix of those with and without

direct experience on publicly funded jobs, and will include some contractors whose participation will enhance the capacity of HUD and its grantees to meet goals related to Section 3, MBE/WBE, and other disadvantaged business objectives.

Additional detail on the SCI and the role of the host organization can be found in the accompanying document: ***“Small Contractor Initiative Assessment Tool - Background and a User’s Guide”***

### **Approach and Methodology**

This training initiative emphasizes direct, face-to-face interactions among participants and trainers, both in classroom settings and one-on-one mentoring. There will also be direct interactions with lenders and surety agents. This will be supplemented by a variety of online resources. Experience working with small contractors tells us that this hybrid approach is necessary to maintain interest in the training and reach training milestones in a timely and efficient manner.

The proposed training structure includes five key activities:

1. **Recruitment of and training** for the organizations that will provide the direct training to the participating contractors.
2. **Outreach** to recruit small contractors interested in achieving bondable status.
3. **Intake and assessment**, which will identify suitable small contractors who will benefit from the training, are able to meet the commitment and participation expectations, and demonstrate potential to become bonded.
4. **Delivery of a comprehensive**, yet flexible and individualized **curriculum**, consisting of eight sessions with clear learning objectives. The curriculum will include knowledge transfer as well as skill development components.
  - **Development of an action plan** for each participant, which culminates in the successful completion of a business plan, loan application, and clear steps to implement for becoming bonded.
  - **Individualized coaching and support** of participants to identify and address specific questions, challenges and knowledge gaps; support completion of the learning plan; and build confidence.

## Pre-Course Activities

### 1. Host organization preparation

- a. Review the curriculum and make adjustments to fit your expected participants.
- b. Meet with local SBA, bonding agents and lenders to gauge their interest and commitment.
- c. Arrange for appropriate staff and outside experts to provide the trainings and mentoring.
- d. Determine the level of staff support that can be provided to individual participants
- e. Set a timeframe for delivering the SCI courses and determine the number of contractors you can accommodate.

### 2. Recruiting and organizing a cohort of small contractors to participate in the SCI

- a. Outreach, using a flier with a brief overview of the initiative
- b. Distribute the SCI Assessment Tool to interested contractors (A sample alternative short-form assessment/registration tool is included in the course materials.)
- c. Collect and review the completed assessments
- d. Analyze the collective results to determine:
  - i. Which contractors will likely benefit from SCI and are otherwise qualified
  - ii. Which of that group of contractors should be accepted to form a “cohort”
  - iii. The cohort should include contractors which can clearly benefit from SCI; and should be comprised of companies with a range of experience, skills and capacity
- e. Collect registrations and commitments for participation

#### Notes:

- A flier needs to be developed
- Host organization should develop its outreach/recruitment plan

### 3. Working with the selected companies

- a. Contact each participating company, by phone or in person
- b. Review their capacity and skills relative to the SCI
- c. Assist participants in drafting an initial Action Plan for the company, based on the Self-Assessment and its experience with and need for working capital and bonding. This will be an individualized “path to growth” for each company, designed to guide its progress and ensure that it gets the most benefit from participating in SCI.
- d. Schedule regular mentoring visits and/or calls

4. Assignment – for the companies to complete before Session 1
  - a. Review the Action Plan internally, and with professionals you work with, such as: CPA, attorney, lender, bonding agent.
  - b. Identify appropriate company personnel and get commitments to participate

## **Post-Course Activities**

1. Host organization preparation
  - a. Recruit professionals to serve participants as volunteer mentors past completion of the course (this can also be part of the pre-course activities)
  - b. Determine the level of ongoing staff support that can be provided to participants
  - c. Plan for check-in calls with all participants in the months following completion
2. Participant Follow-thru
  - a. Bond application
  - b. Working capital loan application
  - c. Track bid opportunities and outcomes
  - d. Setting long term goals and tracking progress
3. Coaching/Mentoring
  - a. Processing applications for approval
  - b. Marketing strategies
  - c. Partnering
  - d. Meeting government requirements
4. Participant Action Plan
  - a. Organize tasks to complete their Action Plan
  - b. Pursue tasks, complete Action Plan items, and revise plans as needed
  - c. Set up regular mentoring visits and/or calls with host staff or mentors
  - d. Notify host staff of success in obtaining bonding, working capital loans, and government contracts.