

What You Need to Know About Women Business Enterprise Certification

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1. YOUR BUSINESS CAN GAIN A COMPETITIVE ADVANTAGE IN OBTAINING BOTH PRIVATE SECTOR AND GOVERNMENT CONTRACTS.

As the number of women-owned businesses in Michigan continues to grow, up 42% since 1997, certification as a Women Business Enterprise (WBE) has become increasingly relevant. Most companies, both publicly and privately held, have programs that give preference when awarding contracts to businesses owned by women by allotting a certain percentage of their business to woman-owned companies. This is particularly true in the automotive industry, as OEMs are aggressively seeking to increase WBE content. For example, Ford Motor Company sets an annual goal of spending ten percent of its U.S. purchasing budget on minority and women-owned suppliers. Ford spent \$1.8 billion with tier-one, women-owned suppliers in 2013, fifty percent more than in 2012. A business certified as a WBE lends credibility to the fact that the company is actually woman-owned.

A city, county, state, federal or national agency can certify a WBE. The Women's Business Enterprise National Council (WBENC) and the National Women Business Owners Corporation (NWBOC) are two such agencies that provide national certification, often called "third party certifiers." Generally, national certification is best for businesses that deal primarily with private sector companies. Businesses that contract with governmental agencies may be better off seeking certification from a city, county, state, or federal agency, which may have a slightly different certification process. However, a candidate for certification can be certified by several agencies.

2. THERE ARE ONLY TWO FORMAL REQUIREMENTS FOR CERTIFICATION.

First, the business must be owned by a U.S. citizen. Second, a woman must have majority ownership of the company. This means that a woman (or women) owns at least 51% of the company. Some businesses struggle with this second requirement during the certification process, but this is how the certification committee ensures women control the operations of the company. This generally requires managerial control over the day-to-day operations, evidenced by a woman in a high-level position who other employees report to. Some certification agencies, such as the WBENC, require the woman-owner to hold the highest-level position in the company. In addition, the woman-owner must have authority within the company, such as the ability to sign payroll checks or negotiate contracts. It is also important that the woman-owner has the power to manage the company, which includes “operational authority,” meaning experience or working knowledge in the industry, responsibility for decision-making and technical competence in the industry in order to direct subordinates.

3. YOUR BUSINESS MUST PASS A SITE REVIEW.

The site review is conducted prior to certification and every three years after the business is certified. During the site review, the woman-owner must prove that she controls the operations and has subject matter expertise in the company. The WBE auditor will determine whether the business functions independently by making sure it is not simply an office located inside a non-certifiable company. The auditor will also ask the woman-owner a series of questions, such as: “How many employees does the company have?” “What is the projection for sales for the next year?” “What does the manufacturing plant look like?”

A company that attempts to obtain WBE certification fraudulently will fail certification. For example, a company in which a husband grants his wife majority ownership, but his wife does

not have managerial or operational control, will fail certification. If the alleged woman-owner is merely performing administrative tasks such as bookkeeping, but has no role in making contracts, hiring employees, or orchestrating the daily operations of the company, the business will not be certified. The committee is unlikely to approve certification of a company if a man contributes his services to the company and a woman contributes only her cash or other property. The certification committee may even look into what competitors are saying about the alleged woman-owned business. The general rule is that certification centers on operational control by a woman.

4. MAKE SURE TO GATHER THE REQUIRED DOCUMENTS.

The certification procedures can be intimidating to some business owners. The owner must provide the certification committee with the required documents, which are quite extensive and even include the owner's personal tax returns. Applications for certification through the WBENC must be submitted online, however the method for submission may vary depending on the agency the business is applying to. During the review period, which can take anywhere from one to three months depending on the agency and the length of the application, the agency may request additional documentation. After the certification committee has reviewed all submitted documents, they will conduct the site review at the principal place of business. The results of the site review will be sent to the committee for final review, and the applicant will be notified in writing as to whether certification was awarded or denied. If an applicant is denied, there is a thirty-day appeal period. The certification is generally valid for one year; after such time the WBE must submit a re-certification affidavit, including notifying the certification agency of any changes in ownership and/or control of the WBE. It is important for WBEs to remember that certification doesn't

guaranty success; however, it puts the business in a new niche with greater opportunities and potential for growth and may be a dispositive factor in the award of a new contract.