Abstract

Government agencies use minority business enterprises (MBEs) to provide goods, services, and access to opportunities as strategies to respond to citizens’ demand for equality in obtaining governmental bids. Set-aside programs have come under scrutiny in the United States since their inception in the 1940s (Anderson, 2005). A Supreme Court case, Fisher v. University of Texas-Austin (2011), forced a broader national debate regarding race-based enrollment and public monies used in the admission process at a state-funded institute of higher learner. The effectiveness, relevance, sustainability, and legality of this set-aside program by a state government agency represent the legal challenges involving the balance between equality and access to government goods and services converge.

In a novel approach to investigating a recently enacted set-aside program, this study applied Mazmanian and Sabatier’s (1980) implementation framework to examine the effectiveness Executive Order (EO) 2008-S13, signed by Ohio Governor Ted Strickland in 2008. EO 2008-S13 required government agencies to improve their expenditures with MBEs through set-aside initiatives, the objective also being to increase the number of MBEs registering to do business with government. This study began with
a historical assessment of set-aside programs, including why they were created and how successful they have been as a policy tool in the United States.

There were seven major conclusions. First, there was a significant increase in government expenditures with MBEs following implementation of EO 2008-S13 (2008). Second, there was a twofold increase in the number of MBEs registering to do business with the state following EO 2008-S13 implementation. Third, agency training and education were found to be significantly related to a positive change in agency expenditures with MBEs. Fourth, the findings reveal that cabinet agencies participated in more MBE outreach, training, and education programs, as well as submitted their reporting documents in a timelier manner than did non-cabinet agencies and colleges and universities. Cabinet agencies also demonstrated the highest percentage increase in their expenditures with MBEs, as compared to non-cabinet agencies and colleges and universities, demonstrating that proximity or “nearness to the sovereign” is an important contributor to changing procurement behavior. Fifth, agency characteristics such as minority leadership, year of founding, and agency size did not play a significant role in explaining why some agencies spend more with MBEs as compared to others. Sixth, there was a gradual decrease in expenditures with MBEs after the proponent of EO 2008-13S was no longer active in the implementation process. Lastly, this research identified a high congruence between the goods and services purchased by government agencies and those offered by MBEs. This finding is noteworthy because it contradicts a historical argument made by procurement managers, which is that MBEs often do not provide the
goods and services contracted out by government agencies (Bates, 2001; Pearson, Fawcett, & Cooper, 1993). These findings suggest that state agencies will not improve their MBE expenditures without government intervention, a finding consistent with the claim that systemic racism still exists in government procurement (Dollinger, & Daily, 1991).
Dedication

To my mother, Shirley, who inspired me to be my best by demonstrating what hard work and determination can accomplish. To my wife, Angela, who has persevered with me through this long and arduous process. This study is also dedicated to my children, Amina and Nasir, who kept me sane with their much-needed laughter. I would also like to thank my sister, Ingrid, for always encouraging me to have an optimistic view on life. Most importantly, this work is dedicated to God and His Christ, Who sustained me through this process.
Acknowledgments

I would like to thank Professor Trevor Brown for his many thoughtful insights and inexhaustible patience with me over the dissertation process. His ability to illustrate how theory is developed and then applied to practical settings was invaluable. Garnering this understanding has increased my appreciation for the importance of theory development in the scholarly process.

Acknowledgement goes to Professor Robert Greenbaum for instilling in me an appreciation of the doctoral process. Upon my acceptance into this program, I was truly naïve of the “real” expectations and requirements to obtain a doctorate from such a prestigious university as The Ohio State University. Professor Greenbaum thoroughly educated me on how humbling but gratifying the journey can be if it is viewed from the proper perspective.

An expression of gratitude also goes to thank Professor James Hill for his guidance and consistency throughout this process. His informal and formal counseling provided me with much-needed insight as I tackled my research agenda. Lastly, I would like to thank my closest friends, Jamiel, Derrick, and Mike, who helped me keep a positive outlook through this scholarly process.
Vita

1994........................................B.S. Agribusiness & Applied Economics, The Ohio State University

1994........................................Commodity Merchandiser, Archer Daniels Midland Company

1996........................................M.S., Agricultural Communication, Education and Leadership, The Ohio State University

1996........................................Operations Analyst, ConAgra

1997........................................Director of Food Service Sales, Glory Foods

2002........................................National Account Manager, Kahiki Foods

2005........................................Sr. Vice President & Cofounder, Coalescence, LLC

Fields of Study

Major Field: Public Policy and Management
Minor Fields: Organizational Theory and International Development
# Table of Contents

Abstract .................................................................................................................................................. ii

Dedication ........................................................................................................................................ v

Acknowledgments ............................................................................................................................ vi

Vita ..................................................................................................................................................... vii

List of Tables .................................................................................................................................... xiv

List of Figures ................................................................................................................................. xvi

Chapter 1: An Introduction and Overview of Ohio Executive Order 2008-S13 ................... 1

Introduction ........................................................................................................................................ 1

Study Rationale ............................................................................................................................... 2

Overview of Research Questions .................................................................................................... 5

Policy Implementation Conceptual Framework ............................................................................... 5

Clear and Consistent Objectives .................................................................................................... 11

Adequate Causal Theory ................................................................................................................ 11

Legal Structure to Enhance Compliance by Implementing Officials and Target Groups ..... 12

Committed and Skillful Implementing Officials ........................................................................ 13

Support of Sovereigns .................................................................................................................... 13
Changes in Socioeconomic Conditions that do not Substantially Undermine Political Support or Causal Theory ........................................................................................................ 14

Hypotheses ..................................................................................................................... 16

Contributions to Theory and Practice ............................................................................ 19

Theory ............................................................................................................................. 19

Practice ............................................................................................................................ 20

Data and Methods .......................................................................................................... 21

Data ................................................................................................................................. 21

Methods ........................................................................................................................ 22

Limitations ....................................................................................................................... 25

Expected Outcomes ....................................................................................................... 26

Dissertation Roadmap .................................................................................................... 27

Chapter 2: History of U.S. Government Procurement with MBEs................................. 28

Introduction .................................................................................................................... 28

Historical Relationship Between U.S. Government and Minorities .............................. 28

Small Business Act of 1953 ......................................................................................... 29

Public Works Employment Act of 1977 ....................................................................... 32

Fullilove v. Klutznick ...................................................................................................... 33

City Government Expenditures with MBEs ................................................................. 34

City of Richmond v. J. A. Croson Company ................................................................. 34

State Government Expenditures with MBEs ............................................................... 37
Adarand Constructors, Inc. v. Federico Peña ................................................................. 37
History of the State of Ohio MBE Procurement.......................................................... 38
Associated General Contractors of America v. City of Columbus ......................... 40
Introduction of Executive Order 2008-S13.............................................................. 41

Chapter 3: Do Agency Training and Education, Outreach, and Reporting Requirements
Affect Government Expenditures with Minority Business Enterprises? .................. 47
Introduction................................................................................................................. 47
Overview of Ohio Executive Order 2008-S13......................................................... 51
Previous Research..................................................................................................... 53
Hypotheses.................................................................................................................... 59
Agency Behavior Affected by its Proximity to the Sovereign................................. 60
Outreach....................................................................................................................... 61
Training and Education............................................................................................... 62
Reporting Compliance (Economic Sanction) ........................................................... 64
Data and Methods....................................................................................................... 65
Descriptive Statistics.................................................................................................. 68
State Agencies Reporting Compliance ................................................................. 68
Description of Dependent Variables of the Study .................................................. 70
Number of MBEs Registering with State Agencies............................................... 71
Results.......................................................................................................................... 74
Hypothesis 1: Change from Pre-implementation to Post-implementation ............... 74
Hypothesis 2: Differences Among the Types of Agencies ........................................ 75

Hypotheses 3 to 5: Predictors of the change in agency expenditure percentage with MBEs ................................................................. 78

Substantive Implications ................................................................................. 80

Theoretical ...................................................................................................... 80

Practical Applications .................................................................................. 81

Effectiveness ................................................................................................. 82

Relevance ....................................................................................................... 82

Sustainability.................................................................................................. 84


Introduction .................................................................................................. 88

Previous Research and Hypotheses ............................................................... 92

Procurement Across Categories .................................................................. 92

Minority Leadership ...................................................................................... 93

Founding Year ............................................................................................... 97

Agency Size .................................................................................................. 98

Budget Size .................................................................................................. 98

Number of Employees .................................................................................. 99

Data and Methods ........................................................................................ 100

Preliminary Data Screening Procedures ....................................................... 100

Descriptive Statistics ................................................................................... 101
Description of Organizational Variables ................................................................. 102
Agency Expenditures ............................................................................................... 102
Correlations Between Organization Characteristics and Change in Expenditures . 104
Results for Hypotheses Tests .................................................................................. 107
Change in Percentage as a Function of Minority Leadership (Hypothesis 1) .... 108
Change in Percentage as a Function of Date of Agency’s Founding (Second
Hypothesis) .............................................................................................................. 109
Change in Percentage as a Function of Agency Size (Hypothesis 3) ............... 109
Substantive Implications ......................................................................................... 109
Theoretical Implications ......................................................................................... 109
Practical Applications ............................................................................................. 112
Research Shortcomings ......................................................................................... 112
Chapter 5: Conclusions ......................................................................................... 114
Summary of Findings .............................................................................................. 114
Theoretical Contributions ....................................................................................... 117
Practical Implications ............................................................................................. 119
Limitations ............................................................................................................... 120
Future Research ...................................................................................................... 121
Bottom-Up Research (From a Different Perspective) ........................................... 121
Trust ......................................................................................................................... 122
Minority-Based Networks ....................................................................................... 123

xii
List of Tables

Table 1. State of Ohio Agency Types ................................................................. 17
Table 2. 2010 U.S. and Ohio Demographics .................................................. 50
Table 3. Frequencies and Percentages for Independent Variables \(N = 90\) ............ 69
Table 4. Agency Percentage of Expenditures with MBEs, 2007-2011 \(N = 90\) ........ 70
Table 5. Medians and Means for Percentages of Expenditures Pre- and Post-
implementation of Executive Order 2008-S13 \(N = 90\) ................................. 75
Table 6. Means, Standard Deviations, and ANOVA Results for Compliance, Training,
and Outreach Across Type of Agency, 2009-2011 ........................................ 77
Table 7. Means, Standard Deviations, and ANOVA Results for Change in Percentage of
Expenditures Across Type of Agency ................................................................ 78
Table 8. Linear Regression Results for the Change in Percentage of Expenditures, 2008-
2011 \(N = 90\) .................................................................................................. 80
Table 9. Skewness and Kurtosis Statistics for Study Variables \(N = 75\) ............ 101
Table 10. Frequencies and Percentages, 2008-2011 Agency Variables \(N = 75\) ......... 102
Table 11. Total Percentage of Expenditures Across Type of Agency, 2008-2011 \(N = 75\)
.................................................................................................................... 104
Table 12. Spearman’s Rho Correlations Between Organization Characteristics and Change in Expenditures for Agencies, 2008-2011 (N = 75) .......................................................... 106

Table 13. Ordinary Least Squares Linear Regression Results for Percentage of Expenditures as a Function of Minority Leadership, Year of Founding, and Agency Size (N = 75) ........................................................................................................ 108
List of Figures


Figure 2. Implementation Framework. .................................................................57

Figure 3. Mean Agency Expenditure Percentage as a Function of Total Agency Expenditures, 2007-2011. .................................................................................71

Figure 4. Number of MBEs Registering with State Agencies, 2007-2011............72

Figure 5. Number of MBEs Registering with Cabinet Agencies, 2007-2011. ........73

Figure 6. Number of MBEs registering with non-cabinet agencies, 2007-2011. ..........73

Figure 7. Number of MBEs Registering with Colleges and Universities, 2007-2011. ..74

Figure 8. Gradual Erosion Scenario.....................................................................85

Figure 9. Mean Percentages of Expenditures Across Cabinet and Non-cabinet agencies, 2008-2011. .......................................................................................103
Introduction

On October 10, 2012, the United States Supreme Court began taking oral arguments in the affirmative action case of *Fisher v. University of Texas* (2011). In this case, Abigail Fisher alleged she was denied admission into the University of Texas at Austin due to the race-based enrollment policy in place at the university. Ms. Fisher claimed that because the university “set-aside” a certain number of enrollment slots for minorities, her application did not receive a fair review based on merit, which ultimately led to her being denied admission into the university. She argued the race-based policies at the university were obsolete and ran counter to the fabric of equity that she and other non-minority students expected to receive in the application process at a state-funded university.

Along the same lines, several states such as California, Florida, and Nebraska have moved away from set-aside, race-based admission policies at their universities (Kahlenberg, 2012). The outcome of *Fisher v. University of Texas* (2011) will likely clarify the future of race-based policies at state-funded universities across America. Based on these highly visible set-aside programs, the broader relevance, legality, and sustainability of these policies must now be queried.
This study investigated how government set-aside\(^1\) procurement programs for MBEs\(^2\) have transpired in the state of Ohio. More explicitly, the analysis investigated the 2009 implementation of former Ohio Governor Ted Strickland’s EO 2008-S13 (2008), Increasing Participation in the Minority Business Enterprise and Encouraging Diversity, Growth, and Equity Programs. EO 2008-S13 mandated 15% of eligible budget contracting expenditures for each agency within the state of Ohio should be spent with MBEs. To provide more clarity, each agency assembled an internal diversity team that determined its own eligible budget, a subset of the overall contractual expenditures for various goods and services for a given year for each agency (see Chapter 3).

EO 2008-S13 (2008) was promulgated as a synergistic tool to raise state agency expenditures with MBEs and augment the supply of MBEs registered within the state of Ohio. This study empirically assessed the effectiveness of EO 2008-S13.

**Study Rationale**

Throughout the United States, government set-aside programs have had an extensive legislative history at the federal, state, and local level. Nationally, government began to implement race-based policy strategies to address concerns of the inequitable

---

\(^1\) Initially, set-asides functioned as a U.S. federal program that designated a certain percentage of government funds and contracts remain preserved for businesses owned by women or members of a minority group. Over time, set-asides transitioned to also include state and city government contract opportunities (Set-aside, n.d.).

\(^2\) Minority business enterprise is an American term. Businesses that are at least 51% owned, operated, and controlled on a daily basis by one or more designated minority groups qualify for an MBE designation. U.S. citizens of the following ethnic minority classifications are considered to have a minority status: African American, Asian American, Hispanic American, and Native American including Aleuts. MBEs are traditionally certified by a city, state, or federal governing agency (Minority business enterprise, n.d.). A similar definition to MBE has recently been adopted in Europe as ethnic minority business.
treatment of minorities in government hiring practices as early as the 1940s. By the late 1960s, the federal government began to purposely assist MBEs through federal procurement programs now commonly known as set-aside programs. These government actions steered agencies under their jurisdiction to allocate expenditures toward qualified minority businesses to expand the number of MBEs the agencies hired; government agencies that were non-compliant were sanctioned with economic penalties. In brief, the early policy initiatives were undertakings to remedy past discriminatory practices in the employment, education, and production of business opportunities for minorities, predominantly African American businesses, by government agencies (Anderson, 2005).

Set-aside programs have come under intense scrutiny and debate over the years due to non-minority businesses vying for a greater distribution of government contracts. Questions of equal opportunity, legality, and set-aside effectiveness to deliver goods and services competitively to government agencies have been raised by organizations and firms in opposition to set-aside initiatives (LaNoue, 1994). Opponents of set-asides have contended that the programs are not implemented fairly and consistently across various agencies (LaNoue, 1994). Martin, Berner, and Bluestein (2007) remarked the term “minority” within the label of MBE is not defined consistently across jurisdictions or in local and national data. Lastly, challengers of set-aside programs have argued that there are simply not enough viable MBEs to bid on government contract opportunities (Dollinger & Dailey, 1989; Pearson et al., 1993).

In the United States, minorities are primarily classified based on ethnicity (see fn 2). Historically, members of minority groups in the United States have received unfavorable and discriminatory treatment (Minorities, n.d.).
To date, numerous cities, states, and federal set-aside implementation plans have been challenged in local, state, and district courts; a few cases have reached the Supreme Court (e.g., Adarand Constructors, Inc. v. Peña, 1995; City of Richmond v. J. A. Croson Company, 1989; Metro Broadcasting v. Federal Communication Commission, 1990). Consequently, the ruling in City of Richmond v. J. A. Croson (1989) created the original, fact-based parameters for the continued use of set-aside programs in government contracting throughout the nation. This fact-based approach was termed *disparity studies* and involved the analysis of actual outcomes based on comparative data. Disparity studies examine the percentage of minority and woman-owned businesses in the relevant market that are qualified to do work and contrast the percentage of contract dollars awarded to equivalent businesses (DJ Miller & Associates, 2001). Chapter 2 provides further elaboration on disparity studies research and provides a thorough analysis of the history of minority participation in business contracts in the United States.

This study builds upon previous disparity research that illustrated a statistically significant difference between the numbers and dollar values of government contracts awarded to MBEs compared to their non-minority counterparts in Ohio (DJ Miller & Associates, 2001; Griffin & Strong Consulting, 2002). This investigation of government intervention into set-aside programs in Ohio explicitly seeks to examine the effects implementing EO 2008-S13 (2008) has had on government expenditures with MBEs as well as increasing the number of MBEs registered with the state.
Overview of Research Questions

Three overarching research questions guided this study:

1. Is government intervention effective at growing agency expenditures with MBEs in Ohio?

2. Is government intervention effective at expanding the number of MBEs registering to conduct business with the state of Ohio?

3. Why do some Ohio government agencies achieve or make better progress toward their set-aside goals than do others?

Policy Implementation Conceptual Framework

To investigate the effectiveness of EO 2008-S13 (2008), the theoretical underpinning of implementation theory was used. Implementation research originated with the work of Pressman and Wildavsky (1984), who measured implementation in terms of the relationship of policy between official documents and statutes. More precisely, policy implementation can be observed as the process of interaction between the setting of goals and the actions geared to achieving them (Pressman & Wildavsky, 1984).

Building on the work of Pressman and Wildavsky (1984), Mazmanian and Sabatier (1983) delineated policy implementation as the execution of the basic policy decision usually incorporated in a statute. The implementation is structured as an executive order or court decision. Mazmanian and Sabatier (1980) argued that authoritative and top-down decision makers are the starting point for policy
implementation, advocating that politicians, courts, and top-level bureaucrats are the most relevant stakeholders in producing desired outcomes. Researchers such as O’Toole (1995) defined policy implementation as the connection between the intention of government and the tangible result. Elmore (1978) concluded there are four key components to effective policy implementation:

- clearly specified tasks and objectives that accurately reflect the intent of policy,
- a management plan that allocates tasks and performance standards to subunits,
- an objective means of measuring subunit performance, and
- a system of management controls and social sanctions sufficient to hold subordinates accountable for their performance.

Matland (1995) maintained that successful implementation is dependent upon the level of compliance that is obtained by subunits. As Matland argued, policies under the umbrella of statues, laws, or executive orders come from a top-down approach. Expanding upon Mazmanian and Sabatier’s (1983) work, Matland noted that commitment and motivation of subunit bureaucrats is critical to achieve desired results. Motivation and commitment at lower bureaucratic levels are difficult to control, primarily because humans are motivated by different incentives (Matland, 1995). Matland posited that lower level bureaucrats require clear direction in conjunction with some level of autonomy. In short, implementation theory can be conceptualized as an iterative process.
that puts a series of interrelated actions together to achieve the desired outcome of an authoritative policy decision using a top-down approach.

There have been steady streams of scholars who seek to examine policy implementation from a \textit{bottom-up approach}. The bottom-up perspective starts from the ground-level point of view of a societal problem. From this vantage point, “street-level bureaucrats” and their behavior push from the bottom or lower levels of the organization to achieve change (Lipsky, 1980, p. 3). Lipsky (1980) argued that street-level bureaucrats are closer to the real problem(s) of society and therefore more effectively understand how to best handle the ills of society. Proponents of bottom-up research contend top-down implementation policy neglects the importance of street-level discretionary decision makers, who are necessary to achieve policy implementation results at the local level. Additionally, bottom-up implementation policy researchers assert that there are a multitude of environmental and informal components to implementation that traditional authoritarian mandates fail to capture (Howlett & Ramesh, 2003). Conversely, Sabatier (1986) refuted the argument of a strict bottom-up approach by contending that real accountability rests with politicians, judges, and senior legislators who have voters as their stakeholders. Sabatier argued that if there are no measureable consequences coming from higher level bureaucrats, then how are street-level bureaucrats be compelled to comply with policy?

In this study, a top-down approach was advanced as the policy derived from a gubernatorial executive order that provides unambiguous, rigid, and measurable
procedures at the government agency level to obtain specific implementation goals. In this scholarly thesis, this author used the implementation framework created by Mazmanian and Sabatier (1980). Their implementation framework begins with three critical observations:

- Policymaking is an iterative process of formulation, implementation, and reformulation, and the distinction between the three should be maintained.
- The focus should be on the attainment of stated policy goals, although outputs of the implementing agencies and outcomes of the implementation are both important.
- Implementation can be viewed from four different perspectives: (a) the initial policymaker or the center, (b) the field of implementing officials or periphery, (c) the actors at whom the program is directed, and (d) the target group (Mazmanian & Sabatier, 1980; see Figure 1).
In addition to understanding the process, goals, and stakeholders, Mazmanian and Sabatier (1980) derived a list of 16 factors that affect implementation, organized by three characteristics:

- tractability of the problem (i.e., relative ease with which a social problem can be managed);
- ability of statute to structure an implementation (i.e., whether original policymakers can substantially affect the attainment of legal objectives by using levers at their disposal); and
- non-statutory variables affecting implementations (i.e., whether implementation has an inherent political dynamism of its own).

The model and its variables are represented in the implementation process outlined in Figure 1.

In subsequent research, Mazmanian and Sabatier (1983) refined the original list of 16 variables and emphasis on six conditions they proposed were “sufficient and necessary” for effective implementation of legal objectives. The six conditions they associated with the ability to structure a successful implementation to achieve the statues desired goals are

- clear and consistent objectives,
- adequate causal theory,
- legal structure to enhance compliance by implementing officials and target groups,
• committed and skillful implementing officials,
• support of sovereigns, and
• changes in socioeconomic conditions that do not substantially undermine political support or causal theory (Mazmanian & Sabatier, 1983, pp. 41-42)

Using this refined framework, the present study assessed the effectiveness of EO 2008-S13 (2008) in the state of Ohio.

**Clear and Consistent Objectives**

EO 2008-S13 (2008) steered the state government agencies within Ohio. It clearly outlined the goals and objectives of the set-aside program and what was expected from each state agency to help meet its objectives. Transparent and unambiguous directives served as a guide for the implementation framework.

**Adequate Causal Theory**

According to Mazmanian and Sabatier (1983), adequate causal theory has two primary components. First, the principle causal linkages between governmental intervention and the attainment of program objectives are understood. Second, the officials responsible for implementing the program have jurisdiction over a sufficient number of critical linkages to actually attain the objectives.

EO 2008-S13 was enacted to achieve state agency expenditures of 15% with certified MBEs and to increase the number of MBEs registered with the state of Ohio. Thus, in this research, adequate causal theory is somewhat similar to what is found in the clear and consistent variable of the implementation framework, but adequate causal
theory in this research separates the argument in terms of the linkages between the mandate and its results. In short, it does not expound on the overall objectives. The other aspect of adequate casual theory is the EO explicitly affords the equal employment opportunity (EEO) officer of the state of Ohio the sole authority to monitor, facilitate, and if necessary, sanction agencies for not fulfilling their aspect of the linkages necessary to ensure a successful policy intervention.

Legal Structure to Enhance Compliance by Implementing Officials and Target Groups

The implementation framework takes into account human behavior to a great degree. It uses the rich research found in civil disobedience and principal-agent literature. Mazmanian and Sabatier (1983) posited that, although most people consider themselves to be law-abiding citizens and employees, each person within the agency internally weighs his or her decisions on the relative costs and benefits of complying with a directive. As Mazmanian and Sabatier stated, compliance is a function of the probability that noncompliance will be detected and successfully prosecuted, sanctions are available to penalize noncompliance, target group attitudes address the fundamental legitimacy of the rules, and the costs of compliance to target groups are reasonable. EO 2008-S13 (2008) established and enforces state agency procurement with MBEs. The executive order details the economic consequences for agencies that do not comply or at least make a best effort, as determined by the state EEO officer, to obtain the 15% MBE expenditure goal set forth in the order.
Committed and Skillful Implementing Officials

The commitment of a properly trained leader is a critical aspect of any successful policy implementation. To ensure that agency leadership in the state of Ohio was properly trained to accomplish the objective of the EO, various online and education seminars were provided by the Ohio Equal Opportunities Division for procurement personnel and/or other stakeholders. For example, agency procurement managers were educated on new computer software that enabled them to properly capture and report MBE expenditures. Agency employees were also offered other instructional opportunities to enhance their ability to engage MBE suppliers in a substantive manner, such as on training and how to create an agency inclusion plan (AIP). According to the *MBE/EDGE Utilization Guidance Manual* (State of Ohio Equal Opportunity Division, 2012), an AIP is a comprehensive plan developed by each state agency. The AIP includes the identification of the eligible budget of the agency, its procurement projections, proposed expenditures to meet the MBE set-aside goals, and any agency MBE outreach efforts (State of Ohio Equal Opportunity Division, 2012).

Support of Sovereigns

The sovereigns of an implementing agency are those institutions that control its legal and financial resources. As part of EO 2008-S13 (2008), the state EEO officer serves as the primary sovereign; he or she reports directly to the governor. To ensure street-level bureaucrats adhere to the best efforts of the policy objectives, each agency is required to appoint its own agency-level EEO officer, who serves as a facilitator between
the agency and the state EEO officer. For example, if an agency year-end MBE expenditure report is not received by the state EEO officer 60 days following the close of the fiscal year, another sovereign, the Office of Budget and Management (OMB), the sovereign in control of budgets for all state agencies, is introduced into the process. EO 2008-S13 gives authority to the OMB to deny any state agency its following year disbursements as penalty for not submitting its MBE expenditure reports to the state EEO officer in a timely manner.

Changes in Socioeconomic Conditions that do not Substantially Undermine Political Support or Causal Theory

Although not directly examined as part of this study, another underlying premise of EO 2008-S13 (2008) is the improvement of the socioeconomic conditions of minorities through business development opportunities. As EO 2008-S13 attempts to increase government expenditures and the number of MBEs registered to do business with the state of Ohio, EO 2008-S13 directly enhances the wellbeing of MBEs, those who work for them, and the families of MBE personnel. Because MBEs are job-creators and support the state economy, the long-term proposition of the EO is to engage future political support for the governor and his or her political associates from minority constituencies that the EO has positively affected.

In their effort to bring simplicity to the model, it is this researcher’s belief that Mazmanian and Sabatier (1983) removed the tractability section (and the variables associated with it) of the framework in haste. More specifically, the exclusion of the diversity of target group variable creates a gap in the theory. This modification may have
been done because most implementation studies conducted prior to 1983 were run primarily in one agency and not across various types of agencies. In this analysis, various agency types (cabinet, non-cabinet, and colleges and universities) were examined against the same MBE set-aside mandates based on EO 2008-S13 (2008).

Although the implementation framework by Mazmanian and Sabatier (1980) has been the most widely used framework in the implementation literature, it has several shortcomings. The most prevalent criticism is that the framework contains “too many variables and too few cases” to adequately capture the effect of the policy intervention (Goggin, 1986). Some of the variables contained in the implementation framework are similar in nature, which could lead to inaccurate findings (Heckman, 2008). In this study, caution was used to determine which variables to include and which to exclude to guard against information redundancy and inaccurate findings. These variables are further detailed in Chapter 3 and Chapter 4.

Most implementation framework research involving Mazmanian and Sabatier’s (1980) theory has employed a case-study approach with cross-sectional and qualitative data that are typically focused on a specific agency. This shortcoming has led scholars to assert that the implementation framework lacks the necessary dynamism of longitudinal data (Goggin, 1986). Some have also argued that case studies alone cannot build theory because they cannot be generalized (Winter, 1990). In many studies, implementation research is distinguished as either a complete success or failure (Brynard, 2009). O’Toole (1995) addressed this criticism and advocated that policies can be effective
although they may not reach their stated goal. For example, if the goal of a food stamp program is to reduce food insecurity by 20,000 families in a geographic location and demographic, but it only improves the lives of 17,000 families, is it not, to some degree, a success? This analysis addresses some of these deficiencies by using longitudinal data and investigating the effectiveness of the EO from a pre- and post-implementation standpoint across all state agencies in the state of Ohio. Specifically, it assesses if there was an improvement in the number of MBEs registering with the state as well as an increase in government expenditures with MBEs.

Hypotheses

Building on the implementation literature, this study (a) examined the effects on agency expenditures with MBEs post policy implementation; (b) investigated the differences in participation by agency type (e.g., cabinet, colleges/universities, and non-cabinet) in education and training, reporting compliance, and outreach programs offered by the EO; (c) analyzed how agency proximity to the sovereign affects agency participation; (d) scrutinized the relationship education and training, reporting compliance, outreach, and agency type has with agency expenditures with MBEs; (e) examine if there is incongruities between goods and services needed by the various state agencies and those offered by MBEs; and (f) determined what impact, if any, does agency characteristics and agency procurement across categories has on the ability of an agency to reach the 15% MBE expenditure goal of the EO. The three agency types are identified in Table 1.
<table>
<thead>
<tr>
<th>Type</th>
<th>Cabinet agencies</th>
<th>Non-cabinet agencies</th>
<th>Colleges and universities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proximity to sovereign</td>
<td>Close and direct contact with the governor.</td>
<td>Indirect or infrequent contact</td>
<td>Little to no contact</td>
</tr>
<tr>
<td>Who</td>
<td>23 departments led by the director or the commissioner and affirmed by the Ohio</td>
<td>53 non-cabinet agencies represented by elected officials, in most cases.</td>
<td>14 Ohio public colleges and universities; elected by board of trustees and autonomous</td>
</tr>
<tr>
<td>Term length</td>
<td>Varies by administration</td>
<td>Varies for non-cabinet agencies, most ranging between terms of 4 and 6 years.</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Function</td>
<td>The executive branch of the state of Ohio; the broad authority to enforce the laws</td>
<td>Traditionally focus on regulating a specific profession, such as the Board of</td>
<td>Administer the state-funded policies, procedures of the institution; receive state</td>
</tr>
<tr>
<td></td>
<td>issue administrative opinions, proceedings, and decisions, which in turn have the</td>
<td>Pharmacology, which registers and monitors pharmacists throughout the state of Ohio.</td>
<td>funds and are under the jurisdiction of the state budget.</td>
</tr>
<tr>
<td></td>
<td>legal influence of state decisions.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1. State of Ohio Agency Types

Eight testable hypotheses were derived from the literature to carry out the purpose of this study.
Hypothesis 1: The percentage of agency contract expenditures with MBEs will increase in the three years following the implementation of the executive order in 2009 in comparison to the two prior years.

Hypothesis 2a: Cabinet agencies will have the highest mean participation in education, outreach, and reporting compliance among the agency types.

Hypothesis 2b: Cabinet agencies will have greater expenditures than will the other two agency types as it relates to the change in the percentage of agency expenditures with MBEs.

Hypothesis 3: Outreach will have a positive relationship with the change in the percentage of agency expenditures with MBEs.

Hypothesis 4: Training and education will have a positive relationship with the change in the percentage of agency expenditures with MBEs.

Hypothesis 5: Reporting compliance will have a positive relationship with the change in the percentage of agency expenditures with MBEs.

Hypothesis 6: Agencies with minority leadership will have a higher percentage change in expenditures with MBEs than will agencies without minority leadership.

Hypothesis 7: Agencies founded after 1964, when Civil Rights legislation was enacted, will have a higher percentage change in expenditures than will agencies founded before 1964.

Hypothesis 8: Agency size would be positively associated with the percentage change in expenditures.
Contributions to Theory and Practice

Theory

This study expands the body of literature by analyzing data across all state agencies in Ohio through the Mazmanian and Sabatier’s (1980) implementation framework. It offers new insight into the empirical robustness of the framework using longitudinal data from a 5-year data set. The study also seeks to address a gap in the implementation literature noticed by Goggin, Lester, O’Toole, and Bowman (1990), who uncovered the need for implementation research to assess implementation behavior and policies over time, across multiple units of government, and with ample sample sizes. As researchers attempt to fill this gap in the literature, Goggin et al. prescribed the use of mixed methods and measurement, which this paper advances. First, longitudinal pre- and post-intervention data illustrate the difference in MBE expenditures and the number of MBEs registering with the state of Ohio. Second, data on all state agencies within the state of Ohio are included. Third, mixed methodologies detailed in the Methods chapter were applied to assess the impact of government intervention. Fourth, this research can serve as an objective analysis to claims by other scholars that have argued that previous set-aside research has been flawed due to improper data collection, the use of inappropriate variables, and the treatment of variables (LaNoue, 1994). Fifth, this study assessed the importance of agency characteristics on the ability of an agency to perform against policy directives. Sixth, it addressed the age-old question of supply and demand by examining what types of products government agencies traditionally purchase, as
compared to the goods and services MBEs most commonly provide. For example, if the Department of Transportation (DOT) is in need of construction project fulfillment, there are usually multiple choices of minority construction contractors to choose from (see Chapter 2 for more discussion on this topic), making it easier for DOT to reach its set-aside goals. In contrast, if the Department of Veterans Services (DVS) has a large contract opportunity but requires specially trained nurses to assist disabled veterans in home settings, how many MBEs have this expertise? The potential shortage of MBEs in this specialized category may adversely affect the ability of the DVS to reach its MBE expenditure goal as set forth by EO 2008-S13 (2008). Lastly, this study extends the recent research by Smith and Fernandez (2010), which found that increased minority representation in senior procurement positions at the federal level increased federal government expenditures with MBEs.

**Practice**

Addressing these questions will offer new insight to policymakers into the effectiveness of executive orders on various governmental agencies, specifically set-aside programs. Validating the need for set-asides or determining their obsolescence will help guide federal, state, and local agencies in their decision-making processes on future similar initiatives. The results of this study will also provide another perspective on the relevance of agency type, procurement across categories, reporting compliance, training and education, and outreach on the effectiveness of obtaining EO goals. By offering these insights, this study will provide clarity on some of the major factors (reporting
compliance, educations and training, outreach, agency procurement trends, and agency characteristics) that affect the success or failure of set-aside EOs.

From the vantage point of MBEs, this knowledge will delineate which state agencies in Ohio purchase the most from MBEs companies. Knowing which state agencies have a greater proclivity toward doing business with MBEs will guide MBE executives’ objectives as they determine where to allocate their resources. Findings from this study will also offer insight into which product and market niches may be available for MBEs to fulfill orders that better align with the needs of government agencies while allowing MBEs to distinguish themselves from their competitors.

Data and Methods

Data

Data for this dissertation were collected from state agencies across Ohio, a population that includes 23 cabinet agencies, 14 universities and colleges, and 53 non-cabinet agencies. The majority of the data for this dissertation were collected from the Ohio Department of Administrative Services through a public records request. Data were received from the state-assigned EEO officer and/or associate legal counsel of the Ohio Department of Administrative Services. The information was retrieved from the Ohio Administrative Knowledge System (OAKS), Contract Tracking System (CTS), or the departmental Business Management System (BMS). Each software system performs an aspect of the interaction between the agency and the MBEs as relates to agency expenditures, total number of registered MBEs, reporting compliance, buyer education
training, and buyer outreach programs. Agency characteristics data were collected from the Ohio Office of Budget and Management website.

Methods

**Preliminary screening procedures.** Prior to conducting the inferential statistical procedures, the variables were examined for normality. Variables that were extremely skewed (i.e., that have skewness indices above 3, per Kline, 2005) were transformed, accordingly. If the transformations do not correct for skewness, then nonparametric procedures were conducted.

**Descriptive statistics.** Descriptive statistics were requested for the study variables. Frequencies and percentages were requested for the categorical variables. Medians, means, and standard deviations were reported for the variables measured on an interval or ratio scale.

**Hypotheses tests.** Tests were performed on the individual hypotheses as follows.

**Hypothesis 1.** To test Hypothesis 1, that percentage of expenditures will increase post-implementation, mean expenditures prior to implementation (2007 and 2008) were compared to the mean expenditures post-implementation (2009 to 2011). To examine the impact of EO 2008-S13 on government agency expenditures with MBEs, a nonparametric Wilcoxon-Signed Ranks test was used to compare medians (if data were non-normally distributed). Subsequently, a parametric paired $t$-test procedure was conducted to compare the percentage of expenditures pre- and post-implementation (mean of 2007 to 2008 versus mean of 2009 to 2011).
**Hypothesis 2a.** To test Hypothesis 2a, that reporting compliance, training, and MBE outreach from 2009 to 2011 were highest for cabinet agencies, a MANOVA was conducted. Because type of agency is measured using a nominal scale with three categories (cabinet, non-cabinet, and colleges and universities) and the sums of reporting compliance, training, and MBEs outreach is measured using a ratio scale, it was assumed that the three dependent variables were correlated with each other. Therefore, it was appropriate to conduct a MANOVA. Further, because it was hypothesized that cabinet agencies will have a higher mean score than would non-cabinet agencies and schools, two a priori difference contrasts were tested. The first contrast examined the difference between cabinet agencies and schools, and the second contrast tested the difference between cabinet agencies and non-cabinet agencies.

To test Hypothesis 2b, that the change in percentage of agency expenditures will be highest for cabinet agencies, a one-way ANOVA was conducted. Type of agency included three categories. Thus, two a priori difference contrasts were tested. Because the dependent variable was change in percentage of expenditures, a difference in percentage scores between post- and pre-implementation was calculated.

**Hypotheses 3-5.** To test the third, fourth, and fifth hypotheses, that compliance, training and outreach would be positively associated with the change in percentage of agency expenditures from 2008-2011 with MBEs, a parametric OLS multiple linear regression procedure was conducted. The change score was regressed on the three independent variables. The formal regression model follows:
\[ Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \varepsilon_i \]

where

\( Y_i \) = Percentage in 2011 - percentage in 2008 for the ith agency

\( X_{1i} \): Number of trainings participated in from 2009-2011 for the ith agency

\( X_{2i} \): Number of times reporting documents were sent in on time from 2009-2011 for the ith agency

\( X_{3i} \): Number of outreach programs participated in from 2009-2011 for the ith agency

\( \varepsilon_i \): Standard error term

**Hypotheses 6-8.** A linear regression procedure was conducted to test the sixth through eighth hypotheses. Because number of training sessions, number of outreach efforts made, and number of reports submitted were used as control variables in this analysis, these items were also included in the regression model. The regression model that was tested is as follows:
Limitations

Although the data collected had many strong points, there are limitations. Pre-government intervention expenditure data prior to FY 2007 were unobtainable. As with any data collection process through government agencies, information that is generated through public record requests can be potentially manipulated by government officials who may be in favor of or against the political regime that instituted a particular statute. The reporting numbers could also be influenced by specific EEO agency officers to avoid
punitive sanctions by the governor-appointed state EEO compliance officer, who is charged with compliance reporting to the governor and spearheading punitive actions against those agencies whose leaders do not comply. However, having agency data displayed publically on an annual basis on the State of Ohio MBE Scorecard may help to mitigate this risk.

Another limitation of this research is that every unobserved variable cannot be accounted for. Although a thorough review of various periodicals, trade journals, and documents was conducted, it is implausible that all variables in both political and business environments may not have had an effect on government expenditures with MBEs. Lastly, the implementation framework (Mazmanian & Sabatier, 1980) identified many variables that affect implementation (i.e., media attention and public support). Only a small subset of explanatory variables was captured in this study. Future research will be needed to investigate other important variables in the implementation framework.

**Expected Outcomes**

There were two specific outcomes expected from this research. First, an outcome was to help to disentangle the mixed results documented in the literature on the effectiveness of top-down implementation framework policy implementation by investigating the problem across multiple state agencies that have heterogeneous purchasing habits. Second, the outcome was expected to confirm or negate the importance of the explanatory variables identified in the implementation literature as well
test the viability of agency characteristics and procurement across categories as effectors of policy implementation.

**Dissertation Roadmap**

This dissertation is composed of three separate, but interconnected papers. Chapter 1 serves as the introduction of the problem and lays the foundation for the study. Chapter 2 is a historical review of government procurement with MBEs from national, state, and city levels, with an emphasis on the state of Ohio and serves as the first of the three interconnected papers. Chapter 3 covers the impact of education, outreach, compliance, and agency proximity to the sovereign has on policy implementation. Chapter 3 also includes the first empirical paper and second of the interconnected papers. Chapter 4 is the second empirical paper and serves as observation of the effects of agency characteristics and agency procurement across categories and their effect on agency expenditures with MBEs. This chapter also serves as the last of the interconnected papers. In short, chapters 3 and 4 are formalized analyses of EO 2008-S13 (2008). These sections incorporate the theoretical implementation framework from Mazmanian & Sabatier (1980) from which the hypotheses were derived. Chapter 5 provides a summary of the dissertation findings. It also includes suggestions for both practical and theoretical applications of implementation theory. Lastly, Chapter 5 offers suggestions on future research and discussions of the limitations of this study.
Chapter 2: History of U.S. Government Procurement with MBEs

Introduction

The United States has had a history of discriminatory practices against minorities dating back to slavery. After the abolishment of slavery and going through to the Industrial Revolution, millions of African American families journeyed from the South to the North for prospects of a better life, but they were met with both more overt and covert racism (Feagin, 2006; Sugrue, 1995). However, as America entered into World War II, the need for African American soldiers and laborers to help support the war effort outweighed the need to preserve its tradition of segregation (Exec. Order No. 8802, 1941). This chapter provides a timeline of government interventions that were introduced and implemented to ameliorate past discriminatory practices in employment, education, and business.

Historical Relationship Between U.S. Government and Minorities

The impetus for several race- and/or gender-based support programs commonly observed in 21st-century American society stem from governmental efforts to respond to historical, institutional, and systematic discriminatory practices in the United States. Initially, the federal government focused on providing access to employment and education for minorities, in particular, African Americans. In 1941, President Franklin
D. Roosevelt signed Executive Order 8802, which prevented race discrimination by government prime contractors. President Roosevelt used the executive order to enable African Americans a role supporting World War II as employee subcontractors with majority companies selling goods and services to the federal government. In 1941 and throughout the war, Roosevelt stated that “the democratic way of life within the nation can be defended successfully only with the help and support of all groups” (Exec. Order No. 8802, 1941, para. 1).

Over the next decade after signature of Executive Order 8802 (1941), other race-based government initiatives were introduced. In 1953, President Dwight D. Eisenhower introduced Executive Order 10479 which created the Committee on Government Contracts. Executive Order 10479 was a follow-up to Executive Order 10308 signed by President Harry S. Truman in 1951, which established the Antidiscrimination Committee on Government Contract Compliance.

**Small Business Act of 1953**

Several federal statues on affirmative action in government contracting passed by Congress initiated with Section 8(a) of the Small Business Act of 1953, which created the Small Business Administration (SBA). The primary function of the SBA is to “aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns” (Small Business Act, 1953, § 631(a), para. 1). Additionally, Section 8(a) provides the SBA authority to enter into subcontracts with small businesses for the acquisition of goods and services, “whenever it determines such action is necessary” (U.S. Small
Business Administration, 2012.). The Act strongly encourages federal, state, and city
government agencies to use MBEs whenever possible; however, the SBA does not have
the authority to mandate agency utilization of MBEs in governmental contracting.

To complement this legislation, President Kennedy issued Executive Order 10925
in 1961, which created the Committee on Equal Employment Opportunity to ensure
applicants were hired and employees were treated equally during employment without
regard to race, creed, color or national origin. In 1965, President Lyndon B. Johnson
signed Executive Order 11246 transferring authority and supervision of federal contract
compliance from the Committee on Equal Employment Opportunity to the Secretary of
Labor, who established the Office of Federal Contract Compliance (OFCC). Three years
later, in 1968, President Johnson directed the SBA to develop a program pursuant to its
8(a) authority to better assist small businesses owned by “socially or economically
disadvantaged” persons in obtaining government procurement contracts.

In 1968, Executive Order 11375 signed by President Richard Nixon expanded the
breath of the OFCC’s mandate originally pertaining to African Americans to also include
protection to women from sexual discrimination as it pertained to government
employment. A year later, in 1969, President Nixon signed Executive Order 11458 and
advanced the policy discussion from hiring and educating minorities and woman to
supporting the socially and/or disadvantaged business owners through procurement
opportunities with government agencies. Executive Order 11458 empowered the
secretary of commerce to direct and review all federal activities in assisting with minority
business development (Dale, 2006). In 1975, the OFCC was renamed the Office of
Federal Contract Compliance Programs by President Gerald Ford (U.S. Department of
Labor, 2012).

The U.S. Office of Minority Business Enterprise within the Department of
Commerce is responsible for mobilizing federal resources to aid minorities in business
ventures. The Office of Minority Business Enterprise program evolved into the Minority
Business Development Agency (MBDA). The focus of the MBDA is to expand
entrepreneurship among underrepresented minority groups by affording MBEs the
opportunity to use various education, business networking, and government bid contract
notification services at little or no cost. Consequently, the MBDA is the only federal
agency whose sole purpose is to increase the number of viable MBEs in the United States
(U.S. Department of Commerce, 2012). Within the MBDA, the primary vehicle for
accomplishing enhanced representation is the monitoring and enforcement of set-aside
programs of government-based contracts to eligible MBEs.

An organization such as the MBDA to assist MBEs is supported and articulated
by researcher Timothy Bates. Bates (2001) posited that an

old boys’ network exists in procurement in the United States which makes it
difficult for minority business enterprises (MBEs) to garner new business. . . .
[T]he crux of the problem that MBEs face as they attempt to break into new
markets is that status quo networks have traditionally excluded minority business,
and those established networks tend to be resistant to change. (Bates, 2001, p. 44)

Dollinger and Dailey (1991) advanced this argument by examining the cultural
dynamics of discriminatory or biased attitudes held within purchasing departments. They
posited that these behaviors inhibit the dealings of MBEs with procurement managers.
Their findings were corroborated by Min (1999), who determined that purchasing managers traditionally stay within their established supply chain vendors; therefore, managers do not generally interact with new vendors in general, and even less with potential minority vendors. Müller-Heidelberg (2003) discussed the phenomenon and determined that deeply rooted exclusionary practices create information redundancies, decrease innovation, and diminish efficiencies. Müller-Heidelberg proposed these issues could be mitigated through inclusionary procurement practices, but most procurement personnel are slow to change, especially without any measurable consequences for not moving beyond their traditional procurement networks to purchase goods and services from MBEs.

In 1977, the House Committee on Small Business issued a report calling the SBA 8(a) program largely ineffective (U.S. Small Business Administration, 2012). The committee determined that the program was largely ineffectual for several reasons:

- lack of specific objectives for prime contractors;
- lack of enforceability; and
- ineffectual monitoring systems.

**Public Works Employment Act of 1977**

To address the shortcomings of the SBA 8(a) program, Congress passed the Public Works Employment Act of 1977 in order to stimulate the economy (11 H.R., 95th Cong., 1977). The Public Works Employment Act served as a vehicle to assist state and local governments in building needed public facilities. The program was specifically
designed to alleviate two problems. First, the program was meant to address the problem of national unemployment due to the recession of the mid-1970s. Second, it was a tool intended to increase government procurement with MBEs. This Act created the first MBE provision. The revised language for “set-aside” imposed by the Public Works Employment Act was more aggressive and prescriptive than previous requirements of the SBA program. The new language insisted that at least 10% of federal funds in the Act be reserved for qualified MBEs. The Public Works Employment Act added $4 billion in federal grants to state and local public works contracts (11 H.R., 95th Cong., 1977). This Act inadvertently became the litmus test for the constitutionality of preferential purchasing policies in government contracting through the Supreme Court case *Fullilove v. Klutznick* (1980).

**Fullilove v. Klutznick**

*Fullilove v. Klutznick* (1980) was the first legal challenge to federal programs designed to assist minority businesses achieve the 10% MBE set-aside objective established through the Public Works Employment Act of 1977. Opponents of the federal set-aside program urged the Supreme Court to declare the 10% set-aside provision unconstitutional under the fifth and 14th amendments. However, a majority decision to affirm the program under the controversial “degrees of scrutiny” was decided by the Court.

The term “degrees of scrutiny” classified the provision of equal protection into three tiers: strict, middle, and minimum. The more stringent the scrutiny, the further the
government must demonstrate that an MBE classification serves a compelling state interest. Furthermore, the state must also demonstrate that designation(s) are necessary to best serve that interest of the state (Hseih, 1986). In upholding this case, the court supported the congressional findings of nationwide discrimination in the construction industry that justified the creation of a federal minority preference program. After *Fullilove*, Congress began to amend the Small Business Act to more clearly outline who could apply for set-aside programs and those provisions were in several future legislations, such as the Surface Transportation and Uniform Relocation Assistance Act of 1987 and the Intermodal Surface Transportation Efficiency Act of 1991 (Zehrt, 2009).

**City Government Expenditures with MBEs**

**City of Richmond v. J. A. Croson Company**

In an effort to comply with federal mandates for MBE procurement inclusion, city and state legislatures began to enact similar set-aside programs. However, the constitutionality of these federal mandates at the state and city level had not been thoroughly defined or aligned with the federal guidelines. The first test of set-aside programs at the city level occurred in Richmond, Virginia. In 1989, the Supreme Court addressed the constitutionality of a local ordinance affirmative action program in the *City of Richmond v. J. A. Croson Company*, requiring prime contractors awarded city construction contracts to subcontract at least 30% of the dollar value of such contracts to one or more minority businesses. In order for the business to qualify as a minority enterprise, the ordinance stipulated the firm to be owned and controlled by members of
certain ethnic groups, including Black, Hispanic, Asian, Native American, and Eskimo. If the prime contractor could not identify a qualified minority subcontractor, minority participation requirements were waived. J. A. Croson, a majority contractor, applied for and was denied a waiver from the minority enterprise requirement for its bid on a city construction project (Zehrt, 2009).

After bidding was closed, the city awarded the contract to another contractor and Croson sued, contending that the city plan violated the equal protection clause of the 14th Amendment. Both the trial and appellate courts upheld the plan as constitutional. The decision of the appellate court, however, was remanded for consideration stemming from the 1986 *Wygant v. Jackson Board of Education* case, in which the court held that race-conscious remedies be measured by the strict scrutiny standard and supported by specific evidence of discrimination (“Beyond Brown,” 2004). Upon remand, the Court of Appeals determined that the plan was unconstitutional because the city did not rely on prior discrimination by the government unit as justification for enacting a race-conscious set-aside law. The court, in *Croson*, noted that *Wygant* does not simply require a governmental unit to show prior discriminatory acts in order to adopt a remedial race-conscious plan, but that such plans must also satisfy a strict scrutiny analysis because they involve racial classification. Consequently, a set-aside plan would be upheld only if the city could demonstrate that it satisfied a compelling interest and was narrowly tailored to meet that interest.
Remedying societal discrimination, the court noted, would not suffice as a compelling interest, which is present only when racial discrimination has been specifically identified. In applying this standard, the court found that the City of Richmond did not present evidence of identified discrimination in the construction industry, nor did the city narrowly tailor the set-aside program to address identifiable discriminatory practices. In short, the court found the plan to be over inclusive (*City of Richmond v. J.A. Croson*, 1989).

Based on this and other prior judicial set-aside rulings, agencies now had to present verifiable documentation of past discrimination in order to establish or enforce set-aside programs. An influential mechanism for government to determine the presence of MBE underutilization—a disparity study—was developed after the 1989 Supreme Court *Croson* decision. Succinctly, a disparity study uses a methodological approach to determine if a particular jurisdiction has a documentable pattern of underutilizing minority contractors by using a disparity index; if the index indicates an inequality, what level of effort is justified to remedy the imbalance? Rice (1993) listed four key assumptions when considering the implementation of set-aside programs:

- Is there substantial evidence of discrimination against a targeted group?
- If so, is there evidence of government participation, and is the government active or passive?
- Have race-neutral alternatives been ineffective? If so, why?
Can the proposed remedy be narrowly targeted to benefit the group that is a victim of discrimination, while minimizing effect to others (i.e. non-minorities)?

For a concise overview on how to develop and interpret a disparity index, see Martin, Berner, and Bluestein (2007).

**State Government Expenditures with MBEs**

**Adarand Constructors, Inc. v. Federico Peña**

In 1989, the U.S. Department of Transportation (DOT) awarded a highway construction contract in Colorado to Mountain Gravel and Construction Company. In an effort to meet the requirements of the DOT highway construction project, Mountain Gravel solicited bids from subcontractors. Mountain Gravel received the lowest subcontractor bid from Adarand Constructors, with a higher bid submitted by Gonzales Construction. Gonzales Construction was certified as a small disadvantaged business, as defined by federal and state guidelines. Mountain Gravel awarded the subcontract to Gonzales because of financial incentives embedded in the DOT contract for the use of small disadvantaged businesses. Adarand filed suit in federal court against the DOT, arguing that the MBE subcontracting incentive clause caused Adarand to lose the bid. Adarand argued that the small disadvantaged guidelines in the DOT contract were unconstitutional under both the fifth and 14th amendments. The federal district court and circuit court ruled in favor of DOT and against Adarand, who then was appealed to the U.S. Supreme Court (*Adarand Constructors, Inc. v. Federico Peña*, 1995). Although the
U.S. Supreme Court ruled in favor of the DOT, the court recommended the mandates be revised in order to use set-aside programs. Specifically, state contracts are now required to be analyzed under a standard of strict scrutiny, which necessitates that racial classifications be narrowly tailored to further compelling governmental interests and government agencies to address questions of diversity (*Adarand Constructors, Inc. v. Federico Peña*, 1995).

Ten years after the *Adarand* decision, the U.S. Commission on Civil Rights issued a report finding that many federal (and analogous state) agencies still did not comply with the rules of strict scrutiny when implementing race-based procurement practices. They found many federal agencies such as the departments of Defense, Education, and Housing, as well as city and state agencies turn a blind eye to the legally binding requirements set forth by the courts for the establishment and enforcement of set-aside programs. Opponents of set-asides argue that because government agencies know they will not be held accountable or punished by not following the law, their avenues of recourse are greatly minimized (Zehrt, 2009).

**History of the State of Ohio MBE Procurement**

In 1980, House Bill 584 was signed into law in Ohio by then-Governor James A. Rhodes. The purpose of the bill was to ensure MBE participation as well as equitable treatment in the bidding process relating to the contracts awarded by the State of Ohio. Specifically, the bill mandated the following:

- Establishment of a viable minority loan program
• Support for MBEs in construction by providing contractor bonding for those unable to obtain bonding in the market

• Establish a 5% set-aside program of state construction contracts and 15% of set-aside procurement contracts for MBEs

• Require a minimum of 7% of state construction contracts be awarded to MBEs subcontractors

• Incorporation of antidiscrimination language in all state contracts (Sub. H.B. 584, 1980).

In line with the federal definition of an MBE, Ohio defines an MBE as “an individual, partnership, corporation or joint-venture, owned and controlled by persons who are U.S. citizens, Ohio residents and a member of an economically disadvantaged group, limited to: Blacks, Native Americans, Latinos, and Asians” (Sub. H.B. 584, 1980).

In order to discourage majority corporations from establishing front companies or false joint ventures to garner access to set-aside programs, Ohio mandated several rules require companies to register as an MBE, rules that are similar to the federal requirements that a minority individual or group must hold controlling interest of at least 51% of the MBE. Furthermore, the minority group or individual must be responsible for the day-to-day activities of the business and accountable for all major decisions. With respect to joint ventures between minority and non-minority entities, the minority individual or group must still maintain a 51% control of the venture if the group wishes to obtain or maintain its minority set-aside eligibility status.
A key difference between H.B. 584 (1980) and prior set-aside legislation in Ohio is that H.B. 584 delineates how to monitor prime and subcontractors set-aside requirements. For example, in construction contracts, majority contractors must award to MBE subcontracts having an accumulative value of at least 5% of the total value of the contract value and report their expenditures to the funding agency. As an extension of H.B. 584, then-Governor George Voinovich formally recognized minority assistance programs offered by the state in 1991 by creating the Equal Opportunity Center within the Division of Equal Employment Opportunity (“Minority Business and Resource Symposium,” 2010).

**Associated General Contractors of America v. City of Columbus**

Similar to other states, legal justification for set-asides programs has come under scrutiny in Ohio. In 1989, the decision of the court in *Associated General Contractors of America v. City of Columbus* maintained the city of Columbus investigation into past discriminatory practices as a basis for set-aside programs were poorly executed for several reasons. According to the court, no efforts were made to verify reports of discrimination and no attempts were documented to determine whether similarly situated majority-owned firms were treated more favorably than minority and women business enterprises firms. The court posited that political pressures may have influenced the decision process. Additionally, the court concluded that the evidence in that case fell short of proof of pervasive discrimination and therefore, set-aside remedies were not necessary (*Associated General Contractors v. City of Columbus*, 2001).
Subsequently, House Bill 58 (Sub. H.B. 58, 2002) was introduced and passed. H.B. 58 eliminated public contract set-asides and certification procedures for MBEs administered by the Department of Administrative Services. It also eliminated the Minority Business Development Loan Program, the Minority Business Bonding Program, and the Minority Development Financing Advisory Board within the Department of Development. However, a judicial review occurred and overturned the earlier decision and reinstated the MBE set-aside programs, but with stricter and more defined rules. In alignment with the judicial review board, then-Governor Taft reestablished and re-funded all of the minority programs that had been dismantled under H.B. 58.

**Introduction of Executive Order 2008-S13**

In an attempt to address the reoccurring disparity between MBEs and non-minority firms with government contracting opportunities, while simultaneously abiding by the strict rule requirements that many previous court rulings have required of government agencies, then-Governor Ted Strickland introduced Executive Order 2008-S13 (2008) on June 25, 2008. This order highlighted the governor’s commitment to minority-owned, women-owned, and socially and economically disadvantaged companies. Although there had been a multitude of previous legislation designed to level the playing field for MBEs, state agency expenditures with MBEs never rose above 3.1% on an annual basis (Carter, 2008). Executive Order 2008-S13 reinforced accountability to state agencies for the utilization of minority-owned companies in contracting opportunities. The objective of the executive order is to propel state expenditures with
MBEs to 15%. Executive Order 2008-S13 created the position of state equal employment opportunity officer. This officer is required to report the outcomes of each state agency’s efforts to achieve the goals set by their budget for expenditures with MBEs and to report these results to the governor, president of the Senate, minority leader of the Senate, speaker of the House of Representatives, and minority leader of the House of Representatives. To establish regular monitoring, all agency reports are due to the governor appointed equal employment opportunity officer by October 1 for the preceding fiscal year (Exec. Order No. 2008-S13, 2008).

After reviewing the deficiencies of historical set-aside programs in the state, then-Governor Strickland provided technical, financial, and MBE outreach opportunities to support efforts by the state agencies in attaining their 15% set-aside goals. One aspect of Executive Order 2008-S13 that differentiated it from prior legislation was that it required each state agency to create an AIP. An AIP is a comprehensive plan developed by each state agency that includes the identification of the eligible budget of the agency, a procurement projection plan, proposed expenditures to meet the 15% MBE set-aside goal, and any agency MBE outreach efforts (Ohio Department of Administrative Services, 2012).

The Equal Opportunity Division (EOD), in cooperation with the Department of Administrative Services (DAS), is responsible for coordinating training, assisting, and monitoring the efforts of each state agency to achieve the goals and objectives outlined in Executive Order 2008-13S. In order to accurately measure effectiveness, the EOD
developed a standardized internal measurement tool in the form of a scorecard that reflects the efforts of each state agency, regardless of its size or location. In order to compile and disseminate procurement data effectively, several new database systems were employed. These database systems are the OAKS, BMS, and CTS. As the DAS and EOD began to develop the proper database systems to support their efforts, they decided to create an accountability rating system of state agency expenditures with MBEs for public consumption, which is formally called the MBE Scorecard (Carter, 2008).

To further support the chances of success of Executive Order 2008-S13, then-Governor Ted Strickland signed Executive Order 2009-5S (2009), creating the Ohio Minority Business Advisory Council. The council is composed of 40 members whose primary roles are to

- advise DAS in how to best communicate the broader economic context of EO 2008-S13 to the state agencies; by helping them understand how their MBE expenditures improve economic development and the overall viability of the minority business community;
- provide insight to state EEO officer on how to be more inclusive in its procurement practices; and
- provide in-depth supply chain knowledge to legislators to assist them with crafting policies that would favorably impact the development of MBEs (Exec. Order No. 2009-5S, 2009).
In Ohio, there have been many disparity studies conducted across the state over the last 20 years, including in the largest populated cities of Columbus, Cincinnati, Dayton, and Cleveland. There was also a statewide disparity study performed in 2001. These disparity studies unanimously concurred that there is both quantitative and anecdotal evidence of disparities between minority and non-minority contractors (DJ Miller & Associates, 2001; Griffin & Strong Consulting, 2002; MGT of America 2008). For example, the study performed in Cincinnati by Griffin & Strong Consulting (2002) found clear evidence of MBE underutilization in procurement practices of the city through examining longitudinal data. Griffin & Strong Consulting (2002) found that from 1995 to 1998, when there was a set-aside program, there was moderate to strong underutilization of MBEs. Although MBEs were underutilized during this time period, Cincinnati still provided MBEs the highest degree of awarded contracts. Griffin & Strong Consulting (2002) made this determination by comparing these data to 1999 data when there was no set-aside. As Griffin & Strong Consulting (2002) explained, with no set-aside program, MBE underutilization climbed by 50%, leading the authors to determine that without any type of set-aside program in place, MBEs would be severely underutilized and that set-aside programs are necessary for MBEs to become sustainable enterprises.

A larger Ohio-based disparity analysis was conducted by DJ Miller & Associates in 2001. Their study agreed with prior city studies, but they went a step further to note that even though current set-aside programs helped MBEs to earn a small portion of
contracting opportunities, in their current capacity, set-aside programs would not be able to substantially close the disparity gap between MBEs and non-minority companies in the state of Ohio. Additionally, DJ Miller & Associates determined that it would require an entire overhaul of current set-aside procurement practices in Ohio in order to effectively address the disparity gap. One such effort to overhaul the set-aside procurement practices of the state of Ohio is Executive Order 2008-S13 (2008).

Prior disparity studies have proven the need for set-aside programs (DJ Miller & Associates, 2001; Griffin & Strong Consulting, 2002; MGT of America 2008); however, this research moves the literature forward by investigating the effectiveness of Executive Order 2008-S13 being systematically implemented to improve the number of MBEs doing business with the state of Ohio as well as in increasing the amount of contract dollars each state agency spends with MBEs. Past disparity research has also demonstrated that previous city and state set-aside programs have been ineffective for a multitude of reasons, including the lack of buyer accountability, being deficient in buyer training, not having effective outreach programs, inefficient reporting of compliance and noncompliance, and not having punitive consequences for buyers not achieving their set-aside goals (DJ Miller & Associates, 2001; Griffin & Strong Consulting, 2002; MGT of America 2008). Therefore, examining the implementation of Executive Order 2008-S13 affords the opportunity to determine if the governor’s plan was successful at improving the MBE procurement practices in the state of Ohio with potential application to other states in the country.
Chapter 3 is an empirical assessment of Executive Order 2008-S13 (2008). It examines the relationship between various components of the executive order that were developed to enhance the likelihood of its success. Specifically, it looks at the relationship between agency participation in MBE outreach programs, education and training, and their level of reporting compliance relative to their level of expenditures with MBEs. It also assesses the relationship between the proximity of the three agency types to the sovereign and their level of expenditures with MBEs.
Chapter 3: Do Agency Training and Education, Outreach, and Reporting Requirements Affect Government Expenditures with Minority Business Enterprises?

Introduction

Government set-aside programs have come under scrutiny in the United States since their inception in the 1940s (Anderson, 2005). Litigation at the Supreme Court in the affirmative action case, *Fisher v. University of Texas at Austin* (2011), has garnered national attention. In this case, Abigail Fisher, a White female, alleged she was denied admission to the University of Texas at Austin Medical School (UT-Austin) due to the race-based enrollment policy of the university. Ms. Fisher claimed that because the university sets aside a certain number of enrollment slots for minorities, her application did not receive a fair review based on merit, which ultimately led to her being denied admission to the university. She argued that the race-based policies of UT-Austin are obsolete and go against the fabric of equity that she and other non-minority students expect to receive in the application process at any state-funded university. *Fisher v. University of Texas* has encouraged a broader discussion regarding the effectiveness, relevance, sustainability, and legality of set-asides for both academicians and policy makers.
This dissertation primarily focuses on the effectiveness of implementing a government procurement set-aside program with MBEs in Ohio referred to as Executive Order 2008-S13 (2008). Specifically, this research examines if Executive Order 2008-S13 is effective at changing the procurement behavior of 90 different government agencies that span three agency groups in the state of Ohio: (a) cabinet, (b) non-cabinet, and (c) colleges and universities. Within each group, three components of the EO are examined: buyer training and education, agency outreach to MBEs, and the threat of economic sanction for non-compliant agencies; and whether these components affect agency procurement practices with MBEs. In addition to answering this question, this study will draw broader inferences about the relevance and sustainability of set-aside programs in the United States in the 21st century. A thorough examination of the legality of various set-aside statutes at the federal, state, and local levels were addressed in Chapter 2.

Although set-aside debates have occurred at the city, state, and federal levels, the state of Ohio MBE set-aside program is explored in this paper to answer the overarching research questions:

1. Is government intervention effective at growing agency expenditures with MBEs in Ohio?

2. Is government intervention effective at expanding the number of MBEs registering to do conduct business with the state of Ohio?
3. Why do some Ohio agencies achieve or make better progress toward their set-aside goals than do others?

There are several reasons why the investigation takes place in Ohio. First, Ohio implemented one of the most aggressive and comprehensive MBE set-aside programs in the United States (Exec. Order No. 2008-S13, 2008). Second, according to Bendapudi (2009), Ohio, and specifically Columbus, the state capital, is ranked as one of the best test markets in America because of its proportion of diverse populations to the general population. Third, Ohio includes six cities with populations of at least 200,000 people. Five of the locales have won the honored designation of the National Civic League “All American City”: Cleveland (a five-time winner), Columbus (a four-time winner), Akron, Cincinnati, and Toledo (each three-time winners), which makes the citizens of Ohio a representative sample of the U.S. population. According to the U.S. Census Bureau (2010), demographics of the United States and the state of Ohio are as represented in Table 2.
### Table 2. 2010 U.S. and Ohio Demographics

<table>
<thead>
<tr>
<th></th>
<th>Ohio Demographics</th>
<th>U.S. Demographics</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>81.1%</td>
<td>White</td>
</tr>
<tr>
<td>Black or African American</td>
<td>12.2%</td>
<td>Black or African American</td>
</tr>
<tr>
<td>Native American</td>
<td>0.2%</td>
<td>Native American</td>
</tr>
<tr>
<td>Asian</td>
<td>1.7%</td>
<td>Asian</td>
</tr>
<tr>
<td>Pacific Islander</td>
<td>0.03%</td>
<td>Pacific Islander</td>
</tr>
<tr>
<td>Hispanic or Latino (of any race)</td>
<td>3.1%</td>
<td>Hispanic or Latino (of any race) *</td>
</tr>
<tr>
<td>Other</td>
<td>2.1%</td>
<td>Other</td>
</tr>
</tbody>
</table>

*Note. *Hispanic populations are sometimes captured in other categories based on how the survey responded identifies themselves. For further clarity, see the glossary (U.S. Census Bureau, 2010).

The rest of chapter is organized as follows. First, an overview of Executive Order 2008-S13 (2008) is provided. Next, existing research from the implementation literature is leveraged to develop the hypotheses. My methodology and analysis are presented followed by my findings, theoretical and practical implications, and potential limitations of the study.
Overview of Ohio Executive Order 2008-S13

In an attempt to address the recurring disparity between MBEs and non-minority firms with government contracting opportunities while also abiding by the strict requirements that many previous court rulings have required of government agencies, Ohio then-Governor Ted Strickland introduced Executive Order 2008-S13 on June 25, 2008 (DJ Miller & Associates, 2001). As mentioned in Chapter 2, state agency contract expenditures with MBEs in Ohio never rose above 3.1% on an annual basis (Carter, 2008). Thus, Executive Order 2008-S13 was created to reinforce accountability to state agencies for the underutilization of minority-owned companies in government contracting opportunities. The premise of the executive order is to augment state agency expenditures with MBEs to 15% as well to augment the number of MBEs registering with the state of Ohio. As part of the order, the position of state EEO officer was created. The state EEO officer is required to report the outcomes of the efforts of each state agency to achieve the goals set by their budget for expenditures with MBEs and to report these results to the governor, president of the Ohio Senate, minority leader of the Ohio Senate, speaker of the Ohio House of Representatives, and minority leader of the Ohio House of Representatives. To establish regular monitoring, agency reports are due to the governor-appointed EEO officer by October 1 for the preceding fiscal year (Exec. Order No. 2008-S13, 2008).

After reviewing the deficiencies of historical set-aside programs across the country and within the state, then-Governor Strickland provided access to technical
education and MBE outreach opportunities in a concerted effort to support state agencies in meeting their 15% set-aside goals (Griffin & Strong Consulting, 2002). A key aspect of Governor Strickland’s executive order that differentiates it from prior legislation is that Executive Order 2008-S13 (2008) requires each state agency to create an Agency Inclusion Plan (AIP). An AIP is a comprehensive plan developed by each state agency that includes the identification of the eligible budget for the agency, a procurement projection plan, proposed expenditures to meet the 15% MBE set-aside goal, and any agency MBE outreach efforts (State of Ohio Equal Opportunity Division, 2012).

To provide more clarity, each agency assembles an AIP team that includes its own agency-specific EEO officer to determine its MBE eligible budget. The eligible budget is a subset of the overall contractual expenditures of the agency for various goods and services for a given year. For example, the Department of Veterans Affairs may have a total contractual budget for goods and services of $10 million. The AIP team determines that, out of the total $10 million contractual budget, its MBE eligible budget is $1 million. Therefore, in order to meet its 15% set-aside goal as stipulated by the EO, the department would need to spend $150,000 with MBEs within the fiscal year. However, the eligible budget of each agency must be submitted and approved by the state EEO officer to ensure that the goal is set at a realistic level. The state EEO officer also regulates agencies purposely creating low eligible budgets, which artificially enhances their ability to reach their set-aside goals or not submitting any budget at all. If the state EEO officer determines the efforts of an agency to be unsatisfactory, the executive order
allows the EEO officer the authority to introduce financial sanctions on the non-reporting or non-compliant agency. Thus, the financial sanction component of Executive Order 2008-S13 (2008) is a noteworthy aspect of the executive order because it is different from prior pieces of set-aside legislation that were often viewed symbolically without substantive ways to induce agency compliance (DJ Miller & Associates, 2001).

The EOD, in coordination with the DAS, is responsible for coordinating training, assisting, and monitoring the efforts of each state agency to achieve the goals and objectives outlined in Executive Order 2008-S13 (2008). In order to accurately measure policy implementation success, the EOD developed a standardized measurement tool in the form of an MBE scorecard. The scorecard reflects the expenditures of each state agency in terms of both dollars and percentages of the total eligible budget (Carter, 2008). By capturing agency expenditures in terms of a percentage of the overall eligible budget of each agency, it helps to alleviate skewness in places where the budgets of some state agencies may be over $20 million versus others that may only have an eligible budget of $20,000.

**Previous Research**

In order to investigate the effectiveness of then-Governor Ted Strickland’s Executive Order 2008-S13 (2008), the theoretical underpinning of implementation theory is used. Implementation research originated with the work of Pressman and Wildavsky (1973), who measured implementation in terms of the relationship of policy between official documents and statutes. More precisely, policy implementation can be observed
as the process of interaction between the setting of goals and the actions geared to achieving them (Pressman & Wildavsky, 1984).

Building on the work of Pressman and Wildavsky (1984), Mazmanian and Sabatier (1983) delineated policy implementation as the execution of the basic policy decision usually incorporated in a statute; however, the implementation is structured as an executive order or court decision. Mazmanian and Sabatier (1980) asserted that authoritative and top-down decision makers are the starting point for policy implementation. Matland (1995) maintained that successful implementation is dependent upon the level of compliance that is obtained by subunits, and argued that policies under the umbrella of statutes, laws, or executive orders come from a top-down approach. Matland expanded upon the work of Mazmanian and Sabatier (1983) that commitment and the motivation of subunit bureaucrats is critical in achieving a desired result, stating that motivation and commitment within subunit bureaucratic levels are hard to control, primarily because human beings are motivated by different incentives. He posited that lower level bureaucrats require clear direction in conjunction with some level of autonomy.

There have been steady streams of scholars who seek to examine policy implementation from a bottom-up approach. The bottom-up perspective starts from the ground-level point of view of a societal problem. From this vantage point, street-level bureaucrats and their behaviors push from the bottom or lower levels of the organization to achieve change. Lipsky (1980) argued that street-level bureaucrats are closer to the
real problem(s) of society and therefore more effectively understand how to best handle the ills of society. Proponents of bottom-up research contend top-down implementation policy neglects the importance of street-level discretionary decision makers who are necessary to achieve policy implementation results at a local level. Additionally, bottom-up implementation policy researchers assert that there are a multitude of environmental and informal components to implementation that traditional authoritarian mandates fail to capture (Howlett & Ramesh, 2003). Conversely, Sabatier (1986) refuted the argument of a strict bottom-up approach by contending that real accountability lies with politicians, judges, and senior legislators who have voters as their stakeholders. Sabatier argued that if there are no measureable consequences coming from higher level bureaucrats, then how are street level bureaucrats compelled to comply with policy?

For this study, a top-down approach was used because the policy under investigation was derived from a gubernatorial executive order that provides unambiguous, rigid, and measurable procedures at the agency level to obtain the specific implementation goals of the state government. Thus, the implementation framework created by Mazmanian and Sabatier (1980) was used. The implementation framework begins with three critical observations:

- Policymaking is an iterative process of formulation, implementation, and reformulation and the distinction between the three should be maintained.
• The focus should be on the attainment of the stated policy goals, although outputs of the implementing agencies and outcomes of the implementation are both important.

• Implementation can be viewed from three different perspectives - the initial policymaker or the center, the field of implementing officials or periphery, and the actors at whom the program is directed, or the target group (Mazmanian & Sabatier, 1980).

As mentioned in Chapter 1, the original implementation framework consisted of 16 variables compartmentalized into three sections. However, the model was later modified for parsimoniousness to 6 variables. In their effort to bring simplicity to their model, it is the author’s belief that Mazmanian and Sabatier (1983) removed the tractability section (and the variables captured underneath it) of the framework in haste. More specifically, Mazmanian and Sabatier’s exclusion of the variable of diversity of target group creates a gap in the theory. This change may have been made because most implementation studies to that point were conducted primarily in one agency and not across various types of agencies. Therefore, in this analysis, various agency types (cabinet, non-cabinet, and colleges and universities) were examined against the same MBE set-aside mandates based on Executive Order 2008-S13 (2008). Furthermore, the threat of economic sanctions (the sticks) and the level of agency procurement participation have on technical education training and MBEs outreach (the carrots) with MBEs was investigated. Finally, the effect of various sticks and carrots incorporated into
Executive Order 2008-S13 has on agencies achieving their set-aside procurement goals was scrutinized. The variables of interest are captured in the modified implementation framework model depicted in Figure 2.

![Implementation Framework](image)


This chapter expands the body of literature by analyzing data across all state agencies in Ohio. It offers new insight into the empirical robustness of the framework utilizing longitudinal data from a five-year data set. The study also seeks to address a
gap in the implementation literature noticed by Goggin et al. (1990), who uncovered the need for implementation research to assess implementation behavior and policies over time, across multiple units of government, and with ample sample sizes. As researchers attempt to fill this gap in the literature, Goggin et al. prescribed the use of mixed methods and measurement, which this research advances. First, longitudinal pre- and post-intervention data illustrate the difference in MBE expenditures in the state of Ohio. Second, mixed methodologies were applied to assess the effectiveness of government implementation. Third, this research can serve as an objective analysis to claims by other scholars that have argued that previous set-aside research has been flawed due to improper data collection, the use of inappropriate variables, and the treatment of variables (LaNoue, 1994).

From a practitioner’s vantage point, this research will offer new insight for policymakers into the effectiveness of executive orders on various governmental agencies, specifically set-aside programs. Validating the need for set-asides or determining their obsolescence will help guide federal, state, and local agencies in their decision-making processes on similar future initiatives. The results of this study will also provide another perspective on the relevance of agency type, reporting compliance, training and education, and outreach on obtaining executive order goals. By providing this type of insight, this analysis will offer clarity on some of the major factors that affect the success or failure of an executive order set-aside.
From MBE executives’ perspectives, this knowledge will clearly delineate which state agencies in Ohio purchase the most from their companies. MBE executives who know which state agencies have a greater proclivity toward doing business with them will be able to guide MBE objectives as they determine where to allocate their resources. The success or failure of implementing a governmental policy can depend on a multitude of variables. The literature is replete with cases of policy implementations that failed to achieve their objectives (O’Toole, 1995). However, no consensus has been reached as to why some policies are implemented successfully, while others are not realized (Goggin, et al., 1990; O’Toole, 1995). In this chapter, three factors are discussed that the extant literature has consistently found to be relevant to effective implementation: training and education, outreach, and reporting requirements. Additionally, the effect the proximity of the agency to the sovereign has on agency expenditures with MBEs is also investigated.

Hypotheses

Prior to delving into the key predictor variables of implementation, the difference in agency expenditures with MBEs pre- and post-policy implementation is investigated. The mean agency expenditures with MBEs prior to implementation of the executive order (2007 and 2008) were compared to mean post-policy implementation expenditures (2009-2011) to determine if there is a statistically significant difference. This approach led to the first hypothesis:
Hypothesis 1: The percentage of agency contract expenditures with MBEs will increase in the three years following the implementation of the executive order in 2009 in comparison to the two prior years.

**Agency Behavior Affected by its Proximity to the Sovereign**

Mazmanian and Sabatier (1980) acknowledged the importance of diversity of the population in policy implementation under their Tractability section. They also postulated that the influence of the sovereign holds great control in how effective a policy will be implemented; this study took both views into account. First, differences in participation between cabinet agencies, non-cabinet agencies, and colleges and universities in the various programs sponsored by the EO were inspected. Second, the proximity of an agency to the governor and its performance against the set-aside goal of 15% were compared. This study posited that cabinet agencies which interface with the governor more frequently would have a higher level of accountability as opposed to non-cabinet agencies and the more autonomously functioning colleges and universities (Mazmanian & Sabatier, 1983). Additionally, because cabinet agency leadership is appointed by the governor, the leaders’ efforts would be more in alignment with the governor’s than would those of agencies whose leaders are elected by citizens or appointed by college or university boards of trustees. Based on the literature, the second hypothesis is as follows:

Hypothesis 2a: Cabinet agencies will have the highest mean participation in education, outreach, and reporting compliance among the different agency types.
Hypothesis 2b: Cabinet agencies will have greater expenditures than the other two agency types as it relates to the change in the percentage of agency expenditures with MBEs.

Outreach

Prior research in business and social contexts has posited that, in order to improve the likelihood of a successful and sustainable policy implementation, a well thought out outreach plan to engage relevant stakeholders is necessary (Hossain & Phillips, 1996; Lazarus, 2006). In this study, agency outreach was empirically investigated to determine if agency participation in outreach programs increased agency expenditures. Under Executive Order 2008-S13 (2008), three main outreach programs were sponsored to communicate set-aside contracts and purchasing needs for the state of Ohio.

**Ohio Business Expo.** In this program, representatives from state agencies, boards, commissions, and colleges and universities presented to MBEs specifically about their upcoming set-aside contracts and additional purchasing needs for the fiscal year. In a broader sense, the expo also served as an opportunity for MBEs to network with agency procurement officers to share more about the capabilities of their company.

**Minority Business Outreach Symposium.** Similar to the Ohio Business Expo, the Minority Business Outreach Symposium served as another opportunity for MBEs and state agencies to interact and begin building relationships. This outreach program enabled MBEs to learn more about government procurement opportunities.
Certification workshops. MBE certification workshops are specifically designed to register new MBEs or recertify existing MBEs within the state of Ohio. As a part of this process, educational seminars are conducted to ensure that new or recertifying MBEs are clear on the state agencies expectations as they pertain to procurement. Based on previous research on the importance of outreach, Hypothesis 3 was posited:

Hypothesis 3: Outreach will have a positive relationship with the change in the percentage of agency expenditures with MBEs.

Training and Education

Under the umbrella of the implementation framework concept of implementer skill, the impact of properly educating and training tactical policy implementers and their leadership has not been fully investigated (Heckman, 2008; McFarlane & Gruebel, 2006). Previous research on the importance of training and education on employee performance has been thoroughly examined in other business fields such as strategy and human resources (Barrett & O’Connell, 2001; Bartel, 2000).

Other research has more narrowly focused on the effect of computer technology on improving the performance of an organization. New computer software packages and training were initiated by Executive Order 2008-S13 (2008). The state purchased OAKS, CTS, and BMS. Each software system performs a component of the interactions between the agency and the MBEs as relates to agency expenditures, the total number of registered MBEs, reporting compliance, buyer education training, and buyer outreach programs. In addition to the software systems, there were also several education
initiatives introduced to enhance the ability of each state agency to effectively implement the executive order. Education and training for procurement professionals on new computer database systems to properly capture MBE contract expenditures was deemed a critical component to the success of Executive Order 2008-S13. Authors such as Lee and Grewal (2004) and the Economist Intelligence Unit (2010) found the implementation of new information technologies improved both private and public firm performance. Examples of the education and training opportunities offered to state agencies are as follows:

- EEO officers training and responsibilities;
- How to use CTS for monitoring and compliance;
- Understanding monthly reports and how to effectively use the data;
- Meeting the MBEs set-aside mandate goals;
- How to properly flag MBE purchases in OAKS;
- How to develop and implement meaningful MBE outreach programs; and
- How to get buy-in from users of MBEs services and locating vendors

The purpose of conducting this research was to address this deficiency by examining the impact of training and education on government expenditures with MBEs (Ohio Department of Administrative Services, 2012), which led to Hypothesis 4:

Hypothesis 4: Training and education will have a positive relationship with the change in the percentage of agency expenditures with MBEs.
Although participation in outreach or training and education seminars is not mandated by Executive Order 2008-S13 (2008), these instruments are offered as tools (carrots) by the EEO division and/or DAS for state agencies to use in order to assist the agencies with reaching their 15% expenditure goal with MBEs.

**Reporting Compliance (Economic Sanction)**

The effectiveness of mandatory reporting to change behavior at the employee or agency level has a rich history in the political science literature (Schneider & Ingram, 1993). Executive Order 2008-S13 (2008) provides the EEO state officer the authority to suspend budgetary funds for state agencies that do not comply with the MBE reporting aspect of the executive order. If requisite MBE expenditure data along with agency activities in outreach and education are not submitted 30 days after the fiscal year ends, the state EEO officer begins the economic sanctioning process. Therefore, reporting compliance can be viewed as a proxy for economic sanctions.

The state agency has 60 days to comply with the submission of all requisite documents or the EEO state officer forwards the noncompliance to the Ohio Office of Budget and Management, which begins the process of freezing the state agency budget in question until good faith on the part of the state agency to do business with MBEs can been substantiated. Good faith efforts, as determined by Executive Order 2008-S13 (2008) consist of the creation of an AIP, submitting documentation in a timely manner per the executive order, and the declaration of outreach efforts. If none of the good faith
efforts can be demonstrated to a satisfactory level, a corrective action plan must be submitted to rectify prior poor performance to the EEO state officer prior to the new calendar year. Under Executive Order 2008-S13, a baseline scoring system is identified to determine the good faith efforts of an agency to use MBEs whenever possible. For example, an agency is given a score for how many advertisements/announcements are put into the marketplace to solicit MBE participation in a bid project. If the agency is unable to demonstrate that it has made a good faith effort, its cumulative score may fall below the acceptable threshold and result in economic sanctions (Bluestein, 2002). Based on guidance from the literature, Hypothesis 5 was posited.

Hypothesis 5: Reporting compliance will have a positive relationship with the change in the percentage of agency expenditures with MBEs.

Data and Methods

The data for this dissertation were gathered from the state of Ohio Department of Administrative Services through a public records request. The data covered the state of Ohio government expenditures with MBEs from 2007 to 2011. It also contained the level of participation for each state agency in the areas of training and education, MBE outreach, and reporting compliance. The data was collected from the Department of Administrative Services state-assigned EEO officer and/or associate legal counsel. The information was captured from the OAKS, CTS, or BMS. Each software system provides a component of the interaction of each agency with MBEs as related to agency expenditures, reporting compliance, buyer education training, and buyer outreach.
programs. The EEO state officer/DAS exported the information into Excel spreadsheets for parsimony. Statistical analysis for this research was conducted with SPSS Version 20.

In this study, traditional statistical analysis methods of t tests, ANOVA, MANOVA, and OLS regression were used. Prior to conducting inferential statistical analysis, tests for data normality were conducted. The 2007 agency expenditure data were found to be skewed. Following instructions by Kline (2005), I attempted to transform the 2007 data, but was unsuccessful. However, all other years were successfully transformed using a natural log transformation. Therefore, to ensure the accuracy of the analysis, nonparametric and parametric statistical analyses were performed.

To test Hypothesis 1, that percentage of expenditures would increase post-implementation, mean expenditures prior to implementation (2007 and 2008) of Executive Order 2008-S13 (2008) were compared to the mean expenditures post-implementation (2009 to 2011). In order to examine the impact of Executive Order 2008-S13 on government agency expenditures with MBEs, a nonparametric Wilcoxon-Signed Ranks test was performed to compare medians. Subsequently, a parametric paired t-test procedure was conducted to compare the percentage of expenditures pre- and post-implementation (mean of 2007 to 2008 versus mean of 2009 to 2011).

To test Hypothesis 2a, that reporting compliance, training, and MBE outreach from 2009 to 2011 would be highest for cabinet agencies, a MANOVA was conducted.
Because type of agency was measured using a nominal scale with three categories (cabinet, non-cabinet, and colleges and universities) and the sums of reporting compliance, training, and MBE outreach were measured using a ratio scale and it was assumed that the three dependent variables were correlated with each other, it was appropriate to conduct a MANOVA. Further, because it was hypothesized that cabinet agencies would have a higher mean score than would non-cabinet agencies and schools, two a priori difference contrasts were tested: the first contrast tested the difference between cabinet agencies and schools; the second contrast tested the difference between cabinet agencies and non-cabinet agencies.

To test Hypothesis 2b, that the change in percentage of agency expenditures would be highest for cabinet agencies, a one-way ANOVA was conducted. As noted above, each type of agency had three categories. Thus, two a priori difference contrasts were tested. Because the dependent variable changed due to the percentage of expenditures, a difference in percentage scores between pre- and post-implementation was calculated.

To test hypotheses 3, 4, and 5, that compliance, training, and outreach would be positively associated with the change in percentage of agency expenditures from 2008-2011 with MBEs, a parametric OLS multiple linear regression procedure was conducted. The change scores were regressed on the three independent variables. The formal regression model follows.
Descriptive Statistics

State Agencies Reporting Compliance

Frequencies and percentages for the independent variables of the study across the years are summarized in Table 3. No data were reported for reporting compliance, training, and outreach for 2007 and 2008 because they were not required. Reporting compliance increased from 41% in 2009 to 68% in 2010 and to 80% in 2011. Training activity began at 62% in 2009, dropped to 53% in 2010, and fell to 40% in 2011. Outreach participation began at 64% in 2009, dropped to 43% in 2010, and dropped to 40% in 2011.

\[ Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \varepsilon_i \]

Where

\( Y_i \): Percentage in 2011- percentage in 2008 for the ith agency

\( X_{1i} \): Number of times reporting documents were sent in on time from 2009-2011 for the ith agency

\( X_{2i} \): Number of trainings a state agency participated in from 2009-2011 for the ith agency

\( X_{3i} \): Amount of outreach programs a state agency participated in from 2009-2011 in for the ith agency

\( \varepsilon_i \): Standard error term
<table>
<thead>
<tr>
<th>Variable</th>
<th>2007</th>
<th></th>
<th>2008</th>
<th></th>
<th>2009</th>
<th></th>
<th>2010</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>Reporting compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EEO sanction threat</td>
<td>90</td>
<td>100.0</td>
<td>90</td>
<td>100.0</td>
<td>53</td>
<td>58.9</td>
<td>29</td>
<td>32.2</td>
<td>18</td>
<td>20.0</td>
</tr>
<tr>
<td>Voluntarily complied</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>37</td>
<td>41.1</td>
<td>61</td>
<td>67.8</td>
<td>72</td>
<td>80.0</td>
</tr>
<tr>
<td>Training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>90</td>
<td>100.0</td>
<td>90</td>
<td>100.0</td>
<td>34</td>
<td>37.8</td>
<td>42</td>
<td>46.7</td>
<td>54</td>
<td>60.0</td>
</tr>
<tr>
<td>Had training</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>56</td>
<td>62.2</td>
<td>48</td>
<td>53.3</td>
<td>36</td>
<td>40.0</td>
</tr>
<tr>
<td>Outreach</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>90</td>
<td>100.0</td>
<td>90</td>
<td>100.0</td>
<td>32</td>
<td>35.6</td>
<td>51</td>
<td>56.7</td>
<td>54</td>
<td>60.0</td>
</tr>
<tr>
<td>Had outreach</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>58</td>
<td>64.4</td>
<td>39</td>
<td>43.3</td>
<td>36</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Table 3. Frequencies and Percentages for Independent Variables ($N = 90$).
Description of Dependent Variables of the Study

The mean percentage of expenditures (as a function of total expenditures of the agency) is presented in Table 4. A graphic representation of the percentage of expenditures is offered in Figure 3. The mean percentages increased considerably between the pre- and post-implementation periods of Executive Order 2008-S13 (2008). The mean doubled from .05 in the pre-implementation year of 2008 to .10 in 2009. Similar results for the medians also occurred. There was a fivefold increase from .01 pre-implementation in 2008 to .05 in 2009, post-implementation. It appears that the most significant rise took place primarily in the cabinet and non-cabinet agencies. In contrast, university and colleges grew from 2008 to 2009, but expenditures remained relatively flat after 2009 for that agency type.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mean</th>
<th>Median</th>
<th>Range</th>
<th>SD</th>
<th>Skew</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>.02</td>
<td>.00</td>
<td>.00 to .30</td>
<td>.04</td>
<td>5.27</td>
<td>34.51</td>
</tr>
<tr>
<td>2008</td>
<td>.05</td>
<td>.01</td>
<td>.00 to .36</td>
<td>.08</td>
<td>2.41</td>
<td>5.94</td>
</tr>
<tr>
<td>2009</td>
<td>.10</td>
<td>.05</td>
<td>.00 to .81</td>
<td>.16</td>
<td>2.58</td>
<td>7.01</td>
</tr>
<tr>
<td>2010</td>
<td>.13</td>
<td>.07</td>
<td>.00 to .85</td>
<td>.16</td>
<td>2.40</td>
<td>6.37</td>
</tr>
<tr>
<td>2011</td>
<td>.15</td>
<td>.11</td>
<td>.00 to .93</td>
<td>.16</td>
<td>2.00</td>
<td>6.19</td>
</tr>
</tbody>
</table>

SD= Standard Deviation
Table 4. Agency Percentage of Expenditures with MBEs, 2007-2011 (N = 90).
Figure 3. Mean agency expenditure percentage as a function of total expenditures of the agency, 2007-2011.

**Number of MBEs Registering with State Agencies**

As shown in Figure 4, the number of MBEs registered with the state of Ohio increased substantially after Executive Order 2008-S13 (2008) was applied. Because there was a strong increase in MBE registrations after the executive order was implemented, it could be disputed that the policy had the desired effect of increasing the number of MBEs registering with the state. As mentioned in Outreach, earlier in this chapter, agencies assisted MBEs at the state of Ohio outreach programs. As depicted in Figure 4, the number of MBEs registering with state agencies increased across time, ($\chi^2(4) = 11.47, p = .022$). The increase was primarily due to an increase with registrants in cabinet agencies (see Figure 5) and non-cabinet agencies (see Figure 6). There were
mixed results with colleges and universities (see Figure 7). Although more MBEs registered with the college and universities in 2009 and 2011, registration dropped in 2010 but it was higher than the number of registrations prior to the executive order.

![Bar Chart](image)

**Figure 4.** Number of MBEs registering with state agencies, 2007-2011.
Figure 5. Number of MBEs Registering with Cabinet Agencies, 2007-2011.

Figure 6. Number of MBEs Registering with Non-cabinet agencies, 2007-2011.
Results

Hypothesis 1: Change from Pre-implementation to Post-implementation

It was hypothesized that percentage of expenditures would increase with MBEs after Executive Order 2008-S13 (2008) was implemented in 2009. Thus, a mean composite of the 2007 and 2008 percentages was created and a mean composite of the 2009, 2010, and 2011 percentages was also produced. The nonparametric findings in Table 5 reveal that the median percentage of expenditures increased significantly following the implementation of the executive order in 2009 ($z = 7.38, p = .001$). The parametric findings in Table 5 reveal a similar pattern of findings: the mean percentage
Expenditures increased significantly after the executive order was implemented in 2009 ($t(89) = -11.79, p = .001$).

<table>
<thead>
<tr>
<th>Year</th>
<th>Median</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 to 2008</td>
<td>.01</td>
<td>.03</td>
</tr>
<tr>
<td>2009 to 2011</td>
<td>.09</td>
<td>.13</td>
</tr>
</tbody>
</table>

Table 5. Medians and Means for Percentages of Expenditures Pre- and Post-implementation of Executive Order 2008-S13 ($N = 90$)

In summary, the findings provide support for Hypothesis 1, that there would be a significant increase in agency expenditures following implementation of Executive Order 2008-S13 (2008) in 2009.

**Hypothesis 2: Differences Among the Types of Agencies**

**Hypothesis 2a.** It was hypothesized that reporting compliance, training, and MBE outreach from 2009 to 2011 would differ across types of agency and that cabinet agencies would have the highest mean compliance, training, and outreach incidences. The MANOVA findings indicate that reporting compliance, training, and outreach efforts varied significantly across types of agency, $F(6, 170) = 14.31, p = .001$. The univariate findings (see Table 6) reveal that reporting compliance scores varied significantly across type of agency, $F(1, 87) = 9.16, p = .001$. The first planned contrast findings indicate that cabinet agencies ($M = 2.48, SD = .59$) did not comply significantly more than did schools ($M = 2.14, SD = .95 p = .268$). The second planned contrast findings reveal that cabinet
agencies complied significantly more than did non-cabinet agencies ($M = 1.57, SD = .97; p = .001$).

Training scores also varied significantly across type of agency, $F(1, 87) = 17.07, p = .001$. The first planned contrast findings indicate that cabinet agencies ($M = 2.30, SD = .82$) did participate in more training than did schools ($M = 2.14, SD = .86, p = .317$). The second planned contrast findings reveal that cabinet agencies participated in significantly more training than did non-cabinet agencies ($M = 1.08, SD = 1.00, p = .001$).

Outreach scores differed significantly across type of agency, $F(1, 87) = 47.15, p = .001$. The first planned contrast findings indicate that cabinet agencies ($M = 2.91, SD = .299$) made significantly more outreach attempts than did schools ($M = 1.71, SD = 1.20, p = .268$). In addition, the second planned contrast findings reveal that cabinet agencies had significantly more outreach programs than did non-cabinet agencies ($M = .79, SD = .95, p = .001$).
<table>
<thead>
<tr>
<th>Agency</th>
<th>Cabinet Agencies</th>
<th>Schools or Universities</th>
<th>Non-cabinet Agencies</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M$</td>
<td>$SD$</td>
<td>$M$</td>
<td>$SD$</td>
<td>$M$</td>
</tr>
<tr>
<td>Reporting Compliance</td>
<td>2.48</td>
<td>.59</td>
<td>2.14</td>
<td>.95</td>
<td>1.57</td>
</tr>
<tr>
<td>Training &amp; Education</td>
<td>2.30</td>
<td>.82</td>
<td>2.14</td>
<td>.86</td>
<td>1.08</td>
</tr>
<tr>
<td>Outreach</td>
<td>2.91</td>
<td>.29</td>
<td>1.71</td>
<td>.120</td>
<td>.79</td>
</tr>
</tbody>
</table>

Table 6. Means, Standard Deviations, and ANOVA Results for Compliance, Training, and Outreach Across Type of Agency, 2009-2011

Altogether, these findings provide support for Hypothesis 2a, that reporting compliance, training, and MBE outreach from 2009 to 2011 differed across agencies. Specifically, cabinet agencies complied and had more training programs than did non-cabinet agencies. Cabinet agencies also had more outreach programs than did schools and universities as well as non-cabinet agencies.

**Hypothesis 2b.** It was hypothesized that change in percentage of expenditures from pre- to post-implementation of Executive Order 2008-S13 (2008) would differ across type of agency and that cabinet agencies would have the highest mean change in percentage of expenditures. A difference in percentage score (i.e., between 2008 and
(2011) was calculated. Because the difference score was distributed normally, it was appropriate to use an ANOVA procedure.

The ANOVA findings summarized in Table 7 reveal that the change in percentage of expenditures varied marginally across type of agency, $F(2, 87) = 2.82, p = .065$. The first planned contrast results indicate that the change in percentage of expenditures for cabinet agencies ($M = .14, SD = .10$) was significantly greater than the change in percentage for schools ($M = .02, SD = .14 p = .021$). The second planned contrast results reveal that the change in percentage of expenditures for cabinet agencies was not significantly greater than the change in percentage for non-cabinet agencies ($M = .10, SD = .16; p = .373$). Therefore, the findings only partially support Hypothesis 2b.

<table>
<thead>
<tr>
<th>Type of Agency</th>
<th>$M$</th>
<th>$SD$</th>
<th>$F$</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabinet agency</td>
<td>.14</td>
<td>.10</td>
<td>2.82</td>
<td>.065</td>
</tr>
<tr>
<td>School</td>
<td>.02</td>
<td>.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cabinet agency</td>
<td>.10</td>
<td>.16</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7. Means, Standard Deviations, and ANOVA Results for Change in Percentage of Expenditures Across Type of Agency, 2008-2011

Hypotheses 3 to 5: Predictors of the change in agency expenditure percentage with MBEs. Hypotheses 3 through 5 address change in percentage of expenditures.

Change in percentage of expenditures. It was hypothesized that compliance, training, and outreach would positively predict the change in the percentage of
expenditures from pre- to post-implementation. A difference in percentage score (i.e., between 2008 and 2011) was calculated and regressed on total reporting compliance, training, and outreach scores from 2009 to 2011. Because the difference in score was distributed normally, it was appropriate to use a linear regression procedure. Tolerance values for the independent variables ranged from .60 to .62, thus indicating that there were no multicollinearity problems.

The findings in Table 8 reveal that, after controlling for outreach and compliance, training significantly predicted the change in the percentage of expenditures, $\beta = .32$, $p = .016$. The more efforts to train were made by the agencies, the higher the mean change in the percentage of expenditures. After controlling for training and compliance, outreach marginally predicted the change in the percentage of expenditures, $\beta = -.24$, $p = .067$. Note that the coefficient was negative. Thus, the more efforts at outreach were made by the agencies; the lower the mean change in percentage of expenditures. After controlling for training and outreach, compliance marginally predicted the change in the percentage of expenditures, $\beta = .22$, $p = .088$; the more times the agencies complied with the reporting requirements of Executive Order 2008-S13 (2008), the higher was the mean change in the percentage of expenditures.
<table>
<thead>
<tr>
<th>Variables</th>
<th>β</th>
<th>SE</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>--</td>
<td>.03</td>
<td>.41</td>
<td>.682</td>
</tr>
<tr>
<td>Training</td>
<td>.32</td>
<td>.02</td>
<td>2.46</td>
<td>.016</td>
</tr>
<tr>
<td>Outreach</td>
<td>-.24</td>
<td>.01</td>
<td>-1.86</td>
<td>.067</td>
</tr>
<tr>
<td>Compliance</td>
<td>.22</td>
<td>.02</td>
<td>1.68</td>
<td>.088</td>
</tr>
</tbody>
</table>

**Note.** Model $F(3, 86) = 4.73, p = .004$. Model $R^2 = .142$.

Table 8. Linear Regression Results for the Change in Percentage of Expenditures, 2008-2011 ($N = 90$)

Therefore, only Hypothesis 4 was supported: training positively and significantly predicted the change in percentage of expenditures. Outreach (Hypothesis 3) and reporting compliance (Hypothesis 5) did not significantly predict the change in percentage of expenditures.

**Substantive Implications**

**Theoretical**

The findings from this analysis offer insight from both a theoretical and applied perspective. Theoretically speaking, this study uncovered that proximity to the sovereign does contribute to higher levels of government expenditures over time with MBEs. Descriptively, Figure 6 illustrates the findings by pointing out that cabinet agencies spent the most money with MBEs after the implementation of Executive Order 2008-S13 (2008), followed by increased spending by non-cabinet agencies. Furthermore, Table 8
found that cabinet agencies increased their MBE expenditures significantly more than did
the most autonomous agency type (colleges and universities) after the implementation of
the executive order. This insight supports the literature where less managerial/
authoritative control may result in less agency/employee compliance (Weber, Roth, G., &

Although not significant, one of the most intriguing findings in this analysis was
that outreach was negatively associated with the percentage change of agency
expenditures. This finding goes against a substantial portion of the literature, which
posited that outreach is a critical component to implementation success (Hossain &
Phillips, 1996; Lazarus, 2006). This finding also reveals that having poor outreach
outcomes does not necessarily negate the effectiveness of a policy at improving
procurement of MBEs by an agency.

Consequently, higher levels of reporting compliance by agencies (threat of
economic sanction) did not have a significant relationship to the change of expenditures.
This finding, too, goes against the literature that punitive consequences can change
behavior (Mazmanian & Sabatier, 1983). However, reporting compliance over time was
nearing significance at the .05 level, which leads to the conclusion that with more data,
the variable could be retested to ascertain if it becomes statistically significant.

Practical Applications

There were several important practical public management questions addressed in
this study. The question about the effectiveness of Executive Order 2008-S13 (2008) was
directly addressed. Furthermore, this study provides inferential answers to the questions of relevance and sustainability of the executive order.

**Effectiveness**

Executive Order 2008-S13 (2008) was effective at changing procurement behavior and increasing agency expenditures with MBEs. It was also successful in creating a twofold increase in the number of MBEs registering to do business with the state of Ohio. Policy makers can reference these findings by continuing to focus on education and training as well as introducing enhanced economic sanctions and outreach programs to elicit better performance. Furthermore, new reporting and sanctioning procedures may need to be created specifically for colleges and universities because they have traditionally functioned more autonomously than have the other two agency types, and this difference may have led to their MBE expenditures remaining relatively flat over time.

**Relevance**

Relevance is applicable to the implementation of Executive Order 2008-S13 (2008) as a matter of importance for society. Based on historically low governmental expenditures with MBEs, there was a need for government intervention to facilitate change. As with many government interventions, Newton’s (1687/1729) law of inertia stated, “An object at rest will remain at rest unless acted on by an unbalanced force. An object in motion continues in motion with the same speed and in the same direction unless acted upon by an unbalanced force” (Newton, 1687/1729). Applied to this
executive order, Newton’s law is correlated with agency procurement behavior (object at rest/same motion and direction), and government action (unbalanced force). Expressed differently, in order to change the current non-inclusive purchasing habits of agency procurement professionals, Executive Order 2008-S13 had to be introduced.

Second, the overarching proposition of then-Governor Strickland to craft Executive Order 2008-S13 (2008) was that it was for the betterment of society to do business with viable MBEs in the state of Ohio. His proposition aligns with Rawls (1999), who argued distributive justice should undergird economic and political decisions. Furthermore, Rawls posited that economic and political determinations must include equality and fairness in order to be successful. From these perspectives, Executive Order 2008-S13 can be viewed as a success for Governor Strickland’s administration. Strickland was able to change internal procurement practices while improving relations with a growing minority population in the state of Ohio. Scholars such as Worthington, Ram, Boyal, and Shah (2008) have written extensively about the “browning of America” and the explosive growth of MBEs across America. The exponential growth of MBEs from the perspectives of both economic development and job creation has refocused some politicians’ efforts at creating and/or strengthening set-aside programs or at least creating something of similar effect to a set-aside program, but perhaps calling it by a different name. Executive Order 2008-S13 may provide some guidance to other cities, states, or federal agencies on how to develop and implement a successful set-aside program for government contracting.
The results from this study can also provide value to MBEs in the state of Ohio. These results illustrate that MBEs should allot time and resources to working on obtaining contracts with cabinet agencies. Secondarily, MBEs should also focus on non-cabinet agencies. This new focus is not to say that MBEs cannot secure opportunities with colleges and universities, however, MBE growth with this agency type may be slower, as compared to the other two types.

**Sustainability**

A question that follows any policy implementation is whether it will be sustainable. Although the primary focus of this study was examining the effectiveness of Executive Order 2008-S13 (2008), the question of sustainability must also be addressed. According to Mazmanian and Sabatier (1980), there can be a “gradual erosion scenario” (p. 555) in which committed and well-trained staff departs or there is a loss/change in the major proponent (i.e., governor and his appointed cabinet) of the mandate. Figure 8 illustrates a potential gradual erosion scenario for this executive order.
In Ohio, then-Governor Ted Strickland, a Democrat and the proponent of Executive Order 2008-S13 (2008) was defeated by his Republican opponent, John Kasich, in November 2010 (which is midway through the 2011 fiscal year in Ohio). The transition of administrations is a reflection on Matland’s (1995) perspective: having committed and well-trained subunits is necessary for a successful policy implementation.
Because the majority of expenditure growth was found to have occurred with cabinet agencies appointed by the governor, it stands to reason that if the new governor and his supporting cabinet leaders are not as committed as his predecessor, the level of cabinet agency expenditures with MBEs will erode over time. To illustrate this point, Governor Kasich slashed the operating budget that supported Executive Order 2008-S13 initiatives by 50% in his 2012 fiscal budget (Ohio Office of Budget and Management, 2012). The 2012 MBE Scorecard showed a small decrease (erosion) of $3 million of agency expenditures with MBEs, as compared to 2011. Understanding the role of politics in the implementation process would add substantive value to determining the likelihood of its sustainability (Mazmanian & Sabatier, 1983). Subsequent analysis comparing Democratic and Republican leadership decisions on agency expenditures with MBEs hold great promise.

In conclusion, the findings in this chapter do not dismiss the importance of outreach or reporting compliance (economic sanctions) for a successful policy implementation; however, it suggests that maybe with slightly modified and/or enhanced outreach programs and sanctioning techniques, agencies would obtain better expenditure results. In order to accomplish this objective, more longitudinal data and analysis would be required.

Chapter 4 addresses the implementation of Executive Order 2008-S13 (2008) from a different perspective. In Chapter 3, agency type, outreach, education and training, and reporting compliance were identified as important contributing variables to the level
of expenditures state agencies made with MBEs. Chapter 4 extends this investigation by examining how various agency characteristics may play a role in the ability of an agency to meet its expenditure goals. In Chapter 3, agency type was found to have significance as it relates to the change in agency expenditures; Chapter 4 addresses which agency characteristics (e.g., budget size, number of employees, leadership, and year established) are of importance.

Chapter 4 will also move the literature forward by investigating how different procurement needs by agencies may affect their ability to meet their set-aside goals. These variables will help ascertain if government expenditures with MBEs is also dependent upon what types of purchases (e.g., purchases or contracted services, expendable goods and supplies, durable goods, and capital items) an agency will need to make in a given year in order to meet its objectives. Little research has been done to understand if government agencies do not buy from MBEs simply because they may not offer the goods and services state agencies need as compared to their non-minority competition. Chapter 4 seeks to address these deficiencies in the literature.
Chapter 4: Do State Agency Characteristics Affect Government Expenditures with Minority Business Enterprises?

Introduction

During the presidencies of Ronald Reagan (1981-1989) and George H. W. Bush (1989-1992) the country persevered through two significant recessions. In order to improve the economic condition of the nation and spur growth, fiscal and monetary policies were implemented to assist the private sector. Simultaneously, both administrations sought answers to improve fiscal inefficiencies at the federal government (Labonte & Makinen, 2002). To address the financial inadequacies of government, private-sector practices such as contracting out goods and services as well as strategic planning initiatives were expanded into the public policy arena at the federal level, which filtered down to improve expenses at the state and local levels of government (Berry, 1994).

While government procurement proficiencies were being employed, implementation of minority set-aside programs was gaining momentum in public-sector contracting. Beyond the moral obligation of correcting past discriminatory practices by government agencies against minority businesses, the concept of contracting out government bids permitted agencies to find ways to obtain goods and services at the best
possible cost, while diversifying its supplier base (see Chapter 2 for a detailed explanation). According to transaction cost economics literature, contracting out services incorporates strategic planning into the make-or-buy decision (Williamson, 1981). It also takes into account how to properly employ the correct managerial decision techniques to minimize transaction costs throughout the supply chain (Williamson, 1979). The shortcoming of transaction cost economics in certain public policy applications is that it fails to capture the ethos of government. Consequently, government only provides quality goods and services at the best price (whether made internally or purchased externally) to its citizens, but government does not incorporate the values and principles of equity and fairness into its economic decision-making process (Rawls, 1985).

Under the direction of the Reagan and Bush administrations, public policy practitioners and scholars began to introduce similar private-sector techniques under slightly different names into the public sector, such as New Public Management, which several public policy scholars articulated was a modified version of the private sector Strategic Management and Total Quality Management theories (Eksi, 2003; Vinni, 2007). However, some researchers in the public policy arena would argue that New Public Management as a theory does not formally address the underlying question of how the characteristics of an organization may impact its managers’ abilities to implement a strategic plan (Rainey, 1991). Moreover, the importance of the characteristics of a firm on its ability to innovate, take advantage of market opportunities, disseminate information internally and externally, and implement new policies and procedures has a
rich history in the industrial and organizational literatures (Baldrige & Burnham, 1975; Cyert & March, 1963). Therefore, in an effort to expand the literature, the effect of the characteristics of agency leadership, size, and year of founding relative to government agency expenditures with MBES was examined using organizational theory under the broader theoretical lens of the implementation framework developed by Mazmanian and Sabatier (1980).

Employing the implementation framework (Mazmanian & Sabatier, 1980) allows for the testing of previous literature that firm size and financial resources improve organizational performance (Mohr, 1969; Rogers, 1983). To date, the literature is sparse and has provided mixed results as to the importance of ethnicity and gender on the performance of a firm (Carbado & Gulati, 2004). This study further sought to advance the literature by investigating if minority leadership within an agency would increase its expenditures with MBES. Lastly, this study will improve upon the scant findings of how different procurement requirements of state agencies may have an association with the ability of the agency to purchase from MBES, specifically determining whether exploration of the procurement needs of state agencies are congruent with the goods and services that MBES offer. If there is incongruence, it could be posited that some state agencies may never be able to meet their MBES set-aside goals. On the other hand, if purchases of state agencies are congruent with the goods and services offered by MBES, they should be able to make gains toward reaching their set-aside goals.
In order to investigate these important questions, I examined the set-aside program in the state of Ohio known as Executive Order 2008-S13 (2008). Initiated in fiscal year 2009 in Ohio, the purpose of the executive order was to increase state agency eligible expenditures to 15% with MBEs in the state of Ohio. Chapter 3 primarily focused on how various management tools (e.g., education and training, agency outreach to MBEs) and outside stimuli (reporting compliance oversight) affect government procurement with MBEs and concluded there was evidence that agencies that participated in education and training had a significant positive association with the expenditures of an agency with MBEs. As noted in Chapter 3, it was also found that agency type was significantly associated with the level of expenditures that agency had with MBEs. Moreover, it was revealed that cabinet agencies had the highest change in the percentage of expenditures with MBEs, followed by non-cabinet agencies, and then by colleges and universities. Based on these findings, one could posit that the closer an agency is located to the sovereign (governor), the higher its level of expenditures with MBEs.

Conversely, Chapter 3 did not scrutinize the characteristics of the agencies, which may offer additional insight into why some agencies outperform others with respect to their eligible expenditures with MBEs in Ohio. This chapter examines if the characteristics of the leadership of an agency (leaders’ gender/ethnicity), eligible budget size, number of employees, procurement across four categories (i.e., purchases or contracted services, expendable goods and supplies, durable goods, and capital items) and founding year of the agency has a direct correlation to agency expenditures with MBEs.
Chapter 4 is organized as follows: First, the existing research on organizational and implementation theories is leveraged in order to develop my hypotheses. Next, the data, methodology, and analysis are presented based on the evidence. In conclusion, the findings, theoretical and practical implications, and potential limitations of the study are examined and extracted.

**Previous Research and Hypotheses**

**Procurement Across Categories**

To date, the supply chain literature has been limited as it relates to the purchasing habits of state agencies and how their procurement practices may inhibit or accelerate their abilities to do business with MBEs. Moreover, previous set-aside research has primarily focused on issues related to the MBEs having scalability, financial stability, and quality goods or services (LaNoue, 1994). Furthermore, researchers have spent considerable time demonstrating that the majority of MBEs are relegated to commodity-type businesses with high competition, low margin, and little innovation (Bates, 2001). Swearingen and Plank (1997) posited that the MBE limitations make it challenging to do business with MBEs. However, an assessment of the procurement requirements of state agencies has not been thoroughly examined. This research takes a novel approach by scaffolding the procurement needs of state agencies over the goods and services that MBEs offer. By scaffolding the procurement needs of state agencies over the goods and services offered by MBEs, the research should reveal why some state agencies may be able to reach their MBEs set-aside goals while other state government entities are not
To add clarity, the state of Ohio delineates its purchasing of goods and services into four different categories (Ohio Office of Budget and Management, 2012). The classifications are as follows:

- **Category 51**: Purchases and/or contracted services (e.g., consultants)
- **Category 52**: Expendable goods and supplies (e.g., construction, utilities, gasoline, postage, paper, pens, repairs, and travel)
- **Category 53**: Durable goods (e.g., computers, furniture, vehicles)
- **Category 57**: Capital items (e.g., land or buildings)

I posited that the highest numbers of MBEs would be listed in categories 51 and 52. This position is predicated on guidance from the literature, which stated that MBEs are more likely to be service-based industries and in commodity-type businesses (Bates, 2001; Swearingen & Plank, 1997). Detailed analyses determining which categories state agencies procure from MBEs were compared to determine if there was congruence in the expenditures of the agencies.

**Minority Leadership**

With the election of the first African American president in the United States in 2008 and subsequent reelection victory in 2012, many pundits have argued that America has moved into a post-racial society. President Obama’s election also led to the second
appointment of a female U.S. secretary of state, Hillary Clinton. Obama’s triumph and Clinton’s subsequent appointment reignited conversations about the validity of what some call the glass ceiling for women and minorities. Many Americans argue that hard work and merit are truly the primary drivers to success, as opposed to advancement being predicated on membership into the “good ol’ boys” network (Bates, 2001; Cotter, Hermsen, Ovadia, & Vannenan, 2001). This structure historically excluded minorities and women from many employment and entrepreneurial opportunities (Bates, 2001).

According to Cotter et al. (2001), the glass ceiling many women and minorities encounter as an obstacle in corporate settings remains in place. The disparity between women and minorities and their White male counterparts became so evident in the private sector that a federal commission was set up to investigate the matter and to develop recommendations to close the disparity gap. The Federal Glass Ceiling Commission (1995) concluded that there were vast disparities for both women and minorities in career matriculation into private-sector senior management positions, as compared to their White male counterparts. Furthermore, the commission articulated that significant pay inequalities continue to exist between White men and minorities, which include women. The Federal Glass Ceiling Commission recommended corporations create robust recruiting and training programs to attract and retain minorities and women. According to the commission, corporate culture should be retooled in order to be more inclusive of minorities and women. In a similar finding published by the Office of Personnel Management called Civil Service 2000 (Johnston, 1994), the agency supported the study
by the Federal Glass Ceiling Commission that the federal government has similar exclusionary practices against minorities and women (Cornwell & Kellough, 1994). JOHNSTON’S (1994) report concluded that although there was vast improvement over the last 20 years with minorities and women attaining equitable pay and attaining higher management levels in government, there was still a substantial disparity gap (MARTIN, 2010). As recently as 2011, the U.S. Census Bureau reported women are paid 77% of what their White male counterparts are paid for the same position. Furthermore, a 2011 article by J. Smith reported similar findings between minority pay, as compared to the pay of White men, especially in more technical fields such as engineering and architecture.

In the private and public sectors, the question of which “kind” of minority or woman matriculates the corporate or governmental ladder has only been recently studied. According to CARBADO AND GULATI (2004) and CARLI AND EAGLY (2001), most minorities have to assimilate in order to matriculate. They found that the assimilation process minorities and woman go through in order to reach senior management levels alienates them from other lower or mid-level minority and female employees. Researchers further posited that this chasm reduces the likelihood of the assimilated minority or woman ascending the corporate ladder to open doors of opportunity for other minorities and women to walk through. Carbado and Gulati illustrated that women who matriculate to senior levels at corporations do not hire any more women than did their White male executive counterparts.
The leadership literature is mixed on the financial performance of private corporations headed by minorities and women. Smith, Smith, and Verner (2006) found that having female representation on corporate boards and in the CEO position had positive impacts on firm performance. Orlando (2000) supported this narrower research, stating a culturally diverse staff has a positive impact on firm performance in the banking industry. In contrast, scholars such as Adams and Ferreira (2009) found a negative impact on the financial performance of a firm with more senior-level female employees. Roberson and Park (2007) found a U-shaped curvilinear relationship between minority leadership and firm performance. Specifically, Roberson and Park discovered an initial decrease in firm performance with increases in minority leadership; however, as more diversity was continually introduced over time, improvement in firm performance occurred.

From a public procurement standpoint, this study builds on recent research on set-aside programs at the federal level conducted by Smith and Fernandez (2010). Smith and Fernandez (2010) examined the number of contracts awarded to MBEs from the representative bureaucracy theoretical framework. They found that agencies that had high proportions of minorities in leadership supported MBEs with increased levels of expenditures through government contracts.

This study specifically examined if female and minority leadership in a state governmental agency has an effect on the ability of the agency to implement Executive Order 2008-S13 (2008) and meet its 15% MBE expenditure goal. Secondarily, it
indirectly tested the theory of social justice, meaning if an agency headed by a minority or woman spends more of its eligible budget with MBEs, it could be hypothesized that the woman or minority finds value in working with MBEs by affording them opportunities to obtain government contracts. Based on guidance from the literature, Hypothesis 1 was proposed:

Hypothesis 1: Agencies with minority leadership will have a higher percentage change in expenditures with MBEs than will agencies without minority leadership.

**Founding Year**

The literature offered insight into how the age of a firm may influence its financial performance. Additionally, the year in which an organization was founded can provide insight into its willingness to try new technologies and strategies (Majumdar, 1997). Many scholars posited that older organizations tend to be less innovative than are younger firms; furthermore, more established agencies are more apprehensive about implementing new strategies than are less established companies (Huergo & Jaumandreu, 2003).

In this study, a slightly different perspective was introduced. This research examined state agencies that were established prior to Civil Rights legislation (i.e., prior to 1964), in contrast to organizations created following the Civil Rights legislation. I posited that agencies established after Civil Rights legislation was enacted would have higher expenditures with MBEs, as compared to those established before Civil Rights
legislation for two reasons. First, agencies that were created after Civil Rights legislation would and should already have instilled a clear understanding of Civil Rights laws and how to incorporate the laws into the organization as opposed to those created prior to the inception of Civil Rights mandates. Second, agencies that were established after Civil Rights are relatively newer agencies and would be more receptive to change. To test the above, I offer Hypothesis 2:

Hypothesis 2: Agencies founded after 1964, when Civil Rights legislation was enacted, will have a higher percentage of change in expenditures than will agencies founded before 1964.

Agency Size

The agency size is examined in this study by means of two mechanisms. First, the eligible budget size of the agency was examined. Second, the number of employees that work within the agency was used in order to derive the variable of agency size.

Budget Size

The organization and strategy literatures speak to the importance of financial resources and the ability of a firm to innovate and implement new strategies (Cyert & March, 1963). Researchers have almost unanimously agreed that the larger the budget of an organization, the more likely there is to be slack financial resources to allocate across various strategies, and those excess financial resources are used to obtain a competitive advantage over the competition (Barney, 1991; Penrose, 1959). Expanding on the strategy and organizational literatures findings, both Mazmanian and Sabatier (1980) and
Montjoy and O’Toole (1979) explicitly stated that financial resources are a key element to the success of any governmental policy implementation.

The hypotheses in this study were fairly straightforward. They built on prior literature that suggested state agencies with larger budgets (slack financial resources) are able to implement Executive Order 2008-S13 (2008) and reach their MBE expenditure goals more than are agencies with smaller budgets (May & Burby, 1996).

**Number of Employees**

In line with the overarching position of slack financial resources, another type of resource, that being the concept of human capital, was investigated. In order to implement new technologies and/or policies in any organization, a sufficient number of employees are required. Hansen and Wernerfelt (1989) found a strong positive relationship between financial performance and organization size. Human capital as viewed from the transaction cost economics (Williamson, 1981), resourced-based view (Barney, 1991), and the human capital theory (Lepak & Snell, 1999) all posit that human capital plays an important part of firm success, whether in outsourcing decisions or obtaining a sustainable competitive advantage.

Chapter 3 demonstrated that having a well-educated and well-trained procurement team increased agency expenditures with MBEs. In Chapter 4, a slightly different approach is employed to investigate if the numbers of employees an agency has at its disposal to meet its MBE set-aside goal better enabled the organization to meet its objectives, as compared to agencies with small numbers of employees. In other words, is
an organization better able to implement a policy by having more human capital? Based on guidance from the literature, the author posited Hypothesis 3:

Hypothesis 3: Agency size will be positively associated with the percentage change in expenditures.

Data and Methods

The data in Chapter 4 cover 75 cabinet and non-cabinet (one non-cabinet agency was dropped due to insufficient data) state agencies located in Ohio and were obtained through two vehicles: the state of Ohio MBE Scorecard (Carter, 2008, 2009, 2010, 2011), which captures state agency expenditures with MBEs from 2008-2011, and agency characteristics and procurement across categories data was obtained from the Ohio Office of Budget and Management (2013) database.

Preliminary Data Screening Procedures

All variables were measured using an interval or ratio scale and were tested for normality prior to testing the hypotheses. Per Kline (2005), variables with a skew index above 3 were deemed to be non-normally distributed. Variables with a skew index above 3 were transformed accordingly.

The two variables that were proxies of agency size were eligible budget and number of employees. Because both variables were highly associated with each other (i.e., Pearson’s correlations were all significant at .001), a single agency size variable was created using the following calculation:

\[
\text{Single Agency Size} = \frac{\text{Eligible Budget}}{\text{Number of Employees}} \times 100
\]
Lastly, in an effort to build on the findings from Chapter 3, reporting compliance, agency outreach, and training and education were included in this analysis as control variables.

**Descriptive Statistics**

The skewness and kurtosis statistics for the variables measured using an interval or ratio scale are presented in Table 9. The change in percentage and mean agency size variables were highly skewed. Thus, the variables were transformed using a natural log function. The skew index of the transformed variables fell below 3; the transformed variables were thus used in subsequent procedures.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Skew</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in percentage between 2011 and 2008</td>
<td>1.01</td>
<td>1.38</td>
</tr>
<tr>
<td>Sum of training efforts from 2009 to 2011</td>
<td>.12</td>
<td>-1.28</td>
</tr>
<tr>
<td>Sum of outreach efforts from 2009 to 2011</td>
<td>.07</td>
<td>-1.67</td>
</tr>
<tr>
<td>Sum of compliance efforts from 2009 to 2011</td>
<td>-.43</td>
<td>-.77</td>
</tr>
<tr>
<td>Mean agency size from 2008 to 2011</td>
<td>5.89</td>
<td>38.96</td>
</tr>
</tbody>
</table>

Table 9. Skewness and Kurtosis Statistics for Study Variables \((N = 75)\)
Description of Organizational Variables

The frequencies and percentages for the variables describing the agencies are summarized in Table 10. The majority of the agencies was non-cabinet (69.3%), founded after Civil Rights legislation (62.7%), and led by non-minorities (65.3%).

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cabinet</td>
<td>23</td>
<td>30.7</td>
</tr>
<tr>
<td>Non-cabinet</td>
<td>52</td>
<td>69.3</td>
</tr>
<tr>
<td>Date founded</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior to Civil Rights legislation</td>
<td>28</td>
<td>37.3</td>
</tr>
<tr>
<td>After Civil Rights legislation</td>
<td>47</td>
<td>62.7</td>
</tr>
<tr>
<td>Ethnicity of leadership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-minority</td>
<td>49</td>
<td>65.3</td>
</tr>
<tr>
<td>Minority</td>
<td>26</td>
<td>34.7</td>
</tr>
</tbody>
</table>

Table 10. Frequencies and Percentages, 2008-2011 Agency Variables (N = 75)

Agency Expenditures

The mean percentage of expenditures (as a function of the total expenditures of an agency) per category is depicted in Figure 9 and presented in Table 4.3. Most MBEs consisted of Personal Services and Supplies and Maintenance firms. Similarly, both
cabinet and non-cabinet agencies’ expenditures were from Personal Services as well as Supplies and Maintenance.

![Bar chart showing mean percentages of expenditures across cabinet and non-cabinet agencies from 2008-2011.](image)

Figure 9. Mean Percentages of Expenditures Across Cabinet and Non-cabinet agencies, 2008-2011.
Table 11. Total Percentage of Expenditures Across Type of Agency, 2008-2011 (N = 75)

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Cabinet</th>
<th>Non-Cabinet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M$</td>
<td>$SD$</td>
</tr>
<tr>
<td>Personal services</td>
<td>.34</td>
<td>.22</td>
</tr>
<tr>
<td>Supplies and maintenance</td>
<td>.55</td>
<td>.21</td>
</tr>
<tr>
<td>Equipment</td>
<td>.06</td>
<td>.04</td>
</tr>
<tr>
<td>Capital items</td>
<td>.05</td>
<td>.19</td>
</tr>
</tbody>
</table>

Correlations Between Organization Characteristics and Change in Expenditures

Although change in percentage of expenditures, number of training sessions, number of compliance reports, number of outreach programs, and agency size were variables measured using an interval or ratio scale, the variables, type of leadership, and date agency was founded were categorical variables. Thus, Spearman’s Rho correlation procedures were conducted between the study variables. The findings in Table 11 reveal that number of training sessions, compliance reports, and outreach programs were positively associated with the change in percentage of expenditures. In addition, the number of compliance reports, outreach programs, and agency size were positively associated with number of training sessions. Date of company founding, however, was negatively associated with number of training sessions; companies founded after 1964 (when Civil Rights legislation was enacted) had fewer training sessions than did companies founded prior to 1964. Third, number of outreach programs and agency size
were positively correlated with the number of compliance reports, but date of company founding was negatively associated with number of compliance reports; companies founded after 1964 (when Civil Rights legislation was enacted) submitted fewer compliance reports than did companies founded prior to 1964. Finally, number of outreach programs was positively associated with agency size.
<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Change in percentage of expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Number of training sessions</td>
<td></td>
<td></td>
<td>.38***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Number of compliance reports</td>
<td></td>
<td>.23*</td>
<td></td>
<td>.63***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Number of outreach programs</td>
<td></td>
<td></td>
<td>.37***</td>
<td>.63***</td>
<td>.57***</td>
<td></td>
</tr>
<tr>
<td>5 Non-minority vs. minority leadership</td>
<td>.11</td>
<td>- .00</td>
<td>-.11</td>
<td>.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Founded prior to 1964 vs. after 1964</td>
<td>-.19</td>
<td>-.33**</td>
<td>-.30**</td>
<td>-.21</td>
<td>-.02</td>
<td></td>
</tr>
<tr>
<td>7 Agency size</td>
<td>.15</td>
<td>.59***</td>
<td>.78***</td>
<td>.50***</td>
<td>.01</td>
<td>-.22</td>
</tr>
</tbody>
</table>

*Note. *p < .05. **p < .01. ***p < .001.*

Table 12. Spearman’s Rho Correlations Between Organization Characteristics and Change in Expenditures for Agencies, 2008-2011 (N = 75)
Results for Hypotheses Tests

A linear regression procedure was conducted to test the three hypotheses. The control variables (i.e., number of training sessions, number of outreach efforts made, and number of compliance reports submitted) and the three independent variables were tested in one regression model. The regression model tested was as follows:

\[ Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i} + \epsilon_i \]

Where

- \( Y_i = \) Percentage in 2011 - percentage in 2008 for the \( i \)th agency
- \( X_{1i} = \) Number of trainings participated in from 2009-2011 for the \( i \)th agency
- \( X_{2i} = \) Number of times reporting documents were sent in on time from 2009-2011 for the \( i \)th agency
- \( X_{3i} = \) Number of outreach programs participated in from 2009-2011 for the \( i \)th agency
- \( X_{4i} = \) Type of leadership for the \( i \)th agency, where 0 indicated non-minority leadership and 1 indicated minority leadership
- \( X_{5i} = \) Date of founding for the \( i \)th agency, where 0 indicated agency was founded prior to 1964 and 1 indicated company founded after 1964
- \( X_{6i} = \) Size for the \( i \)th agency
- \( \epsilon_i = \) Standard error term
Change in Percentage as a Function of Minority Leadership (Hypothesis 1)

It was hypothesized that, after controlling for training, compliance, and outreach efforts, agencies with minority leadership would have a higher change of percentage in expenditures than would agencies with non-minority leadership. The findings in Table 13 reveal that, after controlling for the sum of training, outreach, and reporting compliance efforts, minority leadership did not significantly predict the change in percentage of expenditures, $\beta = 0.07$, $p = .511$. Therefore, Hypothesis 1 was not supported.

<table>
<thead>
<tr>
<th>Variables</th>
<th>$\beta$</th>
<th>SE</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>---</td>
<td>0.11</td>
<td>1.99</td>
<td>.051</td>
</tr>
<tr>
<td>Sum of training efforts</td>
<td>0.38</td>
<td>0.02</td>
<td>2.45</td>
<td>.017</td>
</tr>
<tr>
<td>Sum of outreach efforts</td>
<td>-0.02</td>
<td>0.02</td>
<td>-1.11</td>
<td>.916</td>
</tr>
<tr>
<td>Sum of compliance efforts</td>
<td>0.27</td>
<td>0.02</td>
<td>1.87</td>
<td>.066</td>
</tr>
<tr>
<td>Non-minority vs. minority leadership</td>
<td>0.07</td>
<td>0.03</td>
<td>0.66</td>
<td>.511</td>
</tr>
<tr>
<td>Founded prior to 1964 vs. after 1964</td>
<td>0.01</td>
<td>0.03</td>
<td>0.66</td>
<td>.954</td>
</tr>
<tr>
<td>Natural log of mean agency size</td>
<td>-0.31</td>
<td>0.01</td>
<td>-1.97</td>
<td>.053</td>
</tr>
</tbody>
</table>

Note. Overall model $F(6, 68) = 3.36, p = .006$. Overall model $R^2 = .229$.

Table 13. Ordinary Least Squares Linear Regression Results for Percentage of Expenditures as a Function of Minority Leadership, Year of Founding, and Agency Size ($N = 75$)
Change in Percentage as a Function of Date of Agency’s Founding (Second Hypothesis)

It was hypothesized that after controlling for training, compliance, and outreach efforts, agencies founded after 1964, when Civil Rights legislation was enacted, would have a higher percentage change in expenditures than would agencies founded prior to 1964. The findings in Table 13 indicate that, after controlling for the sum of training, outreach, and reporting compliance efforts, the year in which the agency was founded did not significantly predict the change in percentage of expenditures, $\beta = .01, p = .954$. Thus, Hypothesis 2 was not supported.

Change in Percentage as a Function of Agency Size (Hypothesis 3)

It was hypothesized that, after controlling for training, reporting compliance, and outreach efforts, agency size would be positively associated with the change in percentage of expenditures. The findings in Table 13 reveal that, after controlling for the sum of training, outreach, and reporting compliance efforts, agency size marginally predicted the change in percentage of expenditures, $\beta = -.31, p = .053$. Note that the sign of the coefficient was negative, thus indicating that the smaller the agency size, the larger was the change in percentage of expenditures. Thus, Hypothesis 3 was not supported.

Substantive Implications

Theoretical Implications

The results of these analyses inform theory in several ways. First, the analyses found that having a minority in a leadership position does not have a positive, significant
impact on changing the amount of expenditures a state agency had with MBEs in Ohio from 2008 to 2011. This empirical finding buttresses previous work by Carbado and Gulati (2004), who found that there was indeed a chasm between minority leadership and likelihood of doing business with MBEs. However, the insignificant result of minority leadership was not in alignment with the findings of Smith and Fernandez (2010), who found a positive, significant relationship between federal agencies that had senior minority purchasing managers and their level of expenditures with MBEs.

Second, the research found that bigger is not necessarily better. Large agencies with more resources, both human and financial, did not outperform the resource-constrained smaller agencies, as relates to expenditures with MBEs. This negative coefficient finding as it pertains to state agency size was in alignment with previous findings of Smith and Fernandez (2010), who found smaller federal agencies contracted more with MBEs. They posited that larger agencies may have contracts that are too large for MBEs to handle, which may have led to smaller contracting expenditures with MBEs. Based on my findings, this possibility may also hold true with Executive Order 2008-S13 (2008).

However, there is a caveat to this finding. Although the analysis was done with state agency expenditure percentages, it may simply be more difficult for state agencies with larger eligible budgets to spend the necessary dollars to meet their set-aside goal percentage. For example, if the Department of Administrative has a $100 million eligible budget, it would have to spend $15 million to reach its set-aside goal, as opposed to the
Barber Board, which may only have a $100,000 eligible budget. In this case, the Barber Board would only need to spend $150 to reach its goal. However, this shortcoming is mitigated to some degree by the state EEO officer, who examines the eligible budget of each state agency to determine its feasibility.

Third, the notion that the year in which an agency was founded has an influence on expenditures was also found to be not significant. Agencies set up prior to Civil Rights legislation performed in the same manner as those set up after this legislation. The literature posited that newer firms were more adaptable and open to implementing change (Huergo & Jaumandreu, 2003). The findings of the present study do not support this earlier research from a broader perspective. However, Huergo and Jaumandreu’s (2003) research was conducted in the private sector, which may explain some of the difference in results. Research by Bozeman and Bretschneider (1994) found that more public R&D laboratories have less innovation and efficiency, as compared to private laboratories because of more red tape and bureaucracy that was inherit in their processes because of the political environment in which they functioned.

In summation, the research has uncovered that agency characteristics in Ohio have a minimal relationship with their ability to implement a new set-aside policy. This new insight can be expanded to determine if this phenomenon holds true in other state and federal agencies as well as with different policy initiatives.
Practical Applications

My research finding that agency procurement by category is congruent with the goods and services offered by MBEs provides great insight for policy practitioners. This finding is noteworthy because it contradicts a historical argument made by procurement managers, which is that MBEs often do not provide the goods and services contracted out by government agencies (Bates, 2001). Dollinger and Dailey (1989) and Müller-Heidelberg (2003) both found that purchasing managers traditionally do not work with vendors beyond their networks. Furthermore, they posited that prejudice and discrimination also play a significant role in who they decide to do business with and who they exclude. Based on my findings, it could be inferred that these discriminatory practices still exist and that government intervention is still necessary to make government procurement more inclusive.

Research Shortcomings

There are some limitations to this study. First, the data set spans only four years. Implementation scholars have encouraged researchers interested in bringing a resurgence of the theory to conduct research over longer time periods to ensure the policy of interest is accurately assessed (Najam, 1995; Schofield, 2001). Second, although the data set covered all state agencies in Ohio (excluding colleges and universities), its ability to be replicated in other geographic locations with other types of policy initiatives will need to be tested to insure generalizability. Third, there is probability that potential variables that may have an influence on the analysis were not captured. Thus, the information shared
from the MBE Scorecard (Carter, 2008) is only as valid as the governmental employees who enter the data. Therefore, future research will be needed to be replicated and expanded to investigate this influence on agency expenditures with MBEs.
Chapter 5: Conclusions

Summary of Findings

This research examined the implementation of a set-aside program initiated by gubernatorial Executive Order 2008-S13 (2008) in Ohio. It empirically analyzed the effectiveness of government agencies in implementing the executive order from two perspectives. First, it investigated whether the decision of an agency to participate in various aspects of the executive order using agency outreach, training, and education, as well as reporting requirements produces a positive change in the expenditures of that agency with MBEs. To complement the agency decision-making analysis, this study also incorporated the concept of proximity to the sovereign to assess if nearness of an agency to the sovereign (i.e., governor) positively affects expenditures with MBEs. Second, it explored the impact of agency characteristics on the expenditures of an agency with MBEs.

There were seven major conclusions from this research. First, there was a significant increase in government expenditures with MBEs following implementation of Executive Order 2008-S13 (2008). Second, there was a twofold increase in the number of MBEs registering to do business with the state after implementation of the executive order. These two findings lend credence to the effectiveness of changing behavior
through a top-down executive order mechanism, as advocated by Mazmanian and Sabatier (1980).

Third, training and education were found to be an important variable related to creating a positive change in the expenditures of an agency with MBEs. This finding complements previous research on the importance of having a well-educated and well-trained management staff to enhance the chances of having a successful policy implementation (McFarlane & Gruebel, 2006). Fourth, the finding that the proximity of an agency to the sovereign (authority figure) has a positive association to expenditures of the agency with MBEs is complimentary to prior implementation literature findings (Mazmanian & Sabatier, 1983; Smith & Fernandez, 2010). Cabinet agencies demonstrated the highest change in their percentage of expenditures with MBEs, as compared to non-cabinet agencies. The findings also revealed that cabinet agencies participated in more MBE outreach programs, training and education programs, as well as submitted their reporting documents in the timeliest manner. These conclusions illustrate that the further agencies are from the sovereign’s control, the less effective they are at changing their behavior and historical low MBE procurement rates. These findings go against the position of the “bottom-uppers,” who argue that subordinates at the street level need decision-making autonomy in order to effectively implement policy (Lipsky, 1980).

Fifth, agency characteristics such as minority leadership, year of founding, and agency size do not play a significant role in determining why some state agencies spend
more with MBEs, as compared to other agencies. However, the negative relationship between MBE spending and state agency size was in alignment with previous findings of Smith and Fernandez (2010), who found smaller federal agencies contracted more with MBEs. Smith and Fernandez posited that larger agencies may have contracts that are too large for MBEs to handle, which may have led to smaller contracting expenditures with MBEs. Based on my findings, this matter of agency size may also hold true with Executive Order 2008-S13 (2008). The insignificant result of minority leadership was not in alignment with the findings of Smith and Fernandez, who found a positive significant relationship between federal agencies that had senior minority purchasing managers and their level of expenditures with MBEs. Therefore, my research does not corroborate the findings of Smith and Fernandez about the importance and influence of minority leadership at the federal level.

These findings provide more questions as to the value of studying the influence of organizational characteristics on public agency performance at the state level. For example, are state agency characteristics a nonfactor, as compared to the previous results in the literature of their importance in the ability of a firm to perform in the private sector or in the public sector at the federal level (Cyert & March, 1963; Hansen & Wernerfelt, 1989; Majumdar, 1997; Smith & Fernandez, 2010)?

Sixth, there was found to be a gradual decrease in expenditures with MBEs after the proponent of the executive order was no longer active in the implementation process. This finding corroborates previous research by Mazmanian and Sabatier (1980), who
articulated the importance of the policy initiator’s role beyond the introduction of the policy implementation process.

Lastly, and most importantly, the author discovered a high congruence between the goods and services purchased by government agencies and those offered by MBEs. This finding is noteworthy because it contradicts a historical argument made by many government procurement managers that MBEs typically do not provide the goods and services that are typically contracted out (Bates, 2001; Pearson et al., 1994). This finding suggests that state agencies would not have improved their expenditures with MBEs without government intervention and therefore buttresses the opinion of executives of many MBEs that systemic racism still exists in procurement (Dollinger & Dailey, 1989).

**Theoretical Contributions**

This research expands the body of literature by analyzing data across all state agencies in Ohio through an implementation framework (Mazmanian & Sabatier, 1980). It provides new insight into the empirical robustness of the implementation framework by using a longitudinal data set. The study incorporated suggestions by Goggin et al. (1990) by assessing implementation behavior and policies over time, across multiple units of government, incorporating ample sample sizes, and using a mixed method design.

There are several implications to theory made in this study. One important contribution made by this research is that it is one of the first to actually use implementation theory to analyze the implementation of a set-aside program. Most previous set-aside research only investigated the phenomenon from a legal standpoint and
not from a theoretical perspective, thereby minimizing our ability to build theory (Goggin et al., 1990).

Another contribution is that this research incorporates important agency characteristic variables found to be relevant in the organizational literature into the implementation framework. Although they were found to be insignificant at the state level, prior implementation research in the public sector has not aggressively included agency characteristics beyond size to make an accurate determination to the relevance of agency characteristics on implementing a policy, except recent work by Smith and Fernandez (2010) and Fernandez, Malatesta, and Smith (2012). In particular, this study illustrates that at the state level, there is no advantage in having a female or racial minority in a key leadership role. Fernandez et al. (2012) found the contrary at the federal level, when they agglomerated both females and minorities into one independent variable. However, as they parsed their data further, they found that female leadership did not provide any improvement in procurement with MBEs or women-owned businesses (Fernandez et al., 2012). Fernandez et al. (2012) leaned on the social psychology literature as possible explanations for why female leaders do not seem to improve diversity expenditures. This study contributes to theoretical discourse by imploring scholars to be cautious on generalizing the importance of certain characteristics across all levels of government.

Lastly, the incorporation of the implementation framework (Mazmanian & Sabatier, 1980) adds value to both sides of the set-aside debate by providing an objective
and empirical analysis of the implementation process and its outcome(s). Opponents of set-aside programs, such as LaNoue (1994), have consistently argued that set-aside research lacks empirical integrity and robust analysis. Authors such as LaNoue (1994) posited that set-aside research is compromised to fulfill political gains and therefore lacks reliability. This research, to some degree, assuages these concerns by using sound theory in tandem with empirical testing. On the other side of the argument, my introduction of implementation theory into the set-aside debate may help researchers understand more about what variables hold the most value when implementing a policy, especially those policies that are race-based.

**Practical Implications**

There are several important practical public management questions addressed in this research, most importantly, the relevance and necessity of government intervention is demonstrated. The results of this study illustrate that government intervention can have a positive impact (at least from the perspective of the governor and MBEs) on changing state agency procurement habits from exclusionary to more inclusive. The benefits of inclusion were articulated by Müller-Heidelberg (2003), who stated that by becoming more inclusive, organizations can reduce information redundancy and increase innovation and productivity.

Another substantive implication from this study is that different agencies respond differently to an executive order. This insight can provide guidance for policy makers as they develop various implementation tools that have more far-reaching impact across
various agency types in order to obtain better agency expenditures with MBEs. By developing agency-specific tools, MBE expenditures may improve more uniformly across the various agency types.

**Limitations**

Although the data have many strong attributes, there are limitations. Data on government expenditure data prior to FY 2007 and Executive Order 2008-S13 (2008) were unobtainable. As with any data gathering process through government agencies, information that is generated through public record requests can be potentially manipulated by government officials who may be in favor of or against the political regime that instituted a particular statute. The reporting numbers could also be influenced by specific EEO agency officers to avoid punitive sanctions by the governor-appointed state EEO compliance officer. This individual is charged with compliance reporting to the governor and spearheading punitive actions against those agencies that do not comply. However, having agency data displayed publically on an annual basis on the State of Ohio MBE Scorecard (Carter, 2008) may help to mitigate this risk.

Another limitation of this research is that every unobserved variable cannot be accounted for. Although a thorough review of various periodicals, trade journals, and newspapers was conducted, it is implausible that all variables in both political and business environments may not have had an effect on government expenditures with MBEs. For example, the implementation framework (Mazmanian & Sabatier, 1980) identified many other variables that affect implementation (e.g., media attention, public
support, and socioeconomic conditions); only a small subset of explanatory variables was captured in this study.

Lastly, the data set spanned five years and was confined to one state. Implementation scholars have encouraged researchers interested in bringing a resurgence of the theory to conduct research over longer time periods to ensure the policy of interest is accurately assessed (Najam, 1995; Schofield, 2001).

Future Research

Bottom-Up Research (From a Different Perspective)

There are several promising research streams that would expand our knowledge of MBEs, government procurement, and set-aside programs in the public sector as well as supplier diversity programs in the private sector. Future research could examine set-aside and supplier diversity programs from the perspective of the MBE in a quasi-bottom-up approach. European scholars Worthington et al. (2008) posited that garnering a better perspective from the bottom up will yield new knowledge on why and how MBEs interact with large purchasing organizations that have decided to implement a set-aside or supplier diversity program. In particular, Worthington et al. suggested the following:

In this regard, three issues seem particularly pertinent subjects for future research. First, it would be helpful to know what Ethnic Minority Businesses (EMBs) themselves perceive to be the key drivers of corporate behaviour, in order to gain some further understanding of the context within which Supplier Diversity Programmes (SD) emerge and develop and to enhance our knowledge on how
Large Purchasing Organizations (LPOs) rationalise their own involvement in supply base diversification. Second, studies which examine other forms of supplier diversity initiative (e.g., with women-owned businesses) would help to throw additional light on the question of corporate motivations, as well as indicating whether the drivers of organizational behaviour vary according to the nature of the initiative. Third, and related to this, it would be interesting to explore whether context and motivations differ to any significant degree in other countries where SD programmes exist or are being developed. A cross-national study beyond the English-speaking world would be a particularly welcome addition to our knowledge on this topic (Worthington et al., 2008, p. 329).

**Trust**

Cole (2008) posited that many MBEs believe there is an imbalance in the buyer-supplier relationship between procurement officers and MBEs, as compared to their non-minority competitors. Only scant research by Swearingen (2000) has sought to investigate if government buyers require greater levels of trust in doing business with MBEs, as compared to non-minority firms. Swearingen (2000) found that trust is important in doing business regardless of race, but did not find any significant difference in the level of trust required by government procurement officers relative to doing business with MBEs or non-minority firms. Although Swearingen’s (2000) results are compelling and somewhat temper prior research findings that MBEs perceive they have to do more than their non-minority counterparts in order to gain government contracts,
there is a strong likelihood that buyers who participated in the trust survey would not want to come across as racists and therefore may not have been entirely truthful in their answers.

**Minority-Based Networks**

In that same vein, an examination into the training, networking, and collaborative activities MBEs engage in to enhance their chances of being competitive in obtaining government and private-sector contracts holds great promise. Scholars such as Adobor and McMullen (2007) have suggested that MBEs need to work together through various strategic alliances and/or joint ventures to improve their scale to compete. Adobor and McMullen further posited that technology and social capital transfer among MBEs through various minority networks could provide a competitive advantage for MBEs attempting to initiate or improve their relationship with procurement decision makers.

**Political Dynamics**

As mentioned in Chapter 4, examining the political dynamic from which an executive order is initiated and then implemented holds great promise. Understanding the executive order initiator’s reasoning and the political environment within which the executive order is created may provide a clearer understanding of how that executive order will affect the likelihood of having a successful policy implementation (Pressman & Wildavsky, 1973; Mazmanian & Sabatier, 1980). In 2015, there will be an opportunity to review agency expenditures with MBEs over two administrations, providing eight years of data. A comparative analysis between the Democratic initiator of Executive
Order 2008-S13 (2008) and the subsequent Republican governor’s administration will afford practitioners and scholars an opportunity to see how each party values diversity, at least from a procurement perspective. It will also afford scholars enough time to examine if the set-aside program is sustainable across time and political parties.

Redefining Agency Size and Year of Founding Variables

In this analysis, size was primarily measured by the overall size of the agency. However, it may be less the size of the agency as opposed to the amount of goods and services an agency procure. In future research, alternative measures of size should include the overall amount an agency purchases so that larger agencies are not penalized for having lower percentage change increases in expenditures with MBEs as compared to smaller agencies. Agencies with higher contract requirements will require significantly higher levels of expenditures with MBEs to create any meaningful percentage change as compared to smaller agencies. Another potential research project in this same vein could examine if smaller agencies are able to drive EO’s down through their organization faster and more consistently simply by having less layers of bureaucracy to deal with (Bozeman & Bretschneider, 1994). In short, future analysis should continue to examine the effects agency size has on agency expenditures with MBEs.

Instead of looking at year of founding from a pre v. post-civil rights perspective, it could be reexamined from an “agency mission” point of view. For example, an agency whose primary mission is to assist the unemployed or underserved, such as the Ohio Department of Jobs and Family Services, may have greater MBE expenditures than an
agency whose mission may be some other goal, such as environmental sustainability, like the Ohio Department of Natural Resources. Fernandez et al. (2012) found that agencies that have as a part of their mission the concepts of equity and inclusion had higher expenditures with MBEs than those whose mission was based on other factors not necessarily related to equity and inclusion.

**Interaction Effects**

In this dissertation, all of the independent variables were analyzed by their “main effects” on the dependent variable. Future research on the mediation and/or moderation of the variables could provide greater insight into some of the unexpected results, such as the negative relationship between agency outreach and agency expenditures. Could agency size be moderating the effect of outreach on agency expenditures? Future research would be needed to determine how variable interactions could affect agency expenditures with MBEs.

**Relationship of Agency Expenditures with MBEs and Minority Unemployment**

The underlying purpose of EO-2008 S13 (2008) was to improve the number of viable MBEs in the state of Ohio by providing them with state contracting opportunities. Governor Strickland believed that by increasing the number of MBEs in the state, he could also reduce the unemployment of minorities as well. Prior research by Bates (1988) found that as MBEs grow and require new employees, they tend to hire their own ethnicity. Future research that assesses the relationship between MBE registrations and
government expenditures with MBEs with minority unemployment rates would yield new insights to the effectiveness of EO 2008 S13 (2008).

**Concluding Remarks**

In conclusion, I found the results to be interesting, but disappointing. Although there was a significant increase in expenditures with MBEs following policy implementation, the overall expenditures with MBEs are still relatively small when compared to the overall contracting opportunities provided by state agencies. Furthermore, it is extremely disheartening to uncover that government interventions are still required to provide fair access to business opportunities for minorities. To date, there have been enormous strides in race relations from both a social and business context; however, this research has clearly illustrated that there is still work needed to bring economic parity into all aspects of our society so that all individuals have equal access to the pursuit of life, liberty, and justice for all, and to all.
References


Associated General Contractors v. City of Columbus, 99 C.V. 502 (6th Cir. 2001).


Exec. Order No. 8802 (1941).


Fisher v. University of Texas at Austin, 631 F 3d 213.


Sub. H.B. 584, § 122.71-122.85, 123.151.081, and 153.02 (Ohio, 1980).


