



Unbundling Large Contracts to Diversify Your Vendor Pool

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An “Unbundle” of Opportunity for Smaller Firms

Many governments are under the impression that one big contract can be managed more efficiently than several small contracts, and sometimes, they’re right: if multiple departments across your government are looking to purchase the same good or service, such as office supplies, it makes sense to bundle those purchases together under one contract to maximize cost efficiency and minimize the administrative burden of contract management. However, this drive toward efficiency may create inequity: big businesses with more money and more capacity win, while small, local businesses either bid and can’t compete or choose not to bid because they would never have the capacity to take on such a large project. As a result, these firms may miss out on lucrative contracting opportunities. Why should only one business (especially one that isn’t even located in the government’s jurisdiction) reap all the rewards of taxpayer dollars from a public contract when multiple businesses (especially small, local firms) are just as capable of performing?

Unbundling a large contract involves breaking it up into smaller pieces, such as dividing a large service area into regions or even individual sites. For example, janitorial services for every single building owned by a city may be bundled into one contract—even if the cleaning locations number in the hundreds and are spread out all across the city. This set up makes it virtually impossible for a small cleaning business to compete for the contract: they simply won’t have enough employees or equipment to cover that many locations. (See the callout boxes on page 2 and page 3 for examples of a bundled and unbundled janitorial services scope of work.) However, they may have enough capacity

to cover a handful of locations across the city, and the consistent work and revenue of a government contract may bolster their business. If the janitorial contract is unbundled to allow vendors to compete for a smaller set of cleaning locations, small businesses like this one stand a chance to compete.

Scope of Work Example: **Consolidated**

The following sample Scope of Work is for a janitorial services contract that is not unbundled. It currently asks for one vendor to take on a large scope across the full portfolio of desired services.

"The City of Citylandia is seeking janitorial services to provide routine cleaning for 17 library facilities totaling over 520,000 square feet, owned and operated by the Citylandia Public Libraries (CPL). The CPL strives to advance a culture of excellence in operations and outreach. The presentation and maintenance of facilities is essential in upholding this culture of excellence. CPL received nearly two million annual visitors in 2022.

Within this generally high volume of usage is seasonal and daily variation in facility usage: library visitation is concentrated in the summer months when youth programming is heavier; when schools are in session, after-school hours are high-demand times that bring youth of all ages to libraries, and bathroom facilities are used more heavily in the morning hours year-round. Given the volume and variation of usage, facility cleanliness is challenging to maintain. Each library facility needs to be completely cleaned a minimum of once every evening with one midday touch-up, including all floors, surfaces, and restrooms. The selected vendor will be required to provide cleaning services for the Central library and Northern, Southern, Eastern, and Western regional branches."

Scope of Work Example: **Unbundled**

The following sample Scope of Work requests the same services but unbundles the portfolio and allows vendors to bid on a smaller, more manageable set of responsibilities.

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- Central Library: 4 library facilities, totaling 230,000 square feet
- Northern Regional Branch: 6 library facilities, totaling 175,000 square feet
- Southern Regional Branch: 4 library facilities, totaling 90,000 square feet
- Eastern Regional Branch: 2 library facilities, totaling 15,000 square feet
- Western Regional Branch: 1 library facility, totaling 10,000 square feet

Vendors are also invited to **propose partnerships or subcontracting arrangements** to provide services across multiple parcels of library facilities."

Prioritizing Contracts for Unbundling

Unbundling is a great strategy for encouraging more businesses—especially small, local firms owned by women and/or people of color—to compete for contract opportunities that may previously have been out of reach. A smaller contract presents an excellent opportunity for these businesses to test out working with the government and to scale up their business if they want to grow, keeping tax dollars in the local economy and investing in historically disadvantaged businesses. But equity isn't the only thing at stake: unbundled contracts often attract more bids, resulting in greater competition and lower costs for the government, and they reduce risk by spreading responsibilities across multiple vendors who could take over in case one vendor fails to perform. Residents may also stand to benefit from higher-quality or more culturally appropriate services delivered by vendors from their own communities.

If you are considering unbundling a contract as a way to entice more small, local, and diverse businesses into working with your government, start by determining which of these businesses are available to work in your area and are interested in government contracts. It's no use unbundling a contract if firm availability will be a major challenge! One approach could be identifying which industries have a high number of small firms owned by women and people of color in your local area by looking at vendor registration or certification data. We have found that landscaping or grounds maintenance, janitorial or cleaning services, snow removal, fleet repair, and general contractor services are often excellent test candidates. For complicated projects where a clear project lead is needed, such as implementation of a new software, working closely with just one specialized vendor might be the best way to achieve desired results. In cases where it doesn't make sense to unbundle the contract, consider spreading the wealth by encouraging the vendor to meet subcontracting goals or requiring prime contractors to make a "good faith effort" to subcontract with small or diverse vendors. Subcontracting can help these small firms gain experience and credibility as well as build their professional networks.

Below is a checklist of criteria to consider when deciding whether to unbundle a contract:

- ☐ **Contract size:** is this one of your largest contracts?
- ☐ **Performance history:** have you had issues with this service?
- ☐ **Contract history:** has this contract been awarded to the same vendor year after year?
- ☐ **Contract interest:** has this contract previously had a lot of interest and competition?
- ☐ **Available vendors:** do many qualified vendors exist for this contract or service type? (To determine whether there are available and interested vendors, consider conducting market research using business registries, industry days, professional associations, and internet searches.)
- ☐ **Contract subcontractors:** could the contract include subcontractors? (Even if it doesn't make sense to unbundle a contract, it could still be expanded to include subcontractors, especially if there are smaller, standalone project components in your scope of work.)

Unbundling one contract will create a larger number of contracts to manage, which can stir resistance to the approach. Contract managers in departments or agencies will face more complexity in managing a service area, which can be further complicated by the fact that some (or all) of the vendors for an unbundled contract may have limited experience working with government. Contract managers should expect to invest more time upfront in conducting outreach and answering questions about the solicitation before responses are due, but they should also plan to make extra time to train vendors on procurement processes and work through any issues with compliance or performance. A kickoff meeting with vendors at the start of the contract is one way to start off on the right foot, build rapport, and clarify roles and responsibilities among vendors early on. Regular performance management meetings or touchpoints between the contract manager and vendors can provide opportunities to answer questions, troubleshoot issues, and learn best practices from each other.

For additional contract management strategies, see our how-to guide on [Orienting Towards Outcomes: Results-Driven Approaches to Contract Management](#).

Case Studies

Phoenix, AZ

The City of Phoenix, AZ unbundled their landscaping contracts to increase the number of firms delivering landscaping services for the city. There are many firms in the area, especially Hispanic-owned small businesses, that could deliver landscaping services across any of Phoenix's 400 sites, but the city had been giving the vast majority of those sites to just two vendors, one of whom earned over \$19M out of the \$24M contract. They decided this was a prime opportunity to unbundle contracts to give more small firms a piece of the pie.

Phoenix's procurement team realized that many small, local firms would not bid without extensive outreach and support because they had never worked with the government before. The city collaborated with a nonprofit called Local First Arizona to provide light-touch technical assistance before and during the solicitation process, including community resources and funding assistance. The city also hosted virtual information sessions, advertised the contract opportunity via printed media and interviews with TV and radio stations, and provided all materials and programs in both English and Spanish to attract a wide set of potential contractors. When the RFP was released, the city received twice as many responses as they did in their prior landscaping procurement, and two contracts were awarded to small, local businesses.

San Antonio, TX

In 2017, the City Council of San Antonio, TX unanimously agreed to put a major contract for Zoll specific-brand defibrillators and supplies on hold. The five-year, \$6.1 million contract was slated to go entirely to one Massachusetts-based medical equipment company, which had held the contract since 2012 and had even acquired a waiver from the competitive solicitation process due to a sole source exemption for the supplies being purchased. But City Councilmembers heard from the local business community that they wanted a piece of the contract, too—so the Council directed city staff to re-evaluate procurement options to give small businesses a better chance to compete.

Upon research by City staff, it was determined that only Zoll was eligible for a sole source exemption, but the defibrillator accessories could be competitively bid given there were compatible parts from other manufacturers. As a result, in coordination with the application of Small Business Economic Development Advocacy (SBEDA) program tools applied to the solicitation, a small, local, Hispanic, woman-owned business won the opportunity to provide accessories for the defibrillators in the amount of \$4.4 million over five years.¹

1. Shari Biediger, "Small, Local Business Wins Major City Contract in Unbundling Effort," *San Antonio Report*, June 22, 2017, <https://sanantonioreport.org/small-local-business-wins-major-city-contract-in-unbundling-effort/>
Iris Dimmick, "Local Business Fights For a 'Piece of the Pie'," *San Antonio Report*, February 25, 2017, <https://sanantonioreport.org/local-business-fights-for-a-piece-of-the-pie/>

Best Practices for Unbundling

Once you've identified a contract to unbundle, you'll need to figure out how to divide up the work into segments that firms can bid on. There are a few different methods for unbundling:

Method	Description
Geographic Area: Separate responsibilities by location	If your contract spans a large geographic area, including multiple neighborhoods or facility locations, a natural way to unbundle is to segment by geography. Consider separating areas or facilities located near each other into different groups that vendors can bid on separately. Even if vendors can be awarded multiple areas, this approach will allow vendors to focus on areas where they have specific knowledge or availability to provide the strongest services while also allowing smaller vendors to respond only to areas within their capabilities.
Service Type: Separate responsibilities by type of service	If your contract contains numerous good or service types, you can consider separating out the different types to be bid on individually. For example, different vendors could oversee the design, printing, and delivery portions of a contract for public information mailers. This approach will allow vendors to focus on their areas of specialty, rather than trying to provide services for which they are less qualified or experienced, while increasing opportunities for vendors who can only provide one portion of the contract to respond.
Subcontract/Mentor-Protégé Approach: Separate responsibilities through collaboration	If you do not want to separate your contract into different scopes of work, you can still create more opportunities for small businesses and people of color by requiring responsibilities to be subcontracted or by encouraging prime contractors to mentor less experienced "protégé" firms. Clearly articulating your expectations for subcontracting or mentor-protégé actions helps prime contractors incorporate these expectations into their service proposals.

Conducting [market research](#), such as releasing an RFI or distributing a vendor survey, can help you decide whether unbundling or setting subcontracting targets is the best method to increase the diversity of your vendor pool for a particular contract. Market research can also help you determine which method to use and what its parameters should be, such as how to set the size of the geographic area or how to define different categories of services. It can also clarify whether unbundling is the right strategy at all.

Now that you've identified a method for unbundling your contract, it's time to get the word out about the solicitation and prepare to manage the contract. Below are three tips to keep in mind while the solicitation is open:

1. **Invest in targeted outreach so vendors are aware of the opportunity.** Businesses who have limited experience working with the government are unlikely to know where to look for contracting opportunities, so you'll need to make extra effort to get the word out to them. If you have a list of qualified vendors, reach out to them directly to let them know about the opportunity and persuade them to apply. If you don't have an existing list, a little internet research on Yelp, TripAdvisor, Angi, Thumbtack, or local website or social media groups may provide some leads. You can also design innovative marketing campaigns, such as a website, physical ads, flyers, videos, or postcards with QR codes that lead to a mobile-friendly landing page with more information. These can be distributed in places where local business owners are likely to see them, such as community centers, supermarkets, or local print or digital media (especially those in different languages). Make sure the ads are eye-catching and include a clear value proposition.

Your local Chamber of Commerce, financial empowerment groups, or other business organizations can be excellent partners in helping you reach local businesses and build relationships with community members. Attending community events, participating in networking opportunities, and hiring employees from the communities you're trying to reach can foster relationships with community organizations and businesses and help you better understand their needs and challenges. You can even host "meet and greet" events where MWBEs can meet with government representatives and learn more about contracting opportunities. Handing out flyers or the solicitation document itself at these events can generate interest and drive attendance.

2. **Develop the capacity of new vendors to succeed.** Vendors who haven't worked with the government before may be unfamiliar with procurement processes such as submitting invoices or quarterly reports. It can be helpful to hold a kickoff meeting or training with these new vendors to show them how to meet all the necessary requirements for compliance and performance. If the capacity of your staff is too limited to prioritize this, it can help to partner with a local business incubator or Procurement Technical Assistance Center (PTAC) to offer this content and support.

Keep in mind also that vendor requirements that may be standard for large corporations, such as meeting high levels of insurance or bonding requirements, may be unnecessarily burdensome for small businesses. Some governments and nonprofits even offer grants to help small businesses fulfill certain government requirements like these or waive certain requirements for the contract.

3. **Build internal buy-in and manage change.** Because these outreach and capacity-building activities can take up significant time, don't forget to bring key stakeholders on board and build internal buy-in before you get started. Give senior government leaders, purchasing staff, the Legal team, departmental contract managers, and affected vendors a heads-up that certification is coming and that you'll need their help to make it succeed—which means they must take the time to learn and understand the certification process.

For some staff, this might represent a major disruption to the way they do their jobs, which can cause anxiety and resistance. To make this transition as smooth as possible, let your staff know that you'll be available to answer any questions and help them manage the change. Think about ways you can take some of the load off their shoulders, perhaps by offering to personally train new vendors or to make connections with local organizations who can help with outreach and networking. Encourage purchasing staff and departmental contract managers to develop a personal relationship with new vendors so that they feel comfortable reaching out with questions—and so that your staff can see the real impact of their hard work.

Conclusion

If your government is looking for ways to help small, local, diverse firms receive their fair share of contracting dollars, unbundling large contracts is a great way to make contracting opportunities available to vendors who otherwise wouldn't be able to compete. For more information on how to make your procurement processes more accessible to businesses owned by people of color, check out our how-to guide [Using Government Procurement to Advance Racial Equity](#).

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