



A Fresh Approach to Contracting for Social Good

MARKET TRENDS REPORT



Executive Summary

State and local government agencies face rigorous requirements to meet new benchmarks for social responsibility in their contracting. These include partnering with a more diverse pool of vendors and contractors, expanding small business participation and adopting eco-friendly practices. All of these actions will go far to uplift communities, but executing them and engaging in more intentional business practices add complexity to agencies' already intricate day-to-day operations.

What's more, vendors and contractors are also learning their roles in this new business model of social responsibility, which calls on the public and private sectors to work in ways that benefit not just their missions or bottom lines, but society as a whole. Yet there is a spectrum of understanding when it comes to social responsibility measures. As with government agencies, some businesses may be well-versed with today's social responsibility expectations, while others have a longer learning curve.

Although issues of diversity, equity and inclusion (DE&I) have long been part of the American fabric, they come to the forefront of cultural and social justice conversations of varying intensities at any given time. The current call, which grew louder last year as a result of the Black Lives Matter movement, has the attention of the government's highest office. On June 25, President Joe Biden issued an [executive order](#) requiring federal leaders to make those a priority.

This report looks at the challenges of social responsibility – and ways to overcome them – within the context of contracting for government projects. To do this, GovLoop partnered with Gordian, the leading provider of facility and construction cost data, software and expertise, on this report.

“Social responsibility should become an integral part of any business activities and their everyday practice.”

– *“Social Responsibility as the Factor of Competitive Advantage of Public Entities”*

By The Numbers

\$1 billion

is what Fairfax County, Virginia, spends annually with thousands of suppliers across hundreds of sectors.

41.3%

of Fairfax County's purchase order spending in fiscal year 2019 went to small, women-owned, minority-owned or service disabled-owned businesses.

\$136 million

of Seattle's spending went to women- and minority-owned small businesses in 2019, equaling 20% of the overall spending across purchasing, consultant contracting and public works.

23.1%

is the amount a Virginia House bill proposed that the state spend on women- and minority-owned businesses.

\$38.6 million

is what North Carolina spent on construction that went to women- and minority-owned businesses.

16.9%

represents the minority- and women-owned businesses that are potentially available for work in the city of Boston, but the total used was 11%.

9.33%

is the goal for disadvantaged businesses' participation in Oklahoma Department of Transportation-assisted contracts with the Federal Highway Administration.



Pervasive Problems Demand a United Solution

Challenge: Agencies, Diverse Contractors Need to Understand Each Other

When it comes to contracting, agencies are held to different standards of accountability than private companies – and rightly so, given that they predominantly use taxpayer dollars for their deals. Many states have conducted disparity studies to discover if inequities exist in public procurement and contracting that adversely affect disadvantaged businesses, women’s business enterprises (WBEs) or minority business enterprises (MBEs). Unsurprisingly, they do.

“As a public agency, you’re really limited,” said Amanda Chu, Account Manager at Gordian. “Agencies are held accountable to state procurement laws, whereas private businesses are not. That applies to diversity and inclusion laws as well. They’re just being watched a lot more carefully than private businesses in most circumstances.”

Another challenge is the level of experience agencies have with socially responsible contracting. For some, it’s second nature, while others have less experience working with diverse companies. Similarly, many may

lack up-to-date contracting information. For instance, in June 2021, Connecticut’s Department of Administrative Services issued a [request for proposals \(RFP\) to conduct a disparity study](#) for the first time [since 1992](#). [North Carolina conducted one](#) in 2020, 25 years after its last study. Nevertheless, many studies result in bills to increase socially responsible contracting.

“We’re in a gray area right now,” Chu said. “People are trying to push things forward [with socially responsible contracting], but they still have to stay within the bounds of the law, obviously, especially state and local agencies.”

WBEs and MBEs also have barriers to entry, including resource constraints, language barriers, union obligations and the intimidation of bureaucracy. Financial hurdles are common, too. For instance, governments may take longer to pay for projects than private businesses do. “If you are a small company without a lot of capital, getting paid quickly can be very important,” Chu said.

Solution: A Fresh Approach to Contracting for Social Good

Two main challenges – agencies’ prioritizing efforts to operate more equitably and diverse contractors’ experiencing barriers to access and maintain government contracts – have one solution that benefits both parties: the type of contracts agencies use.

“You don’t want to discriminate against someone else by giving someone work,” Chu said. “Agencies have to be really careful about how they write contracts.”

One approach is to use set-asides, which lets agencies set aside a percentage of work for WBEs and MBEs.

Another is Job Order Contracting (JOC), an indefinite-delivery, indefinite-quantity (IDIQ) construction delivery method that allows many projects to be completed through a single competitively awarded contract. This single-bid process enables projects to start faster and creates partnerships between project owners and awarded construction contractors, resulting in higher-quality work.

“JOC can allow small, disadvantaged, minority-owned businesses to bid for a long-term contract that covers

numerous small construction and maintenance projects, eliminating the costs and time that it takes to bid each project separately,” Chu said. “This is where those set-aside contracts can come into play. We can say, ‘OK, you’re going to assign five small MBEs to this contract for projects under \$100,000,’ and they’re on that contract for a year or three years or five years, and they’ve already competitively bid upfront, so they don’t have to do that again. Once they have a foot in the door, it allows them to build that relationship because it comes down to their quality of work and [the agency] can select them over and over again,” Chu said.

Another option is accessing a Gordian JOC contract called eziQC® through a cooperative purchasing network or shared contract. This approach helps agencies accelerate time-consuming pre-contract work such as developing the scope of work, producing specs, issuing an RFP and awarding bids – just like agencies would buy office supplies, for instance. In this case, however, one entity completes bidding requirements and others may “piggyback” on the original contract.

Best Practices: How to Find Common Ground



Inherent in state and local governments' missions is doing good, or acting in a way that betters others. To ensure that happens in contracting, agencies and business owners must have trust and shared values, which can be best understood through honest conversation, Chu said. "A lot of what this is, is just bringing people to the table together," she said. **Start with a disparity study.** This will help you understand your current social responsibility status. In developing the study and reviewing it when it's complete, ask yourself: Do you have social responsibility goals and how do you measure whether you're meeting them?



Drive awareness and interest. Help get others at your agency invested in social responsibility by making "socially responsible" a culture statement that demands a sustainable attitude and approach to everything you do. Get buy-in from leaders and let employees see that support so that this becomes second nature to them.



Foster partnerships and alliances. For instance, Gordian works with the National Association of Minority Contractors (NAMC) and the Hispanic American Construction Industry Association (HACIA) to conduct lunch-and-learns. Such events can facilitate construction contractor and subcontractor relationships as well as communication between agencies and vendors. When asking for project proposals for a new project in an area, reach out to those associations and make sure their contractor base is bidding.



Communicate with contractors. When you issue an RFP, conduct contractor outreach right away and contact as many businesses as possible to reach a broad base, whether that's through organizations like NAMC or HACIA or not. "MBEs and WBEs face a lot of barriers to entry, so help them overcome those," Chu said. "A lot of it has to do with training and education about how the programs work and how to place a bid."



Think inclusively. Make RFPs and bid documents available in multiple languages to be more inclusive of contractors who may not be fluent in English.

Types of Social Responsibility

Environmental responsibility –

one of the most common forms of social responsibility. It is the belief that organizations should behave in environmentally friendly ways.

Ethical responsibility –

ensuring that an organization operates fairly and ethically. These entities aim for the fair treatment of all stakeholders, including leaders, employees, suppliers and customers.

Philanthropic responsibility –

an organization's aim to actively make the world and society better.

Economic responsibility –

committing necessary financial resources to support social responsibility efforts.

(Source: [Harvard Business School Online](#))

Case Study: Investing in Responsibility



Using Job Order Contracting (JOC), the housing authority in a major metropolitan city partnered with Gordian to create jobs for low-income residents and mentor them for continued success while meeting the Department of Housing and Urban Development’s (HUD) Section 3 program. Section 3 requires that recipients of certain HUD financial assistance provide training, employment, contracting and other economic opportunities to low- and very low-income people, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low-income people.

This authority, which provides housing to more than 62,000 low-income residents, issued \$80 million worth of apartment and house renovation work to the Section 3 JOC program in a single year. The partnership with Gordian made it easier for the authority to identify vendors and put them to work immediately without going through a lengthy procurement process.

This construction contract was awarded under six tiers, with a dollar cap starting at \$2,500 and reaching \$250,000. The authority selected construction contractors based on the tiers as they related to the work experience the contractors had when they responded to the request for proposals.

What’s more, Gordian’s JOC is a performance-based program that evaluates construction contractors on their work and allows them to move among tiers. For instance, one construction contractor went from a \$1,500 first-tier contract to build a fence to a \$175,000 fourth-tier apartment renovation. Plus, with help from Gordian’s mentorship services, the business owner was able to better understand the bidding process for government work and hired Section 3 residents to help him, essentially paying forward his progress.

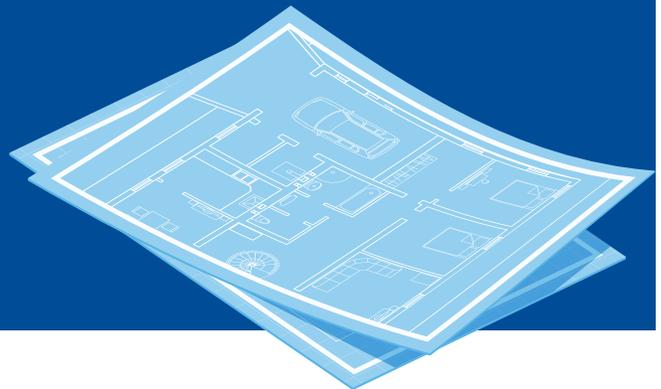
HOW GORDIAN HELPS

As a leading provider of facility and construction cost data, software and expertise, Gordian is well-positioned to help state and local governments and their business partners meet their needs. Its founder, Harry Mellon, created JOC in 1982 while working for NATO and brought it to the company when he started Gordian eight years later. Today, two-thirds of the nation’s largest counties have chosen Gordian’s procurement solutions for their renovation, repair and maintenance needs.

Social responsibility has always been top of mind for so-called Gordianites, but it has taken on a new urgency in light of the Black Lives Matter movement. The company is adopting and adapting new standards to weave diversity and inclusion into every facet of the company.

“We’re working with marketing, sales and operations, and training teams to make sure that every time a new person gets hired, part of their sales pitch, their verbiage, their training is to ask owners, ‘What are your diversity goals and how can we help you obtain them?’” Chu said.

Learn more: www.gordian.com/products/job-order-contracting



Conclusion

“MBEs are among the fastest-growing segments of the U.S. economy and are vital to the nation’s growth and prosperity,” according to a Georgia State University [paper](#). Agencies would be remiss to overlook them as potential business partners simply because they may require some extra guidance to navigate government processes.

Likewise, diverse contractors need more avenues to pursue public sector jobs. With each group making an effort to work together, state and local government agencies and the contractors all stand to benefit. But so does society as a whole.

State and local government agencies have a responsibility to support their communities. Today, more than ever, that includes making sure that all members have a chance to literally build up their neighborhoods.



ABOUT GORDIAN

Gordian is the leading provider of Building Intelligence™ Solutions, delivering unrivaled insights, robust technology and expert services to fuel customers’ success through all phases of the building lifecycle. Gordian created Job Order Contracting (JOC) and the industry-standard RSMMeans Data. We empower organizations to optimize capital investments, improve project performance and minimize long-term operating expenses.

For more information: www.gordian.com/products/job-order-contracting



ABOUT GOVLOOP

GovLoop’s mission is to “connect government to improve government.” We aim to inspire public-sector professionals by serving as the knowledge network for government. GovLoop connects more than 300,000 members, fostering cross-government collaboration, solving common problems and advancing government careers. GovLoop is headquartered in Washington, D.C., with a team of dedicated professionals who share a commitment to connect and improve government.

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