



# Strategies for Improving Vendor Certification Programs

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## Introduction

Vendor certification programs can be an important step toward addressing disparities and increasing equity in public procurement. These programs verify that a business meets a set of criteria established by the government and can be labeled or categorized as a specific business type, helping governments identify businesses owned by someone from a historically disadvantaged community, such as people of color, women, LGBTQ+ individuals, veterans, and people with disabilities. Certifications can be useful in many ways:

- Governments can track how often and how successfully certified businesses bid on procurement opportunities. This information tells the government more about where inequities in their system might exist. It also allows the government to set goals for small, local, and diverse vendor utilization.
- Governments can create “preference programs,” in which certified businesses receive points in proposal evaluation or bid review that improve their chances of winning contracts.
- Governments can offer “set-aside” or “target market” procurement opportunities, on which only certified businesses can bid.

- Governments can encourage staff to collect quotes from certified businesses for small dollar, informal purchases.
- Governments can run business support, networking, matchmaking, and training events targeted at certified businesses, or help certified businesses become subcontractors on prime contracts.

However, the way your certification program is implemented will determine whether you reduce inequity or entrench it further. In practice, certification programs often create even more barriers for these businesses by introducing more administrative burdens and paperwork with little to no incentive for becoming certified. In many cases, there is no reason for a firm to go through an onerous certification process: if their proposal or bid doesn't receive extra points or they don't gain access to special benefits, why bother with the difficult paperwork just to prove belonging in a disadvantaged community? This pain point can be amplified if a business has already completed certification process with other governments and hasn't reaped any benefits. (Oftentimes, local governments can save themselves and their vendors the hassle of standing up a new certification program simply by accepting a state certification or another reciprocal certification, but more about that later.)

In this Quick Read, you'll learn about the benefits of certifications, how to make your existing certification program less burdensome for vendors, and best practices for setting up a new certification program or piggybacking off an existing one elsewhere.

## Types of Certifications

The most common types of certifications include:

- **MWBE (Minority- or Women-owned Business Enterprise)** certifications, which usually attest that 51% of a business is owned by woman- or racial minority-identifying individuals, often called WBE (Women-owned Business Enterprise) or MBE (Minority-owned Business Enterprise) certifications. The Federal Department of Transportation (and many state and local transportation agencies) certify these businesses as DBEs (Disadvantaged Business Enterprises).
- **SBE (Small Business Enterprise)** certifications, which typically attest that a business employs a below-threshold number of employees or generates a below-threshold amount of revenue. Specific thresholds at the federal level are set by the Small Business Administration and vary by sector.
- **LBE (Local Business Enterprise)** certifications, which typically attest that a business is headquartered in a specific geographic area.

Building a larger bench of qualified MWBE/DBEs makes it easier for governments to share relevant opportunities such as target market programs or set-aside procurements; these programs allow qualified MWBEs to respond alongside other similarly situated MWBEs for government contracts instead of competing against larger, more established, companies. Governments can also use this bench to facilitate connections between prime contractors and diverse subcontractors by sharing the list with primes who are required to meet subcontracting goals, or by hosting a contractor meet and greet.

## Making Certification Programs Less Burdensome

Even if your government already has an existing certification program, you can likely make the process much friendlier for businesses by applying a few best practices. The stakes of inefficiency are high: delays or difficulties in being certified can adversely affect businesses' access to government contracting opportunities and may be so frustrating that the potential vendors give up on government work entirely. Below are four tips for easing the certification burden:

1. **Clarify the benefits of getting certified.** Businesses are more likely to seek certification when the benefits and opportunities created outweigh the costs of getting certified. It is important that these costs and benefits are clearly communicated to businesses. Certification benefits can include advantages in bidding on government contracts or subcontracting opportunities, as well as greater access to networking, training, and capacity-building resources.
2. **Conduct targeted outreach.** Be sure to proactively engage businesses and guide them through the certification process: a well-planned, targeted outreach campaign is essential to increasing the number of businesses seeking certification. Provide a clear, simple list of the required documents needed for certification and information about any pre-application training sessions designed to explain the certification process and requirements. We also recommend translating outreach plans and events into languages other than English to maximize the number of businesses you reach. Designing a simple eligibility quiz like the one created by the U.S. SBA can help set expectations and minimize confusion. Alternatively, you could draft a section on your government website's FAQ page for businesses to understand what to expect from the certification process.
3. **Engage other government and nonprofit stakeholders.** Don't forget to speak with local business assistance groups or peer governments. You can provide a directory of "assist agencies" and business support organizations that provide support to businesses in gaining certification and bidding on contracts. If a peer government has a certification program of their own, you can also share that information with your list of certified vendors or even set up a centralized certification portal for businesses to register for programs operated by different agencies or government levels within your state.

4. **Put yourself in the vendor's shoes.** Finally, look for small ways to make the process more user-friendly for vendors. Think about ways to automate portions of the process or to move it entirely online. Try to reduce the amount of paperwork required and offer a checklist vendors can use to make sure they have everything they need for the application. One way to reduce paperwork is to write one set of application questions for all certification applicants, and then include supplemental questions tailored to each specific certification (e.g., different questions for women, disabled veterans, and people of color). This structure prevents vendors who are applying for multiple certifications from having to fill out the same set of questions several times. Consider extending the certification period to reduce the burden of renewal. Even simplifying the language used in the application and providing links to additional information or FAQs can greatly reduce the difficulty of getting certified. Once a vendor has submitted their application, providing status updates can reassure applicants that they are moving through the review and approval process.

## **Syracuse Case Study: A User-Centered Approach to MWBE-SDVOB Certification Applications**

Although Syracuse had an existing program for certifying MWBEs, the process required completing a cumbersome 16-page paper application. As a result, the MWBE directory the city maintained was thinning out due to declining interest in becoming certified, and city staff were more focused on processing paper applications instead of building the interest and capacity of MWBEs to work with the city. To streamline both the certification application and management processes and to improve the city's data collection abilities, Syracuse centered vendors' needs and interests in their improvement efforts.

First, the city kicked off the project by conducting research, starting by reviewing the Minority & Women-Owned Business Enterprise/Service Disabled-Veteran-Owned Business (MWBE-SDVOB) program charter. This step grounded the certification application in the city's original eligibility requirements and program mission, which helped match application questions and documentation requirements directly with legal statutes. Many questions designed to help the city understand vendors' capacity were moved to an optional section.

City staff also reviewed the results of a recent vendor survey and conducted additional interviews with MWBEs and prime contractors to gain an understanding of vendors' experiences, challenges, goals, and desired outcomes in working with the city, as well as to identify potential resources or process improvements to support contracting with these vendors. As the final step in their research phase, city staff spoke with vendor diversity coordinators working with the state to determine whether city certification was the right approach and best use of city resources instead

of piggybacking off another certification program. While the city's goals were aligned with the state's certification criteria, the state also had long processing times, so the city decided to adopt an expedited pathway to its own certification program for vendors who were already certified by the state.

Next, Syracuse moved to streamline its application. After holding working group sessions to review the application line-by-line with key stakeholders, the city removed repetitive or unnecessary questions and required documents, improved outdated ethnicity definitions, simplified the reading level to make it more accessible, and pulled language from the program charter into the application to help vendors understand why the questions were being asked.

After revising the application, the city tested it with actual MWBE firms and the city's communications team, which helped identify places to include more instructions or examples or to clarify confusing language. This user testing demonstrated both increased comprehension of the application and meant significantly less time was needed to complete it.

Finally, the city worked with a digital certification vendor to configure the application, MWBE directory, and certification management system in a digital format, reducing administrative burden and increasing accessibility for vendors. After completing additional user testing, the city will launch the new certification process with training and supplemental resources for vendors in August 2023.

## **Considerations For Setting Up A New Certification Program**

Governments interested in launching a new certification program should begin by researching existing disparities and businesses' needs. If you want to set up an MWBE certification program that will grant preference points in evaluation or access to set-aside procurements, U.S. Supreme Court caselaw in [City of Richmond v. J. A. Croson Co. \(1989\)](#) requires you to demonstrate evidence of historical and ongoing discrimination. To meet this requirement, governments often must commission disparity studies that examine local MWBE availability across multiple sectors (i.e., the number of firms that sell services or goods the government is looking to buy) and compare this to current MWBE utilization on government contracts. This comparison produces a disparity index that helps governments set appropriate goals for improving MWBE utilization. However, if a certification program will not result in a specific preference being given, there is not a need to first show a disparity before data on firms is collected.

When launching a new certification program, you might start by asking what the businesses you're trying to support really need. You can use a vendor survey and/or vendor focus groups to gather more information and answer this question. Be sure to ask vendors about their interest

in participating in a certification program! For more information on vendor surveys, as well as a bank of potential questions, see the PEN publication [Surveying Your Vendor Community to Assess Satisfaction and Identify Pain Points](#).

Once you have an assessment of the potential wants and needs of businesses to be certified, consider where your certification program will “live:” who will oversee it and staff it? Make it clear to colleagues and to vendors exactly who manages the program and where to direct questions or requests for support. To adequately serve prospective and current vendors and make your program an effective source of support, your government will need to allocate appropriate staff time to guiding firms through certification, checking qualifications, and hosting public-facing events to promote the program and communicate the benefits of certification. A hallmark of an effective certification program is the establishment of strong relationships between the purchasing office and the departments who manage the most contracts, which helps these departments stay aware of specific spending goals and contracting opportunities for local, small, and MWBE businesses. Certification program staff may also review proposed procurements to identify opportunities for set-aside contracting, offer input on evaluation approaches, or provide support on vendor outreach plans targeting underrepresented businesses.

Finally, keep in mind that the federal government already offers several certification programs for small businesses. These include the Small Business Administration's Women-Owned Small Business and Small Disadvantaged Business certification programs and the Department of Transportation's Disadvantaged Business Enterprise (DBE) certification program. Many local governments accept federal or state certifications in addition to their own certifications or allow federally or state certified businesses to “fast track” their own certification processes with a quick verification of federal or state certification status. Honoring state and federal certifications, where possible, creates a simple, streamlined experience for businesses that encourages them to apply for your certification program and helps get them bidding on contracting opportunities faster.

If you are considering setting up a certification program that mirrors existing state or federal certifications, think carefully about whether you really need a new certification program or can accept an existing certification. Piggybacking off an existing program avoids the additional bureaucratic burden on businesses.

## **Considerations For Race-Neutral Governments**

Some states, including California, Washington, Michigan, Nebraska, Arizona, and Oklahoma, have outlawed the use of race- or gender-based preference programs in contracting. Although you are legally prohibited from creating preference or set-aside programs for MWBEs in these states, you can still create certification programs that help you to identify firms that are women-owned, or small businesses, or disadvantaged. Certifications aimed at disadvantaged business enterprises,

local businesses, and small businesses can help you reach specific market segments or priority populations when awarding contracts or specifying subcontractor requirements. You may even be able to run these programs without the administrative burden of formal certification; for example, you can use the registered address of a business or business registration data to verify its status as local.

Remember that in all governments, but especially in race-neutral ones, certification programs should result in actual benefit for businesses being certified: don't set one up just for the sake of doing so, or you will have major trouble convincing businesses to become certified! You could offer a discount on vendor portal or registration fees, subscription to a vendor registry available to government staff and prime contractors, or access to special capacity-building opportunities like small business training or networking sessions.

Below are some examples of different types of certifications in race-neutral jurisdictions:

Type	Jurisdiction	Details
<b>Disadvantaged Business Enterprise</b>	Detroit, MI	As a recipient of federal transportation funds, the City of Detroit's <a href="#">DBE program</a> sets citywide specific goals for DBE spending.
<b>Small/Local</b>	Tulsa, OK	The Tulsa <a href="#">Small Business Enterprise program</a> sets aside 10% of construction contracts for certified small, local businesses.
<b>Local</b>	Long Beach, CA	The City of Long Beach, CA, awards a <a href="#">10% bid preference</a> to Long Beach-based businesses. This is determined by address and business licensing status and does not require any certification.
<b>Community Business Enterprise</b>	Los Angeles County, CA	The County of Los Angeles <a href="#">Community Business Enterprise program</a> is not a certification program of its own, but one that recognizes DBE certifications under California's Unified Certification Program, county DVBE certification, and certain LGBTQ business enterprise certifications. This registry is used to meet subcontracting goals across different certifications.

## Conclusion

If procurement equity and increasing vendor diversity are priorities for your government, you've likely already considered setting up a vendor certification program or have already done so. While this is often an excellent way to attract more diverse businesses to government contract opportunities, starting your own program from scratch isn't the only way to achieve your goals. Be sure to do some research and speak with peer governments first to see what's worked for them and where you can combine efforts to make things easier for yourself—and for your vendors!

The **Procurement Excellence Network** is an initiative of the Government Performance Lab designed to help public sector leaders use government procurement as a tool to improve resident outcomes and advance equity. The **Government Performance Lab**, housed at the Taubman Center for State and Local Government at the Harvard Kennedy School, conducts research on how governments can improve the results they achieve for their citizens. An important part of this research model involves providing hands-on technical assistance to state and local governments. Through this involvement, we gain insights into the barriers that governments face and the solutions that can overcome these barriers. By engaging current students and recent graduates in this effort, we are able to provide experiential learning as well.

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