



### Unbundling FAQ

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#### What is unbundling?

A larger contract is unbundled when it is divided into smaller contracts. The same overall scope and work are completed, just with separate components. It's a lot like a pie chart, with smaller pieces making up a greater whole.

#### What are the benefits of unbundling?

Increased competition, distribution of risk across multiple sources, and promotion of inclusive spending practices with small and diverse businesses makes unbundling contracts an essential contracting and procurement strategy.

- Unbundling contracts balances the savings from economies of scale versus the diversity that multiple contracts can provide. This practice can enhance competition, promote innovation, and support more segments of the economy.
- Unbundled contracts also allow buyers to distribute risk amongst multiple contractors, avoiding having “all their eggs in one basket.” If one vendor fails to perform, the buyer has more options to replace the contractor while keeping business continuity.
- Barriers to smaller businesses, like challenges with bonding, insurance, and access to capital, can be avoided if a specific service is segmented from a contract through unbundling. This allows businesses facing these challenges and those focusing on a particular service to bid on the contract.

#### Why is unbundling important for diverse businesses?

- Breaking up larger contracts into smaller portions promotes opportunities for small and diverse businesses and increases the participation of small and diverse businesses in government contracting and procurement.
- Large, consolidated contracts are difficult for smaller suppliers, consultants, and contractors to bid on.
- Contracts with large scopes make it difficult for businesses that specialize in specific skills to bid, and larger contracts generally cover multiple disciplines. Small businesses are often able to do one or two things extremely well, but generally cannot cover multiple skill areas because of their size.

#### How can I work on unbundling contracts for my agency?

When identifying the scope of work for a contract, determine which portions may be suitable for a standalone or subcontracted agreement. Examples of unbundling candidates and factors to consider are included below.



### Examples:

- When electronic vehicles were purchased, no diverse businesses were available to participate in the purchase of the vehicles – however, the electrical vehicle charging stations could be installed by diverse contractors.
- Government agencies and offices can unbundle landscaping installation and maintenance from all contracts in a particular geographic area and advertised under a separate agreement.
- When contracting for language interpretation (written and verbal) or Sign Language (ASL or other), unbundling by availability of interpreters or by regions could increase participation of small and diverse businesses.

### Factors to help determine if unbundling should occur:

#### **1. The contract is for work in more than one location**

If the contract involves multiple locations, it may be a good candidate for unbundling. This allows for a natural segmenting of a contract by geography. Small and diverse businesses located near each location are also more likely to possess local expertise than a single, larger company overseeing multiple locations.

#### **2. Size and complexity of the procurement**

Large and complex contracts are more likely to have components that may be unbundled rather than small and simple contracts. Unbundling a complex contract has the added benefit of simplifying the required work.

#### **3. Range of the goods and services involved**

A contract with a wide range of goods and services needed can be ideal for unbundling. Different goods and services may be acquired from businesses specializing in the required areas. The specific expertise possessed by those businesses can lead to better quality of service.

#### **4. Timing and delivery of the work**

Time considerations and scheduling are important factors in determining the viability of unbundling. A contract with tight deadlines should probably remain consolidated. Contracts that have more flexibility, longer timeframes, or are less complex are less likely to experience a work disruption if unbundled.

***Unbundling is not to be used to avoid the competitive bid thresholds, per [DES Policy 125-03](#).***