

Building a Successful Diversity Contractor Program

By Dave Klimas & Allison Hassig



Responding to trends in increased diversity spend targets in contracts with key customers, including LDCs, ENTRUST Solutions Group recently implemented a focused, nationwide Disadvantaged Business Enterprise (DBE) initiative across our entire portfolio of engineering services. This article discusses how ENTRUST Solutions Group crafted a program that is mutually beneficial for customers, partners, and ENTRUST Solutions Group.

Last year LDC customers began increasing the targets for second-tier diversity spends in their contracts. These increases were driven, in part, because of 2015 updates to reporting practices by the Public Utilities Commissions in both Illinois and California. Utilities in these states are now required to include dollar amounts of contracts in force with diversity contractors in reports. At the same time, ENTRUST Solutions Group started taking a closer look at our relationships with all contractors, not just diversity firms. We believe that building long-term relationships with qualified partners is a good business practice. Such relationships present opportunities not only for ENTRUST Solutions Group to grow our project portfolio, but also provide new business opportunities for our partners.



“We’re definitely seeing a shift in natural gas and utility industry contracts,” indicates Adam Biggam, Vice President, Distribution at ENTRUST Solutions Group. “The target increases also seem to be regionally driven, with utilities in highly urbanized environments and utilities that receive state-supported program funding including stronger language in their contracts,” Biggam adds. Stronger language can vary by client. In some cases, the actual targets have increased. Contracts with diversity spend targets can range from 5-45%. In other cases, the wording of the contract has changed from a target ‘recommendation’ to a target ‘requirement.’ Clients are even increasing the level of details for, and frequency of, documentation substantiating DBE participation levels.

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CRAFTING THE PROGRAM

At ENTRUST Solutions Group, our DBE program sets out to meet client goals while also developing our DBE partners and ensuring our quality performance on contracts. There are three aspects of our robust DBE program: Mentoring, Embedding, and Tracking. To manage these details we hired a DBE program manager to drive diversity activities and promote the program both internally and externally. Using subcontractors for specialized services is common in many industries, including pipeline engineering. Typical outsourced services include structural engineering, surveying, drafting and design, geotechnical services, construction inspection, and pipeline locating. Our comprehensive DBE program identifies contractors with these and other skills; exceptional knowledge in their field; previous work experience on similar projects; and current DBE, WBE (woman-owned), MBE (minority-owned), or VBE (veteran-owned) status.

BEST-IN-CLASS

One challenge in identifying DBE partners is selecting firms that deliver similar levels of quality. Rubinos & Mesia Engineers, Inc. (RME), a Chicago-based engineering firm with MBE certification, has provided structural engineering services for projects like the O'Hare Airport expansion, Navy Pier renovation, etc. "We recognize that we are a MBE firm, but we don't want to be a partner just because of our MBE status. It is important that we are hired because of the level of skills and performance we bring," explains Farhad Rezai, Executive Vice President at RME. His firm is currently working with ENTRUST Solutions Group on main replacement projects in the Chicago area.

HOW TO GET THE MOST FOR YOUR SECOND-TIER DIVERSITY SPEND TARGETS

Developing a successful diversity program takes the thoughtful participation of both clients and Disadvantaged Business Enterprise (DBE) firms. More importantly, a successful program requires a structure and process that meets customer spend targets while assuring high quality engineering services, regardless of provider. Here is our advice on what LDCs should look for from their master service agreement partners to get the most out of their second-tier diversity programs.

1. **A dedicated DBE program**
2. **A commitment to the highest quality, regardless of diversity status**
3. **A program with mentoring opportunities for DBE owners and employees**
4. **A seamless approach to service delivery, regardless of provider**
5. **A software system to monitor DBE activity**

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Adam Biggam, who first met the RME team at a client seminar on diversity, recalls a similar conversation. “After my presentation at the client seminar, I was approached by Matt Whisler, Project Manager at RME. Initially we talked about RME’s structural engineering services and our needs in this area. I was confident that they could add value in structural engineering. And Matt stressed, ‘yes, we are a diversity business, but you should hire us because we deliver high quality engineering.’ That’s the kind of partner we look for,” Biggam asserts. The partnership that started nearly a year ago has grown beyond structural engineering services. “RME team members are helping with base line drafting, detailed drafting, DOT analysis, and pipeline design,” notes Tiffany Hopkins, Senior Project Manager for the Distribution team at ENTRUST Solutions Group.

“I consider everything we do at ENTRUST Solutions Group to be at the highest quality,” Hopkins says. “This means our DBE partners have to match our quality level in a way that is transparent to the client,” Hopkins adds. Matching quality expectations is a given for the RME team as Rezai explains, “We have always firmly believed in high quality performance. At the end of the day, our diversity status only means so much. The quality of our work stands above this.”

MENTORING DBE PARTNERS

Knowledge and relationship-building are critical to successful diversity programs. Developing close relationships with all stakeholders, gaining a strong understanding of DBE skill sets, and integrating the firms into the professional team at a master service agreement provider takes time and patience. We recognize that some DBE firms are small businesses that can benefit from mentoring with a master service provider. ENTRUST Solutions Group’s mentoring can range from financing tips to reminders about what certifications are up for renewal. Mentoring might also include conversations about project forecasting, which can help DBE partners better plan their finances. Some of our diversity partners also benefit from exposure to new business opportunities outside their core area of expertise. RME, with extensive experience in structural engineering on projects like roads and buildings serving public enterprises, sees the advantage in working as a DBE partner. “We see the benefits of diversifying our business beyond the public sector, for example, into the private sector such as gas pipeline companies,” cites Rezai.

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SEAMLESS TEAMS

To ensure that clients have a seamless experience as it relates to meeting diversity spending targets, our DBE program strives to “embed” DBE employees with the ENTRUST Solutions Group workforce. At ENTRUST Solutions Group, DBE-firm embedded employees are treated like they are staff members. “They operate just like any other team member. They attend team meetings, are assigned the same work, and participate in the same training programs,” describes Hopkins. “They also participate in our extracurricular activities,” she adds, referring to company picnics, sports teams, etc. Hopkins is currently managing an 11-person main replacement team at ENTRUST Solutions Group that includes four embedded employees. “Our team is being mentored alongside the ENTRUST Solutions Group team in preparing construction documents for Phase I gas line work,” highlights Whisler.

COLLECTING THE DATA

Keeping track of the qualifications and certifications of multiple DBE partners can be a daunting task. In 2015, ENTRUST Solutions Group engaged Salem Managed Services Group (SMSG) as a business solutions partner to integrate and coordinate the subcontracting and vendor services on behalf of ENTRUST Solutions Group. “SMSG has provided vendor management and consulting services to clients throughout North America for over 20 years,” notes Brian Shoemaker, Director, Strategic Solutions at SMSG. We have had a strong relationship with The Salem Group (SMSG’s parent company) for many years. They also just happen to be a certified WBE firm. Partnering with SMSG has allowed ENTRUST Solutions Group to focus on our core business, while SMSG handles the details. “The primary objective of this program is to create a centralized management tool and build relationships with ENTRUST Solutions Group’s existing subcontractor partners, thus maximizing diversity subcontracting opportunities, streamlining processes, and managing contractual compliance,” explains Shoemaker.

At ENTRUST Solutions Group, our database of 30-plus DBE partners extends beyond capabilities to include all certifications, timesheets, industry qualifications, and customer qualifications. The database is accessible by clients, DBE partners, and ENTRUST Solutions Group staff including project managers, who access the database when they need a specific skill set for an upcoming project. Having a robust software program to track DBE activity also makes it easier to provide documentation to clients regarding spend levels on specific contracts—which can in turn be shared with regulators, if necessary. “As spending targets and reporting frequency have increased, we have found a need to be even more diligent with our documentation,” comments Biggam.

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LONG-TERM OPPORTUNITIES

As client diversity spending targets continue to increase, DBE programs will need to be flexible in the future with an eye toward long-term investment by all parties. “We are looking for long-term partners,” notes Hopkins. “We don’t want to train someone and lose them within a year.” But finding partners with complementary skills, consistent quality, and similar customer service philosophies requires a strategic approach. At ENTRUST Solutions Group, for example, we look for partners with experience in highways, water, and sewer engineering. Projects in these areas likely run over long distances and in all types of environments (rural, suburban, urban), all factors in common with our pipeline engineering projects.

But not every DBE firm is a good fit. Beyond finding relevant work experience and common philosophical ground, finding partners with similar structures and work pace are also important. “One of the many services we provide ENTRUST Solutions Group is structural calculations for main replacements,” reports Whisler. “These are critical elements, with a 24-36 hour turnaround because most of the calculations are for projects already under construction. So they need the results right away.” With over 75 people on staff, RME can deliver. “We are a good size firm, so we are able to engage a couple of our engineers to meet this turnaround,” assures Rezaei.

“As a result of the mentoring and embedding process, ENTRUST Solutions Group has come to us with other project opportunities where we can partner with them to secure larger projects. Through our participation in ENTRUST Solutions Group’s DBE program, they now understand our capabilities and this is leading to other projects outside Illinois. We look at this as a valuable long-term relationship,” notes Rezaei. “Both sides have invested a lot,” Whisler adds. Taking the long-term approach bodes well for all parties involved—whether it’s the client, the first-tier contractor, or the DBE partner. “I expect the trend in increased diversity spend will continue to grow,” predicts Biggam. “I only see these initiatives expanding to new companies or companies with existing programs modifying the language to increased requirements,” he says. With the trend increasing, it is not just a business requirement, but a good business practice to partner with qualified diversity partners. At ENTRUST Solutions Group, we consider such partnerships a win-win for all parties involved.

RESOURCES

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