



Supplier Diversity

For All Employees

This month, we give you information for all your employees on what supplier diversity is, best practices on how to start a supplier-diversity program, and what metrics are best to assess success. It's important that everyone in the company understand the value of supplier diversity and how it builds community growth and loyalty.

1 SUPPLIER-DIVERSITY PRIMER

Supplier diversity was started by former President Richard Nixon in 1969 through an Executive Order. Its goal, an outgrowth of the civil-rights movement, was to encourage the use of vendors owned by underrepresented populations. Initially, those groups were Minority-Owned Business Enterprises (MBEs), which consisted of companies owned by Blacks, Latinos, Asians and American Indians. Women-Owned Business Enterprises (WBEs), which consisted of companies owned by women, were included later.

Today, supplier diversity includes businesses owned by Lesbian, Gay, Bisexual and Transgender (LGBT) people, people with disabilities and veterans with disabilities. Some organizations consider veteran-owned companies diverse suppliers, and the U.S. Small Business Administration includes small businesses as diverse suppliers but most corporations do not.

The biggest issues involving supplier diversity have been certification and making the business case for supplier diversity. To confirm that MBEs were actually at least 51 percent owned by Blacks, Latinos, Asians or American Indians, both government agencies and organizations such as the National Minority Supplier Development Council (NMSDC), formed in 1972, took an active role. The Women's Business Enterprise National Council (WBENC) was created in 1997. In recent years, the National Gay & Lesbian Chamber of Commerce (NGLCC) and the US Business Leadership Network (USBLN) have certified vendors owned by LGBT people and people with disabilities, respectively.

Early industries that were supplier-diversity leaders were those with significant government contracts, such as telecoms or auto companies. But increasingly, companies have seen the business benefits of supplier diversity whether government mandated or not.

Companies cite the main benefits as increased innovation and different solutions (also commonly cited as a benefit of more diversity in the workforce), and building a reputation in diverse communities. For many companies, their suppliers are also their customers, and building community wealth enhances customer relationships.

Supplier diversity is assessed in two ways. Tier I suppliers are direct contractors, those whose services are purchased by the company. Tier II suppliers are subcontractors. Companies that are supplier-diversity leaders usually require their contractors to have diversity in their own vendor relationships.



Discussion Questions for Employees

» Why did the federal government see a need to mandate supplier diversity? How is this related to the civil-rights struggle?

Address whether minority-owned businesses have historically had the same opportunities in the U.S. marketplace and how this is changing.

» What types of companies are usually diverse suppliers?

Are you seeing a change at your own company in the types of vendors hired who are from underrepresented groups, such as attorneys or those offering professional services? Why is this important?

» How do you think supplier diversity benefits your company?

What is your company's reputation in underrepresented communities? Does your company publicize its supplier-diversity efforts? How can you help get the word out?

2 HOW TO START A SUPPLIER-DIVERSITY PROGRAM

Based on data and successful best practices, we've [compiled a list](#) for your company to follow. Here are best practices that all your employees should know:

- Supplier diversity should be operated out of the procurement department, with one person responsible for it. The diversity department should be in frequent communication with this person.
- Supplier diversity should exist within the context of your company's business goals, supply chain and competitive-market climate.
- It's important to measure your success against other organizations and industry norms.
- It's critical to assess [Tier II \(subcontractor\)](#) supplier diversity as well as Tier I and to train your prime suppliers to find and mentor diverse suppliers.



Discussion Questions for Employees

» **Does your company have a supplier-diversity program? If it does, how well are its goals and successes communicated to employees?**

What do you know about supplier diversity at your company? How can you get the word out about its importance?

» **How does supplier diversity help your company reach its business goals?**

Do you deal with outside vendors? How important are they to your individual and to the company's business goals? Address how having different experiences and views can create new ideas and solutions.

» **Is your company helping your diverse suppliers grow?**

Does your company offer educational opportunities and mentoring for suppliers, many of whom are small-business owners? This can include financial and technical education. Does your company make a significant effort to help its prime contractors find and nurture diverse suppliers—and does it track Tier II supplier diversity?

3 METRICS TO ASSESS SUPPLIER-DIVERSITY SUCCESS

The metric most often used to assess supplier-diversity success is the percent of procurement budget allocated to Tier I and Tier II diverse suppliers. Some organizations also measure dollar amount spent with these suppliers, but it's important to understand that larger companies have more money to spend and so not all companies have huge procurement budgets.

Companies also look for accountability—is supplier-diversity success tied to the compensation of procurement and other executives?

Other metrics are: number of diverse suppliers; third-party recognitions received; savings as a result of contracting with diverse suppliers.



Discussion Questions for Employees

» **If your company has a supplier-diversity program, why is it important to assess success?**

Is your organization metrics driven? If so, why is showing supplier-diversity progress important? How relevant are supplier-diversity metrics to other business goals, such as increasing market share?

» **How can your organization increase the number of diverse suppliers it has?**

How can you help your company recognize the value of supplier diversity and get the word out to potential suppliers?

NEXT MONTH

Black History Month for all employees and Employee Resource Groups for resource-group leaders, and D&I, HR, marketing and communications staff.



President Nixon



Pamela Prince-Eason,
WBENC



Justin Nelson, NGLCC



Elizabeth Vazquez,
WEConnect International

Timeline

- 1953** President Dwight Eisenhower creates the Small Business Administration

- 1958** Small Business Act of 1958 requires that all government subcontractors place a “fair portion” of their business with small-business enterprises

- 1969** President Richard Nixon establishes the Office of Minority Business Enterprise (OMBE) and the Advisory Council for Minority Business Enterprise within the Department of Commerce

- 1971** President Nixon expands the scope of OMBE by authorizing grants to organizations to provide technical and management assistance to MBEs

- 1972** The National Minority Purchasing Council (precursor to the National Minority Supplier Development Council) is founded

- 1974** OMBE decentralizes and establishes six regional offices and 13 district offices to enhance outreach

- 1977** President Jimmy Carter terminates the Advisory Council for Minority Business Enterprise

- 1979** OMBE is renamed the Minority Business Development Agency (MBDA)

- 1981** The Minority Business Development Center program is established

- 1983** President Ronald Reagan gives the Department of Commerce and the Small Business Administration authority to oversee the establishment, preservation and strengthening of federal MBE programs

- 1983** President Reagan declares the first week of October as Minority Enterprise Development Week, and MBDA holds the first Minority Enterprise Development Week Conference

- 1994** The Business Leadership Network is founded

- 1997** The Women’s Business Enterprise National Council (WBENC) is founded to provide third-party certification of women-owned businesses

- 1999** MBDA Internet Portal is established to offer online business-development services

- 2000** WBENC holds its first Women in Business Conference, now known as the Women in Business National Conference and Business Fair

- 2001** Congress creates the Office of Disability Employment Policy within the Department of Labor

- 2002** The Business Leadership Network is renamed the US Business Leadership Network (USBLN)

- 2002** The National Gay & Lesbian Chamber of Commerce (NGLCC) is founded

- 2004** The NGLCC launches the first (and only) third-party certification program for LGBT-owned businesses

- 2005** MBDA creates the Office of Native American Entrepreneurship and Trade to help American Indian entrepreneurs and business owners

- 2008** WBENC launches a Global Business Initiative to mentor international WBEs and to help U.S. WBEs enter global supply chain

- 2009** WEConnect International is founded to certify WBEs based outside of the U.S. and connect them to corporate buyers

- 2010** USBLN launches the first (and only) third-party certification program for disability-owned businesses

- 2011** MBDA launches a redesigned MBDA Business Center program, combining the Minority Business Enterprise Center and the Minority Business Opportunity Center programs