

Supplier Diversity – Corporate Quick Start Guide

About Supplier Diversity

Supplier diversity is a business strategy that drives the inclusion of diverse-owned businesses in the procurement of goods and services within an organization. Creating a more inclusive supply chain that values diverse-owned businesses is the right thing to do and brings new perspectives, capabilities, and competition.

US Public Law 95-507 amended the Small Business Investment Act to include underrepresented minorities for all government purchases. Corporations across industries are intentionally creating inclusive supply chains to promote economic growth within diverse communities.

Diverse Suppliers

Supplier diversity classifications are at each company's discretion and should always be in accordance with local laws. Recognizing diverse suppliers as businesses being at least 51 percent owned and operated by the following is a common best practice in the industry. Below are five diverse categories which together demonstrate the inclusive sourcing business practices that will drive meaningful change within a supply chain:

- Women
- Minorities (U.S. or where a minority group is recognized by a country's government), including the following:
 - Asian American
 - Black
 - LatinX/Hispanic
 - Native American
- Persons with disabilities
- Veterans and military-service-disabled veterans
- Persons who are lesbian, gay, bisexual, or transgender

Community and Economic Impact

As a responsible corporate citizen, many corporations remain committed to doing the right thing through greater diversity and inclusion from supply chain to workforce to investment. Supplier diversity is not only good for the community, it's good for business.

- Diverse-owned businesses are a major growth sector in small businesses across the U.S. In fact, a 2015 study by Womenable and American Express showed that women-owned businesses created 340,000 new jobs between 2007 and 2015 while male-owned businesses cut 1.2 million jobs.
- Small businesses across the U.S. are on the rise, led by minority-owned small businesses. This includes a growing population of Hispanics, a growing sector of African American entrepreneurs, people with disabilities, and an increasing number of military veterans.
- A study by [the Hackett Group](#) found that companies focused on supplier diversity saw a 33 percent return on the cost of operations, resulting in a more cost-effective supply chain than those who didn't.
- The U.S. Census Bureau predicts that by 2050, 55 percent of the population will be minorities. This shift in demographics means that our workforces, customers, and business owners will all be more diversified. Inclusion will be a critical component of business in order to create a culture and supply chain that can tap into these resources. Exclusion could mean a reduction in available resources.

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Supplier Diversity DIY Toolkit

Not all supplier diversity programs are alike, and it is essential to tailor your program to meet your specific business needs, company culture, and local regulations. Below are five easy steps based on industry leaders and the Intel experience to develop your own supplier diversity program.

- 1. Establish the Scope of your supplier diversity program:**
 - Determine which diverse groups to include.
 - Determine if the program will measure tier 1 and tier 2 suppliers (definitions below) or additional supply chain layers. Align to best practices and designate diverse businesses as 51% owned and operated by a diverse person.
 - There are myriad certification organizations who validate this level of diversity status and maintain databases for member companies to access.
 - Select which certification organizations or industry groups you will join. These organizations provide match-making opportunities, peer networking, supplier development, and communication platforms.
 - Identify employees responsible to develop and manage the program.
- 2. Create a policy statement:** Institute a policy statement with measurable goals regarding the scope and definition of the program. It is a best practice to garner commitment from senior leadership, typically a CEO, chief diversity officer or chief procurement officer. Define the value that diverse and inclusive sourcing provides your company and the benefits derived from supplier diversity. Consider making this policy public and visible on your company's website.
- 3. Audit your existing supply base for diverse suppliers:** Conduct an assessment of your existing supply base to identify diverse suppliers. Many companies have found a good place to start is by enlisting a third party to assist in conducting the first analysis. These third parties maintain a list of diverse certifications for many suppliers in the US and internationally and are able to validate diversity status from your existing supplier database.
- 4. Measure diverse supplier inclusion:** Establish a process to measure spending with diverse suppliers and the number of diverse suppliers within your supply chain. These are the most common measurements, but many companies identify other relevant indicators to measure the intended change for greater inclusion.
- 5. Integrate inclusive sourcing processes:** Identify procurement practices which can include diverse suppliers as part of standard operating procedures. As an example Intel requires that commodity teams consider and include diverse suppliers in new requests for proposal, RFP. Additionally, we measure our tier 1 non-diverse suppliers based on their tier 2 reporting of spending with diverse suppliers. The fundamental goal is to help ensure there are consistent and equitable opportunities for new diverse suppliers throughout our supply chain. Setting goals for diverse supplier inclusion practices can drive greater participation and timely development of the program.

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Resources

Third Party Providers

Third party providers who specialize in supporting diverse supplier identification, status and supply chain composition. These are third parties frequently used within the US who may be able to support this supply chain analysis for diverse suppliers. This list is incomplete and is not an endorsement of any service provider.

Gainfront	https://www.gainfront.com/solutions/supplier-diversity-management/
supplier.io (formerly CVM)	https://www.supplier.io/
Viva	https://www.viva-it.com/
Supplier Gateway	http://www.suppliergateway.com/

Supplier Diversity NGOs

Supplier diversity NGOs which certify or validate diversity status, maintain databases of certified diverse suppliers and provide recourses for diverse suppliers and corporate members to support inclusive sourcing. This is a partial list and is not an endorsement.

Organization	Website	Category
Women's Business Enterprise National Council (WBENC)	www.wbenc.org	US Women
WeConnect International	www.weconnectinternational.org	Non-US Women
CPUC Supplier Clearinghouse	https://sch.thesupplierclearinghouse.com/	Women, Veteran, LGBTE, Minority, US only
National Minority Supplier Development Council (NMSDC)	www.nmsdc.org	US Minority
National Veteran Business Development Council (NVBDC)	www.nvbdc.org	US Veteran
National Veteran Owned Business Association (NaVOBA)	www.navoba.org	US Veteran
Disability:IN	www.disabilityin.org	People with Disabilities
National Gay & Lesbian Chamber of Commerce (NGLCC)	www.nglcc.org	LGBTE
Jasmine	www.jasmine.org.il	Minority and Woman, Israel
MSD UK	www.msduk.org.uk	Minority, UK
MSD China	www.mschina.org	Minority, China

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Content for Best Practices

Billion Dollar Round Table - <https://www.billiondollarroundtable.org/>

R Mo Business Solutions - <http://rmollc.com/>

Certify My Company - <http://www.certifymycompany.org/>

Diversity Info Resources - <http://www.diversityinforesources.com/>

Critical Concepts:

Why do we set goals and measure spending?

We set goals because this is the most effective method to measure progress which should reflect greater inclusion and opportunity for diverse suppliers. A company should hold their suppliers accountable to performance standards and never source based on diversity status alone.

What is the difference between a Tier 1 and Tier 2 supplier?

Tier 1 supplier: a company (diverse or not) awarded a contract for work directly from another company

Tier 2 supplier: a company (diverse or not) who is awarded a contract by a tier 1/prime supplier; this offers non-diverse companies opportunities to participate and amplifies the impact of the diversity program creating greater inclusion

Tier 2 Diverse Suppliers - Direct vs. Indirect

- Direct: payments made for subcontracting some or all of a purchase with a diverse supplier that can be traced to a specific PO
- Indirect: payments made for subcontracting that cannot be tracked to specific PO's (landscaping, cafeteria services, benefits etc.)