

## 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.

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 U.S. 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), as well as 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.

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#### 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?

