



DEVELOPING A FORMAL SUPPLIER DIVERSITY PROGRAM

Supplier Diversity Program Overview

This document is intended to serve as a guide for companies who want to establish supplier diversity programs. Every supplier diversity program is unique. Each company should take into account the size and structure of their own company, their unique business needs, the geographic makeup where they do business, local and contractual diversity requirements, and their company culture when creating a supplier diversity plan.

Purpose

Identify the purpose of your supplier diversity program. Questions you should be asking to identify your purpose include:

- Why are you building a supplier diversity program?
- What is your company hoping to achieve?

Examples of common reason for creating a supplier diversity program include:

- Create a competitive advantage
- Develop relationships
- Satisfy contractual requirements
- Support local communities
- Promote diversity

Once you have identified why your company is creating a supplier diversity plan, create a policy statement around that central purpose.

Qualifications

An effective policy clearly outlines the requirements of your program and how diverse businesses can meet those requirements. Examples of common classifications include:

- Minority-owned business
- Minority Women-owned business
- Woman-owned business
- LGBTQ+-owned business
- Veteran-owned business
- Disability-owned business

Not only do you need to define what a diverse-owned business is to your company, you also need to outline which certifications you will accept to satisfy those requirements. There are two options

for certifying: self-certification or third-party certification. Most companies require third-party certification from a nationally- or regionally-recognized third party such as:

- Federal, State, city or county government agencies
- National Minority Supplier Development Council
- Women's Business Enterprise National Council
- National Gay & Lesbian Chamber of Commerce
- United State Hispanic Chamber of Commerce
- U.S. Business Leadership Network

Targets

A supplier diversity program is ineffective without clearly defined targets. Your supplier diversity policy should identify the desired outcome for the program with clear ways to measure and track progress across the organization.

Examples of supplier diversity targets might be:

- Increasing spend with diverse businesses by X percentage in 2023
- Spending \$X with diverse businesses in 2023
- Increase spend with diverse businesses yearly over the next 5 years to achieve X% of overall spend with diverse businesses by year 2027

Other goals of the supplier diversity program might be to increase supplier capacity, grow your company's market share, or be more competitive in the marketplace.

To establish reasonable and achievable targets your company will need to audit your existing database to identify diverse suppliers you are already contracting with. Your company will also need to audit existing contracting processes to identify additional opportunities to utilize diverse businesses.

Examples of ways to utilize more diverse businesses include breaking larger contracts into smaller pieces to provide more opportunities for small and emerging businesses. This allows those smaller businesses the opportunity to gain experience with your company, take on less risk, build their portfolio and grow their expertise. An example of this would be breaking a larger electrical contract into small contracts just for lighting control, low voltage, or fire alarm. Or breaking a highway contract into small contracts for guardrail, curb and gutter, or signage.

Tracking

After your company has identified diversity targets, you will need to establish a process for tracking both your company's spend with diverse businesses and also the number of diverse businesses your company is utilizing in order to meet your supplier diversity targets. This tracking should include both tier 1 and tier 2 suppliers.

Utilizing a software program that specializes in supplier diversity tracking is the easiest solution to identify diverse suppliers, communicate directly with them and track participation on projects. But,

any system you use that allows you to track participation and measure your progress in achieving your supplier diversity targets will work.

Communication

Once your company has outlined the qualifications for companies participating in your supplier diversity program, and your overall company targets, the next step is to identify how your company is going to achieve these targets.

It is critical that communication to company employees about the supplier diversity program comes from executive leadership. This includes providing guidelines to your operations team(s) and other company stakeholders about how they can support and contribute to the overall supplier diversity targets. Getting buy-in from the operations team and outlining for them expectations around meeting the supplier diversity targets is necessary for success.

You will also need to identify how your company plans to communicate with diverse businesses to alert them to available opportunities, keep diverse businesses informed of their bid status, and offer strategies on how to improve their bid success rates.

Examples on how to communicate about your company's supplier diversity program – both internally and externally – include:

- Comprehensive internal communications plan to inform employees about the supplier diversity program
- Offering educational opportunities for diverse businesses to learn about your company, your procurement process and your supplier diversity program
- Networking events – either virtual or in-person – between your operations team and diverse businesses
- Creating partnerships with local diverse industry and community groups to broaden your reach into connecting with diverse businesses

Summary

This program overview is meant to be just a starting point for your company to develop a well thought out supplier diversity program that identifies targets, outlines expectations for your company and for external stakeholders and puts forth strategies on how your company plans to achieve its goals.