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Supply and Demand Perspectives on Women's Participation in Corporate Supplier Diversity Programs

Corporate supplier diversity programs are the formal efforts made by corporations to include businesses owned by underrepresented populations into their supply chains. These programs have been heralded as opportunities for such businesses to scale up by securing high-value and sustainable contracts.

The market opportunity for certified diverse suppliers is large and growing. For example, according to data released in 2015, 20 corporations that comprise the membership of the Billion Dollar Roundtable spent \$75 billion with 12,586 diverse suppliers.¹

Women business owners seeking to grow their businesses stand to gain from participation in these programs. And, from the corporate perspective, supplier diversity programs have become increasingly more common over the past several decades, and are recognized not only as the “right thing to do,” but, increasingly, as a strategic business decision. It is critical for policymakers and other stakeholders to support corporations' efforts to contract with a diverse pool of suppliers. Through their support of these programs, policymakers improve opportunities for women business owners to access corporate supply chains, encourage greater job expansion, and drive economic growth.

Supplier diversity programs matter—and NWBC research about them does, too

Set-aside and business assistance programs have long been used to support the success of small business interests in federal contracting. Since the middle of the 20th century, the private sector, too, has sponsored initiatives that promote the business interests of specific populations of small business owners, such as racial minorities, women, or veterans. Corporations' explicit efforts to engage and contract with diverse suppliers through their corporate supplier diversity programs vary, though typically supplier diversity program managers facilitate introductions between suppliers and buyers, host mentor-protégé sessions, and ensure that diverse suppliers are consistently considered in the contracting process.

Although women-owned businesses with business-to-business sales tend to have higher receipts and better access to capital, the majority of women-owned businesses sell directly to consumers.² With

¹ <http://www.billiondollarroundtable.org/membership>

² https://www.nwbc.gov/sites/default/files/NWB_infographic4_082814_r5.pdf

fewer than 2 percent of women-owned businesses exceeding \$1 million in receipts, but many women business owners indicating a desire to scale up, corporate contracting represents a prime opportunity for growth-oriented women business owners to increase their profits, as well as the size of their companies. Therefore, it is essential to understand the extent to which corporate supplier diversity programs succeed in facilitating women's access to the corporate marketplace.

While many corporations—including more than half of the Standard & Poor (S&P) 500 corporations—publicly promote supplier diversity program offerings, very few publicly disclose the share of total contracting dollars spent with such businesses. There is a great diversity, too, in the instructions such corporations provide to potential suppliers for gaining access to services that are part of their supplier diversity programs. Consequently, little is known about the success of such programs in incorporating women-owned businesses into their supply chains.

NWBC's latest research report, *Supply and Demand Perspectives on Women's Participation in Corporate Supplier Diversity Programs*, contributes to the limited existing literature on supplier diversity by presenting data from three complementary, original studies:

- Descriptive statistical analysis of a survey of women business owners
- A review of the public-facing side of S&P 500 corporations' supplier diversity programs
- A synthesis of in-depth interviews of 15 corporate supplier diversity managers

The results of each of these three investigations reveal opportunities to improve outcomes for both corporations and women business owners. This work is valuable not only to the corporations implementing and maintaining corporate supplier diversity programs and the business owners seeking to leverage these programs to gain access to the corporate supply chain, but also to the policymakers and advocates who strive to promote the growth of women-owned businesses.

Key findings from the study

Findings from *Supply and Demand Perspectives on Women's Participation in Corporate Supplier Diversity Programs* demonstrate that, though many corporations have stand-out corporate supplier diversity programs—characterized by support from corporate leadership, clear and strong program offerings, and mission buy-in at all levels of the organization—there are key areas in which suppliers, corporations, and policymakers can work better together to unleash the potential of women-owned businesses.

- **Corporations can improve efficiency for both prospective suppliers and the corporations themselves by expanding communication and public information about their supplier diversity program offerings and contracting requirements. Therefore, policymakers should look for ways to encourage corporations to improve this transparency, including by sharing best practices learned from federal procurement successes.**

Most corporations require suppliers to meet specific standards for safety and security, such as particular insurance, bonding, or cybersecurity thresholds. Beyond this, many corporations require that suppliers surpass particular receipts, or demonstrate similar past performance. However, these requirements may not be known to prospective suppliers until they are in direct conversation with corporate supplier diversity or procurement personnel. This information asymmetry can cause

business owners to seek contracts before they will be considered viable suppliers by corporate standards, and also strains the capacity of corporations to be responsive to prospective applicants.

Corporations can and should aim for increased transparency not only about contacting *requirements*, but also about corporate contracting *opportunities*. For example, corporate personnel can identify broad sectors in which upcoming contracts will be competed, or provide general information about how to identify contracting opportunities (such as by sharing lists of related trade journals or, when possible, current contractors).

Increased transparency will not only serve to educate prospective suppliers, but will also reduce the burden on corporate personnel to communicate this information on a case-by-case basis. Common understanding of requirements and opportunities will facilitate more dynamic and fruitful one-on-one communication between potential suppliers and corporate representatives.

- **Corporations and suppliers mutually benefit from interim “scale up” steps, such as Tier 2 opportunities or contract collaboration. Government can encourage such stage-appropriate growth, particularly for women-owned businesses, by encouraging well-developed Tier 2 corporate supplier diversity programs.**

Corporations can support prospective suppliers’ capacity-building—from which they ultimately stand to benefit—by incorporating Tier 2 contracting into their supplier diversity goals. Corporations can also actively facilitate and promote joint contracting opportunities, in which multiple prospective suppliers bid together on a contract.

On the supply side, women-owned businesses should maximize their opportunities to contract to larger businesses by seeking out Tier 1 contracts when appropriate, but should also consider Tier 2 contracts—those in which they supply a prime contractor for a corporation—as a viable means to test their mettle and scale up their capacity and their receipts.

- **Finally, and fundamentally, government can support the goals of existing supplier diversity efforts by creating incentives to do more business, not only with small businesses in general, but also with women-owned businesses, specifically.**

The results from *Supply and Demand Perspectives on Women’s Participation in Corporate Supplier Diversity Programs* not only reveal how, but also underscore why, policymakers and other stakeholders can and should support corporations’ efforts to contract with a diverse pool of suppliers, so as to ultimately encourage the growth of women-owned businesses. For the full text of the report, please visit the "*Issues and Research*" page on the website of the National Women's Business Council.