Final Report

Research on Women’s Participation in Corporate Supplier Diversity Programs

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Executive Summary

Corporate supplier diversity programs are a “win-win” for customers and suppliers as they positively affect the marketplace by increasing the number of qualified and experienced members of the supply chain. For women-owned firms, corporate supplier diversity programs can serve as a critical pathway to corporate market access as contracting with large corporations is an opportunity for women business owners to develop stable revenue streams, enhance their social networks, and scale up their businesses. Private and public corporations initiate supplier diversity programs to incorporate women- and minority-owned businesses into their procurement processes across the supply chain. The stability and connections developed within high quality programs may advance growth-oriented and scale-up women business owners in intensifying and expanding their businesses.

The business case for supplier diversity continues to evolve from one of social good to one of financial pragmatism. In the past, many corporations created supplier diversity programs because it was the “right thing to do.” However, supplier diversity programs benefit the corporation in other ways. For instance, thriving supplier diversity programs allow corporations to reap tangible benefits including increased market penetration and an enhanced reputation. Programs facilitate access to diverse markets and reduce costs while boosting corporate reputation and customer loyalty resulting from their commitment to working with suppliers that more closely resemble the demographics of their customers. Supplier diversity programs also have a positive benefit on the corporate supply chain by increasing efficiency, flexibility, and diversity, while offering emerging firms important opportunities for sustainable growth.

In 2015, the National Women’s Business Council (NWBC) sponsored a survey of women-owned businesses to identify and analyze factors that facilitate or impede women business owners’ participation in private sector supplier diversity programs. This survey is a first-of-its-kind effort towards understanding women entrepreneurs’ perceptions of and experiences with corporate supplier diversity programs. The survey also explores what activities and practices supplier diversity programs undertake to facilitate increased contract access or create challenges in securing corporate contracts. Using the NWBC survey results, this research explores the barriers that women face in supplying large corporations. It further examines perceptions of program quality, providing insights into what program offerings can be improved to increase corporate utilization of women-owned firms as suppliers. Key conclusions include:

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4 The data do not represent a random, statistically significant, nationally representative sample of the entire population of women business owners. The survey is not a stratified random sampling of women business owners operating in the United States and the survey may contain bias, oversampling, or under sampling of specific populations.
The most in-demand program offering was “introductions,” with approximately 75 percent of respondents indicating that they are “likely” to participate in that component of a program. This emphasizes that the entrepreneurial social network is a key component in starting and growing businesses, particularly in regards to securing contracts with large corporations.

The number one impediment faced was the lack of contacts with decision-makers, closely followed by the lack of relationships with actual buyers. The quantitative results are confirmed by the focus group transcripts: women felt that accessing an individual who could actually execute a contract and hire them was a major impediment and barrier yet to be removed.

Respondents were less interested in participating in mentorship and training than they were in meeting decision-makers. Approximately 25 percent of individuals surveyed indicated that they were not likely to participate in a mentorship and training program. Respondents noted that actually interacting with the buyers was an essential step to demonstrating capability and securing a contract.

Women did not feel that they lacked capacity to meet the demand of large corporations. In fact, only 12.5 percent of respondents selected this choice. Women felt more hampered by the complexity and bureaucracy of the contracting process, as over 48 percent of survey respondents selected this barrier.

A major finding of this work is that the barriers faced by women entrepreneurs in supplying large corporations do not vary greatly by revenue. This indicates that the gap in women’s participation as corporate suppliers is not entirely a function of capacity; rather other factors including politics and social networking are at play.

Increasing and improving supplier diversity program quality, utility, and awareness of opportunities will require action on a variety of fronts. While this analysis explores the issues faced and experiences had by women business owners in dealing with supplier diversity programs, both women business owners and corporations themselves can make changes based on these results to improve their utilization of qualified and interested women-owned firms. Key recommendations include:

- Encouraging women business owners, corporate supplier diversity personnel, and procurement officials to attend supplier conferences or procurement fairs. This action would provide women-owned firms in attendance the opportunity to both learn about the supplier diversity program in place and also to network with an individual who can serve as their advocate in the contracting process and work with them to successfully secure a contract.
• Women business owners should proactively seek out supplier diversity personnel to include in their business social networks. By cultivating these relationships, women business owners can increase their chances of contract selection by gaining greater insight into what potential clients desire in a supplier. As part of the process, women business owners can move beyond the “certify and wait for a contract” paradigm and begin to engage suppliers by creating a targeted list of corporations whose supplier qualifications and needs are a good fit. Initial steps in this process may include connecting via social media (e.g., LinkedIn, Facebook) and researching company-specific requirements.

• Corporations need to invite supplier diversity personnel “to the table.” Relaying the message of supplier diversity and its importance to the entire firm, not just within the supplier diversity program, is essential to ensuring maximum program effectiveness. Giving supplier diversity managers a say in what firms win contracts and direct dialogue with procurement officials will align corporate intentions and actions regarding increasing utilization of women-owned business suppliers.

• Respondents as well as focus group participants felt that the process of contracting with large corporations was bureaucratic and complex. Corporations should streamline their processes and make transparent their spending with diverse suppliers.

The results indicate that significant barriers and informational asymmetries exist among entrepreneurs and corporations. However, the survey administered only captures the entrepreneurial side of the picture. There remain a number of avenues for future research and policy considerations including:

• Analysis of corporate supplier diversity program requirements and offerings. What is the application process and how does each program function? What differences exist among corporations of varying sizes in terms of requirements and program offerings, including dedicated staff?

• Analysis of professional relationships between suppliers and corporate personnel. Given the importance noted throughout of relationships and social networks in successfully supplying large corporations, how do corporate supplier diversity personnel and buyers view their relationships with potential and existing suppliers? How does engagement vary in terms of supplier gender and history in supplying the corporation? What can women do to break into this network?

• Analysis of the corporate perspective of reasons for underutilization of women-owned businesses as suppliers. What do corporate supplier diversity personnel and buyers perceive as the reasons for low representation among women as suppliers? How do these reasons differ from those reported by women entrepreneurs in this survey?
# Table of Contents

Executive Summary ............................................................................................................. i
Table of Contents ................................................................................................................ iv
List of Figures ....................................................................................................................... v
List of Tables ......................................................................................................................... vi
Acknowledgements ............................................................................................................. vii
1. Introduction and Background .......................................................................................... 1
2. Research Design and Methodology ............................................................................... 13
3. Results ............................................................................................................................. 17
4. Conclusions ..................................................................................................................... 42
Glossary ............................................................................................................................... 46
List of Figures

Figure 1-1 Two-Tier Supplier Schematic ................................................................. 6
Figure 1-2 RGMA 5 Level Supplier Diversity Structure ........................................... 8
Figure 3-1 Number of Owners ................................................................................. 17
Figure 3-2 Owner Education .................................................................................... 19
Figure 3-3 Distribution of Respondent Age .............................................................. 20
Figure 3-4 Organizational Structure ......................................................................... 21
Figure 3-5 Employee Distribution ........................................................................... 22
Figure 3-6 Annual Revenue ....................................................................................... 23
Figure 3-7 Defining Success ..................................................................................... 26
Figure 3-8 Expansion Funding Source ...................................................................... 27
Figure 3-9 Information Source Regarding Corporation Requirements for Suppliers .... 28
Figure 3-10 Supplier Diversity Program Participation Interest .................................. 29
Figure 3-11 Average Efficacy of Program Resources .............................................. 31
Figure 3-13 Supplier Diversity (SD) Program Interaction by Certifier .................... 33
Figure 3-14 Supplier Diversity (SD) Program Interaction by Revenue Category ....... 34
Figure 3-15 Revenue Distribution by Certification Status ........................................... 35
Figure 3-16 Barriers Faced Using Supplier Diversity Programs by Revenue Category 36
Figure 3-17 Distribution of Full-Time Employees by Revenue Class ....................... 38
Figure 3-18 Distribution of Full-Time Employees by Supplier Strategy Category ........ 40
List of Tables

Table 3-1 Minority Status Breakout ........................................................................................................ 18
Table 3-2 Respondent Top 5 Industries .................................................................................................. 24
Table 3-3 Certification Distribution ........................................................................................................ 25
Table 3-4 Impediments to Supplying Large Corporations ................................................................. 30
Table 3-5 Differences in Supplier Diversity Participation and Utility by Revenue Category.................... 37
Table 3-6 Differences in Supplier Diversity Participation and Utility by Supplier Strategy Category.............................................................................................................................. 39
Table 3-7 Differences in Supplier Diversity Participation and Utility by Supplier Revenue Intentions .................................................................................................................. 41
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1. Introduction and Background

Private and public corporations initiate supplier diversity programs to incorporate women- and minority-owned businesses into their procurement processes across the supply chain. The Billion Dollar Roundtable (BDR) defines supplier diversity as “a set of processes by which organizations engage firms that are owned, operated, and controlled by historically underutilized population groups.” Corporate supplier diversity programs are a “win-win” for customers and suppliers as they positively affect the marketplace by increasing the number of qualified and experienced members of the supply chain. For women-owned firms, corporate supplier diversity programs can serve as a critical pathway to corporate market access. By gaining access to new markets, these women-owned firms can strengthen their competitive ability and potentially achieve sustainable growth through business to business opportunities.

Contracting with large corporations is an opportunity for women business owners to develop stable revenue streams, enhance their social networks, and scale up their businesses. According to the United States Small Business Administration (SBA), small businesses that sold to large corporations reported average revenue growth of 250 percent spanning the period one year prior and two years post receipt of their first contract with a large corporation. Further, average employment for supplier firms increased by over 150 percent during the same period. However, there is a general trend among women-owned firms towards selling to individual customers, as opposed to other businesses. As an example, women-owned firms are more likely than men-owned firms to operate in the retail industry selling directly to consumers.

To bridge this gap and open more women-owned firms to the possibility of lucrative business to business sales, corporate supplier diversity programs work to connect women to the larger corporate supply chain. The stability and connections developed within such programs may advance growth-oriented and scale-up women business owners in intensifying and expanding their businesses. Additional quantitative and qualitative work is necessary to thoroughly investigate the role that corporate supplier diversity programs play in assisting women-owned businesses. Despite anecdotal evidence suggesting benefits of supplier diversity programs, there exists a

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5 The Billion Dollar Roundtable is an organization dedicated to advancing corporate supplier diversity program best practices with the goal of increasing the capacity of diverse firms. The BDR is comprised of 18 high-profile members including AT&T, General Motors, and Walmart Stores. Its mission is to “drive supplier diversity excellence through best practice sharing and thought leadership.” For more information, please see [http://www.billiondollarroundtable.org/](http://www.billiondollarroundtable.org/)


7 This report contains a glossary outlining several key terms and acronyms used throughout.


9 Data from the U.S. Census Bureau 2012 Survey of Business Owners indicate that approximately 10.6 percent of women-owned businesses and approximately 7.6 percent of male-owned businesses operate in NAICS 44-45 (retail). For more information, please see [http://www.census.gov/](http://www.census.gov/)
dearth of quantitative research related to how and why women business owners participate in corporate supplier diversity programs.

The Business Case for Supplier Diversity

The business case for supplier diversity continues to evolve from one of social good to one of financial pragmatism. In the past, many corporations created supplier diversity programs because it was the “right thing to do.” Much of the current success of corporate supplier diversity programs is the result of corporations viewing women-owned and minority-owned business programs not as social advancement programs, but as business development programs. To that end, corporate programs have begun to provide diverse businesses with additional training, as corporations recognize the mutually beneficial nature of working with these firms.

In his research on supplier diversity programs and their effect on firms, Ian Worthington explores the corporate perception of supplier diversity program benefits. Specifically, he identifies four benefits to utilizing diverse suppliers:

1. Improved organizational performance
2. Contribution to strategic objectives
3. Growth of stakeholder relationships
4. Ability to respond to a changing external environment

In addition, thriving supplier diversity programs allow corporations to reap tangible benefits including increased market penetration and an enhanced reputation. Programs facilitate access to diverse markets and reduce costs while boosting corporate reputation and customer loyalty resulting from their commitment to working with suppliers that more closely resemble the demographics of their customers. Supplier diversity programs can aid large corporations in accessing growing markets, gaining competitive advantages, and increasing value.

Motivation for corporations to administer supplier diversity programs varies. Some firms voluntarily focus on supplier diversity to improve their overall corporate image. Firms without programs cite expenses and administrative difficulties as reasons for not implementing them. According to the Hackett Group, this rationale is a red herring, as companies with developed supplier diversity programs are “just as able to run effective procurement operations as their peers that ignore supplier diversity.”

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12 Worthington, op. cit.
13 Aarts, op. cit.
14 Worthington, op. cit.
17 Ibid.
In fact, companies that emphasize supplier diversity generate 133 percent greater returns on procurement investments than those firms without supplier diversity initiatives.\textsuperscript{18} Furthermore, the Hackett Group notes that the process of diversifying the corporate supplier base is not costly and that instead of costing firms money, supplier diversity programs drive new sources of revenue.\textsuperscript{19}

Despite potential challenges, the decision to engage with diverse suppliers is advantageous from a business perspective. The Billion Dollar Roundtable published a book titled \textit{Supplier Diversity Best Practices} that profiles large corporations with developed supplier diversity programs. In the book, the professionals at these large corporations espouse the benefits of working with diverse suppliers ranging from increased efficiency to enhanced profitability. Each book chapter includes first-hand accounts of the benefits and best practices of supplier diversity programs at companies that belong to the BDR, as well as rationale for starting and expanding supplier diversity programs. For instance, Walmart discusses the growth and impetus for its Tier 2 program, and Avis Budget Group explains its continuous improvement process with respect to its supplier diversity program.

\textit{Who’s Who in Supplier Diversity}

The corporate supplier diversity landscape includes multiple actors at different levels of the process. Before beginning an in-depth discussion of how women business owners engage with supplier diversity programs, this section provides a description of each of the corporate contracting actors:

- **Corporate Buyers:** these individuals are typically responsible for executing the contract and monitoring contract progress. Corporate buyers are a key point of contact between the corporation and the firm acting as a supplier.

- **Suppliers:** firms that provide goods and/or services to large corporations on a contract basis.

- **Supplier Diversity Program Managers:** managers oversee the implementation of corporate supplier diversity programs and work directly with women and minority business owners who wish to contract with the corporation. However, managers are not typically responsible for executing contracts or hiring firms to perform work.

- **Corporate Decision-Makers:** corporate leaders, such as Presidents and Chief Executive Officers have the power to issue directives within their


respective corporations. For instance, a CEO could implement a policy within their corporation requiring that 10 percent of all dollars spent with outside suppliers be directed towards businesses owned by women.

In theory, the government has the ability to develop and enforce public policies and directives that influence how corporations work with diverse suppliers, such as women. As a hypothetical example, the government could promote tax breaks for corporations that meet supplier diversity utilization goals and targets. Precedent for this level of government involvement in corporate affairs includes SupplierPay, a White House initiative which aims to speed payments to smaller firms in a company’s supply chain by encouraging these large companies to pay invoices early.

The functionality of the supplier diversity program in place, as well as the level of integration with the overall corporate purchasing department and goals, is central to program effectiveness in aiding women-owned firms in securing contracts. Often, corporate buying departments issue a request for proposal (RFP) for goods or services. Suppliers then submit bids for such goods or services directly to the corporate buyers. If a supplier is a supplier diversity program participant, the supplier diversity program manager will typically advise the supplier of the upcoming opportunity in their industry. However, the corporate buyer typically has the final say in which supplier is hired for the job. In some corporations, significant discussion exists among the supplier diversity departments and the purchasing departments to facilitate the fair and equitable use of diverse suppliers. However, other corporations, despite having a supplier diversity program in place, do not promote communication between the supplier diversity manager and the buyers. This creates a structure where buyers are free to use diverse suppliers, but receive no recommendations or input in purchasing decisions from the supplier diversity manager.

Supplier Diversity Best Practices

Supplier diversity programs are not homogeneous and are often tailored to the goals of their corporations. A key contribution of the BDR is the notion of sharing best practices. A successful supplier diversity program requires more than increasing awards to women-owned and minority-owned businesses. Programs must build entrepreneurial capacity while growing the number of contracts awarded.20 The BDR identifies and details twelve best practices for corporate supplier diversity programs:

1. Establishing a corporate policy and corporate management support
2. Establishing a corporate diverse supplier development plan
3. Establishing comprehensive internal and external communications
4. Identifying opportunities for diverse suppliers in strategic sourcing, revenue enhancement, and supply chain management
5. Establishing a comprehensive diverse supplier development process

20 Greene et al., op. cit. p. 51
6. Establishing tracking, reporting, and goal-setting mechanisms
7. Establishing a continuous improvement plan
8. Establishing a second-tier program
9. Understanding public-sector supplier diversity
10. Integrating supplier diversity into sustainability initiatives
11. Engaging historically black college and universities
12. Establishing global supplier diversity

Supplier diversity programs vary by firm and the BDR offers insights into the programs at some of the world’s largest corporations. For example, Proctor & Gamble (P&G) is an example of a company tailoring its supplier diversity program to its constituents. P&G utilizes a sophisticated supplier diversity program to achieve its goals, where a key differentiator is the implementation of the Supplier Diversity Advisory Council (SDAC). Eleven key minority-owned or women-owned (M/WBE) suppliers that are representative of various regions, goods and services, sizes, ethnicities, and genders comprise the SDAC. The mission of the SDAC is to “implement opportunities and grow the capacity and capability of P&G’s diverse suppliers across all businesses, working towards improving relationships, growing mutual businesses, and strengthening the potential to meet P&G’s and members’ business goals.”

Toyota is another member of the BDR and also a leader in supplier diversity. Toyota’s program focuses on communicating constructive feedback to its suppliers. Toyota puts its entire set of Tier I suppliers through an annual performance evaluation process that includes assessment of key supplier diversity factors. This exercise aids the firm in highlighting its priorities and impressing upon its suppliers the significance of diversity to Toyota. During these evaluations Toyota and the suppliers set unique, tangible targets for quality, delivery, value enhancement, and minority sourcing. This investment in supplier development and diversity also provides Toyota with a loyal and capable supplier base.

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21 Ibid., p. 42
22 Ibid., p. 21-26
In addition to maximizing their relationships and business opportunities with primary suppliers, supplier diversity programs can extend their reach by employing a second tier. The second tier aids diverse subcontractors in generating more opportunities and business. In 2011, over 90 percent of companies with supplier diversity programs included second tier initiatives. Figure 1-1 provides a hypothetical example of a two-tiered supplier relationship. As shown, Tier 2 suppliers report to and are paid by Tier 1 suppliers, who deal directly with the large corporation. The Tier 2 supplier does not have a contract with the corporate entity, but instead works for the Tier 1 supplier to the corporate entity. Two-tier supplier diversity programs aim to encourage Tier 1 suppliers to hire and subcontract with minority-owned and women-owned firms, consistent with how the corporate entities operate when selecting their suppliers.

Figure 1-1
Two-Tier Supplier Schematic

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23 Ibid., p. 90
Supplier Diversity Program Quality

While the BDR outlines best practices for program development, Ralph G. Moore & Associates (RGMA) designed a rubric for cataloging corporate supplier diversity programs. This information is useful for business owners from underrepresented groups who wish to interact with these programs as they can gain a clearer set of expectations and tailor their potential customer list to those corporations offering beneficial and well-developed programs. The RGMA Five Levels of Corporate Supplier Diversity Program Development (“Five Levels”) is a benchmarking mechanism designed to help program leaders evaluate their current supplier diversity programs, detail the benefits of enhancing their programs, and understand what steps are necessary to achieve the detailed program enhancements. As shown in Figure 1-2, as of 2011, the Five Levels include:

- Level Zero: No program
- Level 1: Beginning program
- Level 2: Basic program
- Level 3: Traditional program
- Level 4: Advanced program
- Level 5: World class program

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24 For more information, please see [http://www.rgma.com/](http://www.rgma.com/)
The distinction between what constitutes an “advanced” and a “world class” program is nuanced but important. Levels 4 and 5 are distinguished from the lower levels by executive leadership and accountability. These programs are most likely to assist business owners in earning more corporate contracts since their programs have better intention and action in place to do so. Advanced programs incorporate sourcing organizations with a strong commitment to supplier diversity. This contrasts world class programs, where the entire corporation demonstrates a strong commitment to supplier diversity. World class supplier diversity programs effectively communicate the strategic value of connecting with increasingly diverse markets and suppliers.\textsuperscript{25} Other differences exist as well, including the intent of the program. For example, BDR details

\begin{center}
\begin{tabular}{|c|}
\hline
\textbf{Level 5: World Class Process} \\
\begin{itemize}
\item Program manager acts as valuable resource to senior management \\
\item Supplier diversity and workforce diversity held in identical regard \\
\item Supplier diversity is aligned with strategy, structure, and company culture \\
\item Senior management is recognized as the driver of the process
\end{itemize} \\
\hline
\end{tabular}
\end{center}

\begin{center}
\begin{tabular}{|c|}
\hline
\textbf{Level 4: Advanced Process} \\
\begin{itemize}
\item Process and team manager at director level. Program staffed with sufficient resources \\
\item Process integrated into both sourcing (procurement) and marketing strategies \\
\item Senior management awareness, buy-in, and engagement
\end{itemize} \\
\hline
\end{tabular}
\end{center}

\begin{center}
\begin{tabular}{|c|}
\hline
\textbf{Level 3: Traditional Program} \\
\begin{itemize}
\item May be staffed full-time with junior personnel \\
\item Perceived and driven as a social initiative \\
\item Minimal senior management engagement
\end{itemize} \\
\hline
\end{tabular}
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\begin{center}
\begin{tabular}{|c|}
\hline
\textbf{Level 2: Basic Program} \\
\begin{itemize}
\item Part-time staff \\
\item Compliance-driven response to customers \\
\item Senior management not engaged
\end{itemize} \\
\hline
\end{tabular}
\end{center}

\begin{center}
\begin{tabular}{|c|}
\hline
\textbf{Level 1: Beginning Program} \\
\begin{itemize}
\item Not staffed full-time \\
\item Not integrated into strategy, structure, or culture of company \\
\item Senior management not engaged
\end{itemize} \\
\hline
\end{tabular}
\end{center}

\begin{center}
\begin{tabular}{|c|}
\hline
\textbf{Level 0} \\
\begin{itemize}
\item No formal program
\end{itemize} \\
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\end{tabular}
\end{center}

Source: adapted from the Billion Dollar Roundtable, RGMA 2011

the intent of Level 4 programs as “we should do this,” versus Level 5 programs, “this is what we do.”

Another component of program quality is the measurement of outcomes with respect to business contracting opportunities and success. According to the Billion Dollar Roundtable book, “the single most critical element in the governance of a supplier diversity program is measurement.”26 The “gold standard” benchmark in the industry is the total value of dollars spent with diverse suppliers.27 Although value is critical, a more holistic analysis of the programs and their effects is warranted to help gauge efficacy. The use of surveys is one avenue to generate qualitative data regarding program performance by surveying suppliers, stakeholders, and managers to gather performance information.28

Women Business Owners and Supplier Diversity

Jiyun Wu29 explored the effects of corporate supplier diversity programs on corporate purchasers and their intent to utilize women-owned businesses as suppliers. Her doctoral thesis and published work used a survey of 272 corporate purchasers across various industries and geographies in the United States to study intentions and program effectiveness as it related to women-owned business success. Wu’s dissertation referenced Ajzen’s theory of planned behavior to explore how the intent to purchase from a woman-owned firm was influenced by participation in a supplier diversity program. The work tested eight related hypotheses using an AMOS30 structural model and found that the existence of a corporate supplier diversity program and the level of corporate commitment to supplier diversity programs positively affect professional purchasers’ intention to purchase from women-owned businesses.31 The findings indicate that programs that target women-owned businesses are effective at gaining corporate purchaser acceptance. Further, corporations can incorporate supplier diversity programs into their operations without compromising revenue and profit.32

Programs designed to increase the participation in federal contracting of small business owners and women in particular have been ongoing for decades and generally pre-date the wide-spread implementation of corporate supplier diversity programs. Since the Small Business Administration was formed in 1953, the federal government has used set-aside programs as well as other assistive programs, such as government loans, to promote the inclusion of small and diverse-owned businesses in federal

26 Greene et al., op. cit. p. 73
28 Greene et al., op. cit. p. 76
30 AMOS is a structural model plug-in for the statistical software package, SPSS. For more information, please see http://www-03.ibm.com/software/products/en/spss-amos
32 Wu, op. cit.
contracting. Although a few corporations did implement supplier diversity programs along a similar timeframe as the federal government,33 corporate programs became widespread only after the SBA had been established for several decades. After recognizing that programs to enhance women’s participation in the government marketplace as suppliers benefitted the entire supply chain as well as the bottom line, large companies, such as General Motors and AT&T, began their own programs. Ford spokesman Bob Roach noted that “[i]n today’s increasingly diverse society, you can’t maintain a leadership position with people from the same background, who all think alike” and Jay Wetzel of General Motors echoed that sentiment noting that diversity is “just good business.”34

As an example of a program in action, Walmart has had a supplier diversity program in place since 1994.35 Ellie Bertani, Senior Manager for Women’s Economic Empowerment at Walmart, noted that at Walmart, the majority of the chain’s 200 million customers are women.36 Further, Walmart research shows that 90 percent of female customers in the United States believe that products from women-owned firms are higher quality and would go out of their way to purchase products made by women.37 Walmart’s supplier diversity program capitalizes on this research and supports women-owned firms in the process. The company estimates that in fiscal year 2015, it will spend approximately $13.5 billion dollars with women- and minority-owned businesses within its supply chain.

Supplier diversity programs also have a positive benefit on the corporate supply chain by increasing efficiency, flexibility, and diversity, while offering emerging firms important opportunities for sustainable growth. Leading companies recognize the importance and potential profit in diversifying their supplier bases. In a McKinsey survey, approximately 34 percent of respondents indicated that engaging with women-owned firms positively affected their profitability.38 To that end, AT&T attributed $4 billion in 2014 revenue to its efforts to engage women-owned firms as suppliers.39 More work is required on this front to understand what companies desire from diverse suppliers and how diverse suppliers can leverage their skills to secure contracts.

33 An example is Boeing, whose program was founded in 1951. For more information, please see http://www.boeingsuppliers.com/esd/
Certification

Benefits of certification as a women-owned enterprise reach beyond the label of women-owned business (WOB). In addition to offering programs to enhance acquisitions from women-owned firms, some certifying organizations offer more complete programs designed to assist their vendors, including business development, training, mentor/protégé programs, joint ventures, and investment assistance, among others. The Women’s Business Enterprise National Council (WBENC) is a leading women-owned business certifier with 12,000 firms. WBENC considers its certification to be a marketing tool that enhances visibility. Although certification may prove fruitful for some businesses, other businesses choose not to certify. Various reasons exist, including the time and cost associated with certification or industrial differences regarding the utility of the certification in earning more business. It is important to note that certification is not the only way for women-owned firms to penetrate the business-to-business marketplace.

While supplier diversity programs may offer a “fast track” to consideration for a contract, women-owned status does not provide any guarantees in winning contracts as a supplier. Firms must still prove that they are the best supplier for the job, including proving financial wherewithal. To guarantee a secure source, corporations often implement strict guidelines for evaluating suppliers’ financial abilities and strength, but many women-owned firms lack the financial wherewithal to comply with supplier requirements. On a positive note, the designation as a “women-owned firm” may help businesses stand out against the competition. Certification as a women-owned business represents an opportunity to participate in supplying large corporations. Area51, a California-based electronics components distributor, credits its minority-owned business accreditation with some of its largest contracts, noting that corporate supplier diversity programs make companies more approachable. However, certification is not a guarantee of work and businesses still need a strong business model, service, and competitive pricing to beat out the competition.

Supplier Diversity Now

Work to understand how diverse suppliers and corporations interact is ongoing. In June 2015, the office of U.S. Senator Bob Menendez released the results of its 2014

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40 “WBENC Certification – Then and Now.” WBENC President’s Report. February/March 2015.
42 Aarts, op. cit.
44 Ibid.
45 Ibid.
Corporate Diversity Survey. The survey examined diversity at three levels: Board of Directors, Executive Teams, and Suppliers; and profiled Fortune 100 companies, 69 of which responded. Unfortunately, the share of dollars spent with women-owned and minority-owned firms decreased from 2011 to 2014 and remained disproportionately low, indicating potential underutilization. On average, companies spent approximately 3 percent of total procurement dollars with women-owned businesses. However, nearly every company that responded reported having a formal supplier diversity program and 44.1 percent of respondents indicated that the number of diverse suppliers utilized increased over the previous year. Surveys such as these provide important information, particularly with regards to how corporations view and run their programs. In turn, this report examines how the women-owned firms themselves perceive supplier diversity programs, their efficacy, and their offerings.

Significant work remains in understanding both how and why women business owners seek out and utilize corporate supplier diversity programs. Essential topics for future exploration include but are not limited to the challenges that corporations face in growing their utilization of women-owned firms in business-to-business sales and what best practices exist from the entrepreneurs’ standpoint to running a successful corporate supplier diversity program.

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2. Research Design and Methodology

The existing literature and prior research provide a basis for the analysis of women’s utilization of corporate supplier diversity programs. This research focuses on analyzing how respondents to a survey on participation and experiences in corporate supplier diversity programs engaged with and benefitted from participation in these programs. This work explores this topic using univariate statistics and cross-tabulation frequency distributions with data from an NWBC-sponsored survey of women business owners. This section includes a discussion of the data source, followed by the research plan.

Data Source – NWBC Sponsored Survey

In 2015, the NWBC sponsored a survey of women-owned businesses to identify and analyze factors that facilitate or impede women business owners’ participation in private sector supplier diversity programs. The survey also explores what activities and practices supplier diversity programs undertake that facilitate increased contract access or create challenges in securing corporate contracts. The survey is a first of its kind effort to gather data that address women’s participation in corporate supplier diversity programs. Participants met the following criteria:

- The respondent must be the principal owner or designated by the principal owner as the survey respondent.
- The business must have been founded or acquired in 2014 or prior.
- The business must be at least 51 percent woman-owned.
- The business must have at least $25,000 in annual revenues.

The NWBC distributed the survey in March 2015 via email through organizations that certify women-owned businesses that agreed to send the survey to all members in their databases. The survey gathered information to facilitate:

- An understanding the barriers faced by women business owners when doing business with large corporate supply chains;
- An understanding of how leveraging corporate supplier diversity programs can facilitate women-owned business growth;

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47 The survey was designed and implemented under a prior contract.
48 WBENC, NMSDC, NWBOC, U.S. Women’s Chamber of Commerce, El Paso Hispanic Chamber of Commerce all sent out the survey to their members on behalf of the NWBC. NMSDC is the National Minority Supplier Development Council. NWBOC is the National Women Business Owners Corporation.
• Development of policy recommendations, processes, and activities that may promote increased opportunities for women business owners in obtaining corporate contracts.

The data do not represent a random, statistically significant, nationally representative sample of the entire population of women business owners. The survey is not a stratified random sampling of women business owners operating in the United States and the survey may contain bias, oversampling, or under sampling of specific populations. The survey collected information from willing respondents that were members of select certification organizations. PQC, Inc. did not develop the survey instrument or test for bias or under sampling and accepted the data as-presented. This does not lessen the usefulness of the dataset; rather, readers should recognize that the responses are limited in scope to addressing issues facing women business owners when interacting with supplier diversity programs. The results represent a sample of 836 women business owners and are not intended to be extrapolated to the entire population. Throughout this report, all conclusions and statistics refer only to the data provided by survey respondents.

The survey has a wide variety of questions and the NWBC received responses from entrepreneurs with different backgrounds and business sizes. The survey contained thirty five questions. Response types vary across the survey and include:

• Questions with specifically-defined mutually exclusive responses, example: What was the total gross revenue of this business in 2014?

• Questions that require the user to respond on a Likert scale basis, example: How likely would you be to participate in the following services offered by corporate supplier diversity programs? (Answers include “Not Likely,” “Somewhat Likely” or “Likely”)

• Questions that allow multiple responses, such as “check all that apply,” example: Why have you not used (or attempted to use) any corporate supplier diversity programs to grow your business (mark all that apply)?

• Questions that provide a user-generated response, i.e., allow the respondent to enter in an “other” category where they must specify. Example: listing a challenge or barrier encountered in attempts to gain business through corporate supplier diversity programs.

In addition, the survey included questions regarding participation that required tiered responses detailing program quality. For example, one question asks respondents to “rate the helpfulness of participating in different organizations in achieving development of knowledge and skills, as well as overall business success.” For each answer choice, survey respondents marked that the service was not applicable, not helpful, somewhat helpful, or helpful. Several questions of this type
existed throughout the survey instrument. This question structure permits both “yes/no” and quality responses, providing deeper information and insights regarding women’s perceptions of corporate supplier diversity programs.

**Analysis Techniques**

This research explores the barriers that women face in supplying large corporations as well as perceptions of program quality, providing insights into what program offerings can be improved to increase corporate utilization of women-owned firms as suppliers through a quantitative lens. Key research questions include:

- Can one develop an understanding of the barriers that women business owners encounter when doing business with corporate supply chains?
- What opportunities and/or obstacles exist with respect to leveraging corporate supplier diversity programs to facilitate the growth of women-owned businesses?
- What trends, reasons, or data exist to help understand why certain women-owned businesses have not sought out relationships with corporate supply chains as a means to grow and scale-up their businesses?

To answer these questions, this work relies on univariate statistics, frequency distributions, and cross-tabulation statistics. The analyses explore how different variables are related and what differences exist in terms of corporate supplier diversity program participation across a series of characteristics, such as revenue or business strategy. Key analyses included the following:

- Generating univariate statistics such as the mean and standard deviation for applicable variables, while also developing variable distributions. This analysis also includes univariate statistical analysis on subsets of survey data to ascertain differences among respondents.
- Developing frequency and crosstab statistics based on the response behavior for questions. Generating frequency diagrams permits the identification of specific reasons why certain women-owned businesses are either using or not using corporate supplier diversity programs.
- Expanding the prior analysis to use joint frequency analysis to examine trends among responses given particular criteria. An example is analyzing the joint frequency of respondents in a particular NAICS (industry) with respect to obstacles faced in using corporate supplier diversity programs.

While the survey analysis is the focus of this report, the NWBC conducted focus groups in conjunction with a prior contractor as part of a separate contract. The NWBC held in-person focus groups in Washington, D.C., New York City, Chicago, and Los
Angeles, which represent four of the top five metropolitan areas with the largest number of women-owned businesses. The NWBC provided focus group notes and transcripts in conjunction with the survey data. This report incorporates insights from the focus group transcripts to help identify different research areas and to lend anecdotal and qualitative support to the results of the quantitative survey analysis. These insights are included as part of the results section, when appropriate.
3. Results

This section contains quantitative analysis of the survey results that were most germane to the research questions. The results focus on a select number of variables and questions that best address the key research objectives. First, this section presents univariate analysis of the owners and firms that participated in the survey and their program experiences. Next, this section provides cross-tabulation analysis and control statistics, which elucidate further interactions among variables.

Who Responded to the Survey?

Figure 3-1 shows the distribution of the number of owners for firms that responded to the survey.\textsuperscript{49} Approximately 52 percent of responding firms had only one owner.

\textsuperscript{49} In the figures throughout this report, "n" refers to the sample size of respondents used in the analysis shown. The sample size for a particular analysis will vary depending on how many firms responded to the particular survey question being analyzed. For example, the Figure 3-1 analysis contains results from 800 respondents.
An important topic in examining supplier diversity programs is race and ethnicity, since supplier diversity programs exist to promote inclusion of both women and racial or ethnic minorities in corporate contracting. The survey included questions asking respondents to indicate the racial or ethnic groups to which they belong. Per Table 3-1, 17.1 percent of respondents were ethnic or racial minorities. According to the Survey of Business Owners, 28.8 percent of firms are minority-owned and 38.2 percent of women-owned firms were also minority-owned firms. Minority status firms have owners that responded that they belong to at least one of the following categories:

- Hispanic/Latino
- American Indian or Alaskan Native
- Asian
- African America/Black
- Hawaiian or Pacific Islander

<table>
<thead>
<tr>
<th>Minority Status Breakout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority Status</td>
</tr>
<tr>
<td>White</td>
</tr>
<tr>
<td>Minority</td>
</tr>
<tr>
<td>No Response</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Note: minorities include all race/ethnicity categories except caucasian/white
The respondents to the survey on supplier diversity involvement are well-educated. As shown in Figure 3-2, almost 70 percent of survey respondents held a Bachelor’s Degree or higher. Compared to the Survey of Business Owners, where approximately 40.5 percent of business owners had a Bachelor’s Degree or higher, survey respondents are more educated, on average, than the United States population. This raises an interesting point regarding firms involved in business to business sales. Do firms that supply corporations have more highly educated owners or does the survey instrument include selection bias in terms of response likelihood? These are both avenues for future research on causality in the corporate supplier diversity landscape.

![Figure 3-2 Owner Education](image)

According to the United States Census, Current Population Survey, the average education level in the United States is an Associate’s Degree or Occupational Training. For more information, please see [http://www.census.gov/hhes/socdemo/education/data/cps/2014/tables.html](http://www.census.gov/hhes/socdemo/education/data/cps/2014/tables.html)
In addition to education, this research explored the distribution of respondent age. As shown in Figure 3-3, over 80 percent of respondents were 45 years old or older, and over 50 percent of respondents were over 55 years old. This contrasts the general business owner population observed using other surveys, including the Survey of Business Owners, where owners tended to be younger on average than respondents to this survey.

![Figure 3-3: Distribution of Respondent Age](image)

- Under 25: 0.1%
- 25-34: 1.3%
- 35-44: 10.9%
- 45-54: 14.2%
- 55-64: 33.5%
- 65 or over: 40.0%

n = 825
Figure 3-4 shows the organizational structure distribution for respondent firms. The “Corporation” category includes firms organized as S Corporations, C Corporations, and General Corporations. Only 7 percent of firms are organized as sole proprietorships, despite approximately 50 percent of firms having only one owner. This is an interesting note as it relates to growth status. Previous NWBC work indicates that incorporation as either an S or C Corporation positively affects both access to capital and firm survival. That is, firms that responded to this survey are less likely to face access to capital issues than the general population of nascent firms. This has implications for supplier diversity program participation, where focus group participants cited lack of time and resources as one barrier they faced when responding to proposal requests from large corporations.

Figure 3-4
Organizational Structure

- Sole Proprietorship (7.0%)
- General/Limited Partnership (1.3%)
- Limited Liability Company (27.9%)
- Corporation (63.1%)
- Other Organization (0.7%)

n = 829

---

An interesting question involves how firm size influences the ability or opportunity to engage large corporations as a supplier. Specifically, does a firm's capacity to supply large corporations depend in part upon having qualified employees necessary to meet customer demand? Figure 3-5 shows the distribution of employment by the number of different types of employees that each firm reported. In this survey, firms indicated the number of employees they had in three categories: full-time employees, part-time employees, and contractor employees. Approximately half of respondents indicated that they did not use part-time or contractor employees. Prior work and the Survey of Business Owners indicate that many women-owned firms are not employer firms. In this survey, forty firms responded that they had only one employee (themselves) and no part-time or contractor employees. However, nearly 80 percent of survey respondents represented firms that had more than one employee (i.e., employees in addition to a paid owner). In addition, several larger companies with more than 100 employees responded to the survey.

![Figure 3-5 Employee Distribution](image_url)
Firm revenue is another noteworthy factor in terms of size and preparedness to supply large corporations and deliver on large contracts. It may be that large contracts result in increased revenue or alternatively, that higher levels of firm revenue indicate capacity to supply a large corporation and results in additional contracts. Figure 3-6 depicts the proportion of firms in each revenue class, based on responses for 2014 revenue. Over 60 percent of firms had annual revenues in excess of $1 million and over 80 percent of firms had revenues in excess of $250,000.

Revenue and scale are important issues for women-owned firms supplying large corporations since there can be cutoffs for business size on procurement actions. To address this, a supplemental analysis probed how revenue and supplier diversity program awareness and participation related. When examining just those businesses that were aware of supplier diversity programs, approximately 83 percent had annual revenues in excess of $250,000. Exploring the issue further by examining the cross tabulation of supplier diversity program participation (i.e., just those respondent firms that actively participated in supplier diversity programs) and revenue finds that 66 percent of program participants had annual revenues in excess of $1 million and 85 percent had annual revenues in excess of $250,000.52

52 628 respondents indicated that they are aware of supplier diversity programs. Of those 628, 83 percent had revenues in excess of $250,000. 495 respondents indicated that they have used (or attempted to use) supplier diversity programs. Of those 495, 85 percent had annual revenues in excess of $250,000. As a result, 75 percent of survey respondents were aware of corporate supplier diversity programs and 59 percent had participated or attempted to participate.
Annual revenue and business size vary by industry. As a result, understanding the industries in which women business owners operate is important to understanding the capital, networking, and supplier commitments made. The largest industry in this survey is NAICS\textsuperscript{53} 54, Professional, Scientific, and Technical Services. Table 3-2 shows the top 5 industries, which account for over 75 percent of all survey respondents. The top 5 industries for respondents to this survey differ from those to the Survey of Business Owners, which is a nationally representative survey. In the SBO, other services, healthcare and social assistance, professional, scientific, and technical services, administrative support and waste management and remediation services, and retail trade are the top 5 NAICS codes. Only two of the top 5 NAICS codes for this survey were in the top 5 NAICS codes for women-owned businesses nationwide.

Table 3-2
Respondent Top 5 Industries

<table>
<thead>
<tr>
<th>NAICS</th>
<th>Count</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>54 Professional, Scientific, and Technical Services</td>
<td>270</td>
<td>33.9%</td>
</tr>
<tr>
<td>31-33 Manufacturing</td>
<td>119</td>
<td>14.9%</td>
</tr>
<tr>
<td>56 Administrative Support, Waste Management, and Remediation Services</td>
<td>90</td>
<td>11.3%</td>
</tr>
<tr>
<td>42 Wholesale Trade</td>
<td>71</td>
<td>8.9%</td>
</tr>
<tr>
<td>23 Construction</td>
<td>64</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

\textsuperscript{53} NAICS stands for North American Industrial Classification System, which is a uniform system for classifying firms by industry according to a six-digit system. The first two digits refer to the major industrial classification, while additional digits provide more specificity within the major industry.
In order to participate in a supplier diversity program, most programs require certification that the firm meets its definitions for women-owned as well as other diverse business ownership categories. Table 3-3 shows the number of respondent firms that are certified by a particular organization. To this question, firms could respond affirmatively to more than one answer choice. By far the largest certifier of firms in the survey sample is WBENC, one of the organizations that assisted the NWBC in securing survey participants. In addition to the figures below, over 23 percent of firms were certified by two or more organizations.

Table 3-3
Certification Distribution

<table>
<thead>
<tr>
<th>Certifier</th>
<th>Firms</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>WBENC</td>
<td>603</td>
<td>72.1%</td>
</tr>
<tr>
<td>NMSDC</td>
<td>50</td>
<td>6.0%</td>
</tr>
<tr>
<td>NWBOC</td>
<td>119</td>
<td>14.2%</td>
</tr>
<tr>
<td>El Paso Hispanic Chamber of Commerce</td>
<td>2</td>
<td>0.2%</td>
</tr>
<tr>
<td>U.S. Women’s Chamber of Commerce</td>
<td>8</td>
<td>1.0%</td>
</tr>
<tr>
<td>Regional/State/Local/Agency</td>
<td>149</td>
<td>17.8%</td>
</tr>
<tr>
<td>Self</td>
<td>67</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

Total Firms = 836

In the focus groups, participants had mixed feelings about the utility of certification. For example, some women felt that their certification provided them enhanced access to corporate officials and buyers, whereas others felt that certification was not valuable in their industry in terms of gaining contracts with large corporations. The overarching theme with respect to certification was that certification sends a signal to corporations that the firm is women-owned, not necessarily that the firm is qualified. Understanding how corporate personnel view certification is an essential next step in research delving into women business owners’ experiences contracting with large corporations. This information will provide critical insights to inform women business owners what corporations are looking for in contractors, what certifications are most widely accepted, and ideally will increase women business owners’ success in securing such contracts.
Building on the qualities and certifications held by the respondent firms, this section includes univariate and cross tabulation analysis of respondent experiences with corporate supplier diversity programs. Entrepreneurial definitions of success vary by industry and individual. Figure 3-7 shows the distribution of responses to the question: How do you define success for your company? Respondents could select more than one answer and the majority of survey participants did. The number one definition of success was building a positive reputation with 84 percent of respondents selecting this choice. The number of overlapping responses indicates that the women business owners surveyed do not measure success by a single metric.

Figure 3-7
Defining Success

- Financial Goals: 79%
- Increasing Profits: 76%
- New/Innovative Products: 34%
- Intellectual Property: 10%
- Increasing Market Share: 48%
- Entering New Markets: 45%
- Brand Recognition: 52%
- Positive Reputation: 84%
- Work/Life Balance: 45%
- Selling the Business: 20%
- Other: 6%

n = 836
In line with achieving business success, over 65 percent of respondents indicated that they have plans to expand their businesses. Figure 3-8 details how respondent firms planned to fund their business expansions. Respondents could select more than one category, for instance, both “personal assets” and “business loans” were possible choices. The results indicate that business loans were the capital source that most entrepreneurs planned to use, followed by savings and then retained earnings from the business. External equity, an important funding source for high-growth firms, was relatively high for the sample at 7 percent venture capital compared to the general population results detailed in prior NWBC work. Typically, firms that receive external equity, such as angel investments and venture capital, are growth-oriented startup firms. In this survey, a larger proportion of respondents than expected from a random sample indicated that they intend to pursue external equity as a source of expansion capital.

![Figure 3-8: Expansion Funding Source](image)

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>30%</td>
</tr>
<tr>
<td>Personal Assets</td>
<td>10%</td>
</tr>
<tr>
<td>Personal Loan</td>
<td>3%</td>
</tr>
<tr>
<td>Home Equity Line</td>
<td>3%</td>
</tr>
<tr>
<td>Personal Credit Card</td>
<td>4%</td>
</tr>
<tr>
<td>Business Credit Card</td>
<td>12%</td>
</tr>
<tr>
<td>Business Loan</td>
<td>46%</td>
</tr>
<tr>
<td>Gov't Business Loan</td>
<td>15%</td>
</tr>
<tr>
<td>SBA Loan</td>
<td>10%</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>7%</td>
</tr>
<tr>
<td>Loan - Family/Friend</td>
<td>3%</td>
</tr>
<tr>
<td>Invest - Family/Friend</td>
<td>3%</td>
</tr>
<tr>
<td>Crowdfunding</td>
<td>3%</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>

n = 549

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Requirements exist for firms wishing to act as suppliers to large corporations. The survey asks whether respondents were aware of the requirements to do business with large corporations at the outset of starting their firms. Those who responded yes (536 firms) learned about the requirements in a variety of ways, as shown in Figure 3-9. The results provide valuable information about the information channels used to gain business and entrepreneurial knowledge at the nascent stage. Figure 3-9 highlights the importance of the entrepreneurial social network in succeeding as a corporate supplier. Approximately 53 percent of respondents indicated that they learned of supplier program requirements by speaking directly with buyers and procurement officials in large corporations. 47 percent learned of the requirements to become a supplier from their peers and colleagues. It appears that less formal channels, such as networking meetings and “knowing the right people” play an integral role in bridging the information gap in regards to gaining access to supplying large corporations as a business strategy. The focus group transcripts provided anecdotal evidence to this effect. One participant noted that without introductions, there was “no way” for her to join the conversation. Women continued to struggle with penetrating the “good old boys club.”

Figure 3-9
Information Source Regarding Corporation Requirements for Suppliers

<table>
<thead>
<tr>
<th>Information Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peers/Colleagues</td>
<td>47%</td>
</tr>
<tr>
<td>Buyers/Procurement Officials</td>
<td>53%</td>
</tr>
<tr>
<td>Corporate Representatives</td>
<td>41%</td>
</tr>
<tr>
<td>Development/Training Events</td>
<td>41%</td>
</tr>
<tr>
<td>Independent Research</td>
<td>29%</td>
</tr>
<tr>
<td>Other</td>
<td>24%</td>
</tr>
</tbody>
</table>

n = 536
Effectively leveraging a supplier diversity program requires that the participating entrepreneurs familiarize themselves with the services offered. Figure 3-10 shows the likelihood distribution of respondents’ interest in supplier diversity program specifics. Consistent with the social network focus identified above, the most popular hypothetical services offered as part of a supplier diversity program were introductions and matchmaking/contract notifications. Interestingly, respondents were less interested in mentorship and training and more interested in meeting decision-makers, where approximately 25 percent of individuals surveyed indicated that they were not likely to participate in a mentorship or training program as part of a supplier diversity program. This may be partially a response bias in terms of age. This analysis shows that older survey respondents are less likely to be interested in mentorship. For example, 6.9 percent of respondents in the 35-44 age category were not interested in mentorship, versus 12.7 percent of respondents in the 55-64 age category.

An essential task in improving women’s access to supplying large corporations is understanding and removing barriers inhibiting success. One survey question requests information regarding “any major challenges or barriers” faced in attempting to gain business via supplier diversity programs. Of the 836 total survey respondents, 640 indicated that they encountered major barriers. Table 3-4 shows the response distribution, where individuals could select more than one impediment or barrier. The two largest categories were lack of contacts with decision-makers and lack of buyer relationships, consistent with the results shown in Figure 3-10, which indicate the program services in which women are most interested. This sentiment was echoed throughout the focus group transcripts.
- Women felt that the supplier diversity professionals were merely “gatekeepers” and lacked the ability to direct a contract to a women-owned firm.
- The women agreed that the supplier diversity personnel need to be “at the table,” making decisions with the corporation.
- Women do not face a capacity deficit, as a general rule. According to one focus group participant, there is “no question” that qualified women exist throughout the supply chain.

The issues women face, as indicated by this survey, reveal informational asymmetries and social network deficiencies, which limit their endeavors in supplying large corporations. Finally, nearly half of survey respondents indicated that the contracting process was too complex and overly bureaucratic. These results indicate a need to streamline the process as well as reach more firms via invitations or outreach.

Table 3-4
Impediments to Supplying Large Corporations

| Impediments                                    | 
|------------------------------------------------|------------------------------------------------|
| Lack of Contacts: Decision-Makers              | 54.8%                                           |
| Lack of Relationships: Buyers                  | 54.4%                                           |
| Lack of Capacity to Meet Demand                | 12.5%                                           |
| Insufficient Capital                           | 17.7%                                           |
| Insufficient Contract Opportunity Information  | 36.6%                                           |
| Insufficient Vendor Requirement Information    | 12.2%                                           |
| Contracting Process Complexity/Bureaucracy     | 48.1%                                           |
| Other                                          | 13.8%                                           |

n = 640
In addition to asking about the services that women business owners desired in a supplier diversity program, the NWBC’s survey explored the perception of supplier diversity program efficacy. Only 171 of the 836 survey respondents answered affirmatively to the survey question: has a corporate supplier diversity manager taken any actions or provided any advice that helped you gain business with large corporations? Figure 3-11 shows the average responses to this question on a rating scale where 1 is not helpful, 2 is somewhat helpful, and 3 is helpful. As shown, most services fall within the somewhat helpful to helpful range, with the exception of Accessing Better Terms for Trade/Credit Financing. As discussed above, this may relate to the respondents to this particular survey, who are more likely than the general population to be incorporated and therefore less likely to face capital challenges. These results also indicate that survey respondents felt that the financial and access to capital resources provided by supplier diversity programs were not the greatest benefit to participation.

**Figure 3-11**

**Average Efficacy of Program Resources**

<table>
<thead>
<tr>
<th>Service</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment of Capacity (n = 126)</td>
<td>2.49</td>
</tr>
<tr>
<td>Introduction to Buyers (n = 147)</td>
<td>2.57</td>
</tr>
<tr>
<td>Notification of Opportunities (n = 137)</td>
<td>2.55</td>
</tr>
<tr>
<td>Introduction to Prime Contractors (n = 110)</td>
<td>2.24</td>
</tr>
<tr>
<td>Trade/Credit Financing (n = 58)</td>
<td>1.79</td>
</tr>
<tr>
<td>Discussed Growth Strategies (n = 86)</td>
<td>2.07</td>
</tr>
<tr>
<td>Information: Business Alliances (n = 87)</td>
<td>2.13</td>
</tr>
<tr>
<td>Supported Inclusion Clause in Contracts (n = 92)</td>
<td>2.29</td>
</tr>
<tr>
<td>Interceded to Resolve Issues (n = 87)</td>
<td>2.32</td>
</tr>
</tbody>
</table>

---

55 This analysis takes the average of the respondent ratings. For example, if there are five respondents that answered 1, 3, 2, 2, 1, the average would be 

\[
\frac{1+3+2+2+1}{5} = 1.8.
\]
The Interaction between Firm Characteristics and Supplier Diversity Experiences

This section presents cross-tabulation and frequency distribution figures to explore how key variables interact with respect to program experiences. Figure 3-12 summarizes the awareness, use, and utility of supplier diversity programs by owner age. The green columns indicate the percentage of firms in that age category that are aware of supplier diversity programs. The gray columns indicate the percentage of firms in that age category that participate in or use supplier diversity programs. Finally, the blue columns indicate the percentage of firms in that age category that have won a contract via a supplier diversity program. The sharp decline in the share of firms that participate and the share of firms that have actually realized a financial benefit from supplier diversity program participation is concerning. That is, approximately only one third of participants actually won a contract. This raises questions regarding program utility and potentially concentration within programs, where particular participating firms win multiple contracts, at the expense of other potential suppliers.

Figure 3-12
Age Distribution and Supplier Diversity (SD) Program Interaction

---

56 All “awareness, use, and won” analyses use the total number of firms that answered the “awareness” question as the basis for percentage calculations.
In addition to exploring differences in supplier diversity program interaction by age, this research probed differences in engagement and contracting success by certifying organization. Figure 3-13 illustrates these results. Firms certified by NMSDC had the greatest incidence of winning a contract via a supplier diversity program. This contrasts self-certified firms, which were the least likely to obtain a contract through a supplier diversity program. Results such as these provide certifiers, entrepreneurs, and policy makers important analytics in terms of how valuable certifications are in the market and how successful members are in leveraging their certification. Focus group participants varied in their opinions on the utility of certification, but agreed that certification requires business owners to act proactively instead of reactively when attempting to break into supplying large corporations.

Figure 3-13
Supplier Diversity (SD) Program Interaction by Certifier

It is important to keep in mind throughout that the results presented herein refer only to the respondents and are not nationally representative.
Figure 3.14 presents a similar analysis to that in Figure 3.13, but instead explores how success in utilizing supplier diversity programs to win contracts varies by annual firm revenue. As shown, lower revenue firms rarely win contracts with large corporations and are much less likely than their high revenue counterparts to participate in a supplier diversity program. The share of firms winning contracts via supplier diversity programs steadily increases as firm revenue increases. This is an interesting effect, raising the question of whether the contracts won bolster firm revenue or whether corporations prefer to contract with firms generating a certain level of revenue.

**Figure 3.14**

Supplier Diversity (SD) Program Interaction by Revenue Category
As discussed above, a large share of firms that responded to the survey had annual revenues in excess of $1 million. Figure 3-15 provides a distribution of revenue by certifying agency, where revenue distribution varies by certifier. Nearly 70 percent of WBENC-certified firms responding to the survey had revenues over $1 million. NWBOC had the largest share of firms over $10 million, while self-certified firms, which tend to be smaller in terms of revenue, had more than twice the share of firms with revenues under $100,000 than any other certifier. This indicates that there may be a financial component or barrier in terms of certification. One possibility is that smaller firms lack the resources to dedicate to becoming certified and also the funds to apply for and maintain their certification. It is also possible that lower revenue firms do not feel that the certification is worth the effort and resources given the mixed reviews of certification efficacy discussed in the focus groups.

Figure 3-15
Revenue Distribution by Certification Status

U.S. Women’s Chamber of Commerce results were omitted due to small sample size (n = 8).
A primary research hypothesis of this project is that higher revenue firms face different barriers in terms of using supplier diversity programs as a result of possessing greater resources (e.g., capital, staff, etc.). Figure 3-16 explores this relationship and shows the distribution of revenue among firms indicating that they faced a particular barrier. The largest barrier or issue encountered in using supplier diversity programs was the passive process, followed by a lack of opportunity information. The results in Figure 3-16 demonstrate that the barriers faced by participating firms do not vary greatly from the overall revenue distribution of survey respondents. As such, it does not appear that firm revenue is a major divisor in terms of barriers and issues faced in utilizing supplier diversity programs on a “barrier-by-barrier” level analysis. However, this does not take into account the severity of the barrier faced and whether the barrier is ongoing or something that the firm overcame in successfully acting as a supplier.

**Figure 3-16**

**Barriers Faced Using Supplier Diversity Programs by Revenue Category**

**Differences in Supplier Diversity Experiences**

This section details what differences do and do not exist when analyzing survey responses categorized by revenue, initial strategy intent, and future plans regarding supplier diversity programs. For the Participation and Usefulness analyses, the responses are on a four point scale, zero to three:

- Zero = not offered
- One = not helpful
- Two = somewhat helpful
- Three = helpful
Table 3-5 presents mean values of several response values by revenue category. For this analysis, high revenue refers to firms with over $1 million in annual revenue and low revenue refers to those firms with less than $1 million in annual revenue. Key findings include:

- High revenue firms have more owners and also more full-time employees than low revenue firms.
- High revenue firms face fewer barriers to acting as corporate suppliers than low revenue firms.
- There is little to no difference among survey respondents in the likelihood of participation in any of the four supplier diversity program service categories. Interestingly, the needs of firms do not differ in terms of their expectations of supplier diversity programs by revenue category.
- Differences exist in perception of program usefulness in several categories.
  - High revenue firms found the prime contractor introductions, access to financing assistance, growth and strategy advice, and advocate services more helpful than did the low revenue firms. This raises important policy ideas and actionable items regarding who supplier diversity programs reach.

### Table 3-5
**Differences in Supplier Diversity Participation and Utility by Revenue Category**

<table>
<thead>
<tr>
<th></th>
<th>$25,000 - $1 million</th>
<th>Over $1 million</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Owners</strong></td>
<td>Mean Count</td>
<td>Mean Count</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.58 278</td>
<td>2.25 461</td>
<td>0.67</td>
</tr>
<tr>
<td><strong>Number of Certifications</strong></td>
<td>1.30 244</td>
<td>1.39 449</td>
<td>0.09</td>
</tr>
<tr>
<td><strong>Number of Full-Time Employees</strong></td>
<td>5.00 294</td>
<td>40.75 472</td>
<td>35.75</td>
</tr>
<tr>
<td><strong>Number of Barriers Faced</strong></td>
<td>6.22 215</td>
<td>6.04 373</td>
<td>-0.18</td>
</tr>
<tr>
<td><strong>Likelihood of Participation:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mentorship and Training</td>
<td>2.13 290</td>
<td>2.08 449</td>
<td>-0.05</td>
</tr>
<tr>
<td>Matchmaking</td>
<td>2.47 290</td>
<td>2.50 459</td>
<td>0.03</td>
</tr>
<tr>
<td>Introductions</td>
<td>2.56 293</td>
<td>2.62 463</td>
<td>0.05</td>
</tr>
<tr>
<td>Educational Programs</td>
<td>2.26 289</td>
<td>2.25 454</td>
<td>-0.01</td>
</tr>
<tr>
<td><strong>Usefulness of Program:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Assessment</td>
<td>1.69 36</td>
<td>1.94 124</td>
<td>0.25</td>
</tr>
<tr>
<td>Purchasing Officer Introductions</td>
<td>2.31 36</td>
<td>2.33 123</td>
<td>0.02</td>
</tr>
<tr>
<td>Opportunity Notifications</td>
<td>2.26 35</td>
<td>2.16 122</td>
<td>-0.09</td>
</tr>
<tr>
<td>Prime Contractor Introductions</td>
<td>1.11 35</td>
<td>1.62 121</td>
<td>0.51</td>
</tr>
<tr>
<td>Access to Financing</td>
<td>0.37 35</td>
<td>0.73 120</td>
<td>0.36</td>
</tr>
<tr>
<td>Growth and Strategy Advice</td>
<td>0.75 36</td>
<td>1.17 121</td>
<td>0.42</td>
</tr>
<tr>
<td>Support of Inclusion Clause</td>
<td>1.24 33</td>
<td>1.32 122</td>
<td>0.08</td>
</tr>
<tr>
<td>Advocate</td>
<td>0.97 34</td>
<td>1.36 119</td>
<td>0.39</td>
</tr>
</tbody>
</table>
Figure 3-17 probes the large difference in the average number of employees by revenue category further. As shown, over 30 percent of low revenue firms have just one full-time employee. In contrast, over 70 percent of high revenue firms had ten or more full-time employees.

**Figure 3-17**  
**Distribution of Full-Time Employees by Revenue Class**

Average:
- Low Revenue = 5.00
- High Revenue = 40.75

Number of Full-Time Employees
- $25,000-$1 million (n = 294)
- Over $1 million (n = 472)
The next analysis changes the focus from revenue to strategy, examining differences in firm qualities and program desires. Table 3-6 shows the average responses and the differences between firms that did and did not have the intention to supply large corporations as part of their initial business strategy. Key findings include:

- There is virtually no difference in the number of owners among those with different supplier intentions.
- Firms that initially intended to supply corporations have more full-time employees and responded that they faced fewer barriers on average, similar to the result observed in the revenue analysis above.
- Firms that initially planned to act as corporate suppliers were more likely to participate in all four categories of services offered by supplier diversity programs. It is also possible that women entrepreneurs who initially include supplying large corporations as a strategy do so because they perceive fewer barriers.
- An interesting observation is the average number of barriers faced, regardless of group. On average, survey respondents faced more than 6 barriers in attempting to work as suppliers to large corporations. This implies the need for a multifaceted solution to enhancing these programs and the participation of women-owned or led firms.

### Table 3-6
**Differences in Supplier Diversity Participation and Utility by Supplier Strategy Category**

<table>
<thead>
<tr>
<th>Supplier to Large Corporations as Initial Strategy</th>
<th>No Mean</th>
<th>Count</th>
<th>Yes Mean</th>
<th>Count</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Owners</td>
<td>1.94</td>
<td>181</td>
<td>1.96</td>
<td>619</td>
<td>0.02</td>
</tr>
<tr>
<td>Number of Certifications</td>
<td>1.41</td>
<td>154</td>
<td>1.33</td>
<td>586</td>
<td>-0.08</td>
</tr>
<tr>
<td>Number of Full-Time Employees</td>
<td>18.21</td>
<td>194</td>
<td>27.56</td>
<td>641</td>
<td>9.34</td>
</tr>
<tr>
<td>Number of Barriers Faced</td>
<td>6.43</td>
<td>92</td>
<td>6.13</td>
<td>548</td>
<td>-0.31</td>
</tr>
</tbody>
</table>

**Likelihood of Participation:**
- Mentorship and Training: 2.01 (174) vs. 2.17 (625), Difference 0.16
- Matchmaking: 2.28 (179) vs. 2.56 (629), Difference 0.29
- Introductions: 2.33 (180) vs. 2.69 (636), Difference 0.36
- Educational Programs: 2.11 (175) vs. 2.33 (628), Difference 0.21

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59 The sample size for the program usefulness metric was prohibitively small to present.
Figure 3-18 provides greater detail regarding the distribution of full-time employees among firms that did and did not intend to supply large corporations as an initial business strategy. In this cut of data, there is less of a difference in terms of employment distribution than observed in the revenue split indicator.

**Figure 3-18**

Distribution of Full-Time Employees by Supplier Strategy Category

- **Average:**
  - Low Revenue = 18.21
  - High Revenue = 27.56

<table>
<thead>
<tr>
<th>Percentage of Firms</th>
<th>Number of Full-Time Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>Not in Original Plan (n = 194)</td>
</tr>
<tr>
<td>5%</td>
<td>In Original Plan (n = 641)</td>
</tr>
<tr>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

0 1 2 3 4 5 6 7 8 9 10 or more
Table 3-7 divides the survey respondents into two categories: those with plans to increase their revenue by acting as corporate suppliers and those that do not. This analysis permits exploration of how firms with growth aspirations differ from those without growth aspirations in terms of supplier diversity program desires. These results provide insight when designing a new program and modifying an existing program to maximize impact and results. Key findings include:

- Firms that want to act as suppliers have a slightly higher average number of certifications and more full-time employees.
- As anticipated, firms that wish to increase revenue by supplying corporations are more likely to participate in all four supplier diversity program categories.

### Table 3-7

**Differences in Supplier Diversity Participation and Utility by Supplier Revenue Intentions**

<table>
<thead>
<tr>
<th>Plans to Increase Revenue by Supplying Corporations</th>
<th>No</th>
<th>Yes</th>
<th>Mean</th>
<th>Count</th>
<th>Mean</th>
<th>Count</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Owners</td>
<td>2.01</td>
<td>185</td>
<td>1.95</td>
<td>615</td>
<td>-0.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Certifications</td>
<td>1.29</td>
<td>159</td>
<td>1.36</td>
<td>581</td>
<td>0.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Full-Time Employees</td>
<td>17.33</td>
<td>196</td>
<td>27.86</td>
<td>639</td>
<td>10.53</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Likelihood of Participation:

<table>
<thead>
<tr>
<th>Plans to Increase Revenue by Supplying Corporations</th>
<th>No</th>
<th>Yes</th>
<th>Mean</th>
<th>Count</th>
<th>Mean</th>
<th>Count</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mentorship and Training</td>
<td>1.71</td>
<td>177</td>
<td>2.25</td>
<td>622</td>
<td>0.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matchmaking</td>
<td>2.03</td>
<td>180</td>
<td>2.64</td>
<td>628</td>
<td>0.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introductions</td>
<td>2.13</td>
<td>180</td>
<td>2.74</td>
<td>636</td>
<td>0.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational Programs</td>
<td>1.81</td>
<td>176</td>
<td>2.41</td>
<td>627</td>
<td>0.60</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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\[60\] The sample size for the program usefulness metric was prohibitively small to present.
4. Conclusions

Corporate supplier diversity programs represent an opportunity for women business owners to stabilize their revenue streams, enhance their entrepreneurial social networks, and scale up their businesses via supplying large corporations. Research by the Small Business Administration indicates that businesses that supply large corporations experienced increased revenue growth and employment growth.\textsuperscript{61} Supplying large corporations provides an introduction to business-to-business sales opportunities, which can strengthen women’s competitive market positions and potentially lead to sustainable growth. Further, women-owned firms are not the only parties that benefit from increased diversity in the corporate supply chain. Successful supplier diversity programs positively affect the corporate supply chain by increasing efficiency, flexibility, and diversity while offering a critical pathway towards sustainable growth and increased sales for women business owners. An enhanced understanding of women business owners’ supplier diversity program perceptions and experiences can provide insights to policy makers, program managers, and fellow women business owners regarding how to improve and best leverage programs to penetrate valuable untapped business opportunities.

This analysis explores supplier diversity program participation, desired attributes, and quality from a survey of 836 women-owned firms. Participating firms are at least 51 percent women-owned, were founded in 2014 or prior, and had annual revenues in excess of $25,000. Specifically, this project analyzed the interaction of firm and owner characteristics, such as revenue and owner education, and supplier diversity program participation and experiences to ascertain key trends and insights into who participates and why. This work utilized a survey conducted by the NWBC under a prior contract for all quantitative analyses. Although the survey is not a random sample and the results only apply to the respondents and not the entire population of women-owned firms, it provides valuable information regarding women’s participation in corporate supplier diversity programs as well as perceptions of both quality and key issues. This survey is a unique, first of its kind effort to understand how women business owners perceive and interact with corporate supplier diversity programs.

As part of the research design, this work employed univariate techniques, cross-tabulation, and frequency distribution analysis to explore the barriers that women face in supplying large corporations as well as perceptions of program quality, providing insights into what program offerings can be improved to increase corporate utilization of women-owned firms as suppliers through a quantitative lens. Supplier diversity programs offer a wide variety of services depending on the company and the industry in which the program is installed. Understanding how program participants perceive service quality and usefulness is instrumental in developing more effective and efficient programs. The other side of the coin is developing a framework for how corporations view and administer their supplier diversity programs, with an eye towards what

\textsuperscript{61} U.S. Small Business Administration and Visa, op. cit.
characteristics women business owners can strive to meet in order to generate increased business.

The survey results indicate that women business owners seeking to expand their firms by doing business with large corporations face multiple barriers. Understanding what barriers women face, even when enrolled in a corporate supplier diversity program, is essential to developing policies and actionable items designed to enhance the role of women as prominent corporate suppliers. The number one impediment faced was the lack of contacts with decision-makers, closely followed by the lack of relationships with actual buyers. The quantitative results are confirmed by the focus group transcripts: women felt that lack of access to an individual who could actually execute a contract and hire them was a major impediment and barrier yet to be removed. However, women did not feel that they lacked capacity to meet the demand of large corporations. In fact, only 12.5 percent of respondents selected this choice. Women felt more hampered by the complexity and bureaucracy of the contracting process, as over 48 percent of survey respondents selected this barrier.

Despite women business owners’ confidence in their capacity to serve large corporations, less than half of survey participants who were part of a supplier diversity program actually earned a contract or generated revenue from their participation. Probing how corporations decide with whom they contract is a key issue to explore going forward. Understanding the process by which women-owned businesses enter supplier diversity programs and how the programs decide which businesses to leverage to meet their needs is a cornerstone of increasing the rate of women business owners winning and fulfilling corporate contracts. This will give women business owners more power to act proactively in seeking contracts from large corporations as they will be educated as to exactly what corporations seek in suppliers.

Increasing and improving supplier diversity program quality, utility, and awareness of opportunities will require action on a variety of fronts. Given the importance and noted deficiencies in social networks, particularly connections with corporate buyers, policies and programs geared towards bridging network gaps are necessary. Women entrepreneurs should be proactive in seeking out decision-makers and marketing themselves as qualified business partners. Encouraging corporations to include a formal introductions procedure in their programs, as well as channels through which similar female entrepreneurs can interact to share contacts and make introductions is an avenue that both programs and women business owners should explore to potentially improve the growth and success of their programs and businesses, respectively. While this analysis explores the issues faced and experiences had by women business owners in dealing with supplier diversity programs, both women business owners and corporations themselves can make changes based on these results to improve their utilization of qualified and interested women-owned firms. Key recommendations include:
- Encouraging women business owners, corporate supplier diversity personnel, and procurement officials to attend supplier conferences or procurement fairs. This action would provide women-owned firms in attendance the opportunity to both learn about the supplier diversity program in place and also to network with an individual who can serve as their advocate in the contracting process and work with them to successfully secure a contract.

- Women business owners should proactively seek out supplier diversity personnel to include in their business social networks. By cultivating these relationships, women business owners can increase their chances of contract selection by gaining greater insight into what potential clients desire in a supplier. As part of the process, women business owners can move beyond the “certify and wait for a contract” paradigm and begin to engage suppliers by creating a targeted list of corporations whose supplier qualifications and needs are a good fit. Initial steps in this process may include connecting via social media (e.g., LinkedIn, Facebook) and researching company-specific requirements.

- Corporations need to invite supplier diversity personnel “to the table.” Relaying the message of supplier diversity and its importance to the entire firm, not just within the supplier diversity program, is essential to ensuring maximum program effectiveness. Giving supplier diversity managers a say in what firms win contracts and direct dialogue with procurement officials will align corporate intentions and actions regarding increasing utilization of women-owned business suppliers.

- Respondents as well as focus group participants felt that the process of contracting with large corporations was bureaucratic and complex. Corporations should streamline their processes and make transparent their spending with diverse suppliers.

This survey is a first-of-its-kind effort towards understanding women business owners’ perceptions of and experiences with corporate supplier diversity programs. The results indicate that significant barriers and informational asymmetries exist among entrepreneurs and corporations. This research explores through a quantitative lens the barriers that women face in supplying large corporations as well as perceptions of program quality, providing insights into what program offerings can be improved or tailored by corporations to increase their utilization of women-owned firms as suppliers. Despite the utility of the results contained herein, the survey administered only captures the entrepreneurial side of the picture. There remain a number of avenues for future research and policy considerations including:

- Analysis of corporate supplier diversity program requirements and offerings. What is the application process and how does each program function? What differences exist among corporations of varying sizes in terms of requirements and program offerings, including dedicated staff?
• Given the importance noted throughout of relationships and social networks in successfully supplying large corporations, how do corporate supplier diversity personnel and buyers view their relationships with potential and existing suppliers? How does engagement vary in terms of supplier gender and history in supplying the corporation? What can women do to break into this network?

• What do corporate supplier diversity personnel and buyers perceive as the reasons for low representation among women as suppliers? How do these reasons differ from those reported by women business owners in this survey?
Glossary

- Angel investors: individuals that provide capital to firms in exchange for an ownership stake. Angel investments are a type of equity investment.

- Billion Dollar Roundtable (BDR): an organization dedicated to advancing corporate supplier diversity program best practices. The BDR is comprised of 18 high-profile corporate members and works to “drive supplier diversity excellence through best practice sharing and thought leadership.”

- Certification: the process of establishing and proving the ownership of a business through an independent, third-party organization. For example, firms can become certified as women-owned or as minority-owned.

- C Corporation: a legal structure where income is taxed at the corporate level and at the owner level.

- Crowdfunding: a process by which businesses raise money by collecting small amounts of money from a large number of people. This is typically accomplished online.

- Minority-owned business: a business that is at least 51 percent owned by an individual belonging to a racial or ethnic minority group.

- M/WBE: a minority-owned or women-owned business enterprise.

- NAICS: a standard code for cataloging industry in North America. NAICS stands for North American Industrial Classification System.


- Prime: a contract that is won and sourced directly to the corporation. A prime contractor is the firm that reports directly to the corporation. Prime contractors may contract out part of their obligated work under the prime contract to subcontractors.

- Retained Earnings: company profit or earnings that are not distributed as dividends to owners.
• **S corporation**: a legal structure where all profits are passed to the owners and taxed at the individual, as opposed to the corporate, level.

• **Self-certification**: the process by which business owners indicate that they are either women-owned or minority-owned without applying for certification via a third party.

• **Social network**: the collection of individuals on which an entrepreneur relies in developing and running a firm.

• **Sole Proprietorship**: a business ownership structure where there is only one owner and no legal distinction exists between the owner and the business.

• **Survey of Business Owners (SBO)**: a nationwide survey of business owners conducted by the United States Census Bureau. The SBO surveys businesses and collects information on both the business owners and the business itself.

• **Tier 1 suppliers**: businesses that provide goods and services directly to a large corporation.

• **Tier 2 suppliers**: businesses that provide goods and services to a Tier 1 supplier and do not directly supply the large corporation.

• **Venture capital**: a source of capital typically used by a nascent or growth-oriented firm in exchange for an equity stake in the business. Venture capital investments typically carry a higher level of investor risk and are a key source of capital for high-growth startup businesses.

• **WBENC**: the largest third-party certifier of women-owned businesses in the United States. WBENC stands for Women’s Business Enterprise National Council.

• **Women-owned business (WOB)**: a business that is at least 51 percent owned by women.