

BEST PRACTICES & INSIGHTS FOR STARTING A DIVERSE SUPPLIERS PROGRAM

Many Members are establishing a supplier diversity program as part of their DE&I action plans. Given the scale of our organization and our collective ability to make a significant impact, we encourage all Members to make a commitment to purchase from diverse suppliers. We are supporting this effort with a compilation of best practices and resources of certified minority suppliers relevant to our businesses.

Insights from HBR: [Why You Need a Supplier-Diversity Program](#)

“A handful of socially conscious major companies have long played a role in addressing racial injustice through supplier diversity programs that promote an inclusive approach to procurement. As the spotlight on systemic racism roils the United States, these programs are more important than ever, yet too few companies have them and many of those who do have allowed their diversity initiatives to become token gestures.”

“A diverse supplier is a business that is at least 51% owned and operated by an individual or group that is part of a traditionally underrepresented or underserved group. Common classifications are small-business enterprises (SBEs), minority-owned enterprises (MBEs), and woman-owned enterprises (WBEs). Over time, the definition of diversity has expanded to businesses owned by other minority groups such as LGBTQ, veterans, and proprietors with disabilities.”

“An inclusive procurement strategy widens the pool of potential suppliers and promotes competition in the supply base, which can improve product quality and drive down costs. And by providing more sourcing options, inclusiveness can make supply chains more resilient and agile – an increasingly important advantage in these uncertain times.”

BEST PRACTICES BASED ON SPECIFIC DIVERSE SUPPLIER PROGRAMS

What are the small business/diverse supplier classifications?

Note: A company must have at least 51% ownership by member(s) of the below groups or in the case of a publicly owned business, at least 51% of the stock is owned by one or more such individuals.

- Alaska Native Corporations/Indian Tribes
- Small Disadvantaged
- Minority
 - African American
 - Hispanic American
 - Native American
 - Asian and Pacific Islander American (Asian Indian included)
- Women
- Veteran
- Service-Disabled Veteran
- Historically Underutilized Business Zone
- Small
- LGBT Business Enterprises

Goal Setting and Tracking:

- After ensuring there is buy-in from executive leadership to create a Diverse Suppliers Program, the next step is to set actual targets for performance. It’s ok to start small - say, with committing to

making 5% of your procurements with small, minority-owned or woman-owned businesses - but make sure you set SMART goals (specific, measurable, attainable, relevant, time-bound). Then make sure you evaluate your company's performance against these goals on a monthly or quarterly basis.

(https://artemia.com/blog_post/5-supplier-diversity-best-practices/)

- A successful supplier diversity program is one that demonstrably drives business growth and increases shareholder value. Tracking spend with Tier 1 and Tier 2 suppliers is critical but consider going beyond these numbers to measure the program's impact on the entire organization. Cost savings, market share, corporate image, employee preference/favorability, revenue impact and economic impact are all valuable metrics to measure the long-term success of your supplier diversity program. Successful supplier diversity programs are constantly evolving by tracking results on a frequent basis, adjusting metrics when necessary and refining the program over time.

(<https://blog.cvmsolutions.com/supplier-diversity-best-practices-for-new-programs>)

Tier 1 vs. Tier 2 Suppliers:

Tier 1 suppliers are the third parties you directly contract to provide goods and services that support the operations of your business. A typical large business will contract hundreds, even thousands of Tier 1 suppliers, thus giving supplier diversity programs plenty of opportunity to hire diverse partners and increase spend.

Make sure you are looking at potential diverse suppliers for your agency through the largest possible aperture. For example, if you need to purchase new computers, most of the large computer manufacturers offer links to minority-owned suppliers who sell and install their products. You can find a minority-owned cleaning crew. Need construction, design support or new office furnishings? Those are all bigger-ticket items you can purchase through a minority-owned supplier.

Tier 2 suppliers are likely to be less relevant to our Members' diverse suppliers programs but for some, may have an impact. In short, Tier 2 suppliers are the vendors that your vendors contract to ensure their operations are successful. These fourth parties are indirectly tied to your business but play an important role – if a key Tier 1 supplier doesn't have the vendor-provided materials necessary to manufacture its component for your production line, they either must temporarily halt production or scramble to find another supplier that can deliver what you need. Tier 2 reports give supplier diversity programs a view of how diligent their Tier 1 suppliers—diverse or non-diverse—are at contracting their own diverse partners.

Many companies create programs for both Tier 1 and Tier 2 suppliers to expand their reach. Many of your clients may consider you a Tier 2 supplier for their supplier diversity program.

Additional expectations of suppliers:

- Suppliers must be committed to the highest standards of social responsibility and business integrity
- Suppliers must understand the company's culture and expectations, and take the time to learn about the business and how they can add value to it
- Suppliers must be committed to proper practices:
 - Sustainable Business Practices
 - Environment, Health and Safety
 - Supplier Diversity
 - Ethics
 - Freedom of Association
 - Conflict Minerals
 - Labor Practices
 - Human Rights
 - Circular Economy
 - Conflicts of Interest
 - Company Property and Resources
 - Confidential Information and Privacy
- Supplier must meet or exceed customer service standards; with quality assurance by an approved third party, when applicable

- Supplier must offer competitive pricing
- Suppliers must be financially sound and creditworthy
- Suppliers must be able to provide a legal company name and have been in business for a minimum of three years and must be able to demonstrate revenue for this period
- Suppliers must be able to provide a federal taxpayer ID
- Suppliers may be required to provide references of past and current customers
- Suppliers must provide Commercial General Liability Insurance, Commercial Automobile Liability, Workers' Compensation, Employer's Liability and Professional Liability. Additional Umbrella/Excess Liability insurance may also be required. Suppliers must be able to obtain bonding when required
- If registering as a minority, woman, disability-owned business enterprise, veteran, service-disabled veteran, or lesbian, gay, bisexual or transgender owned business, suppliers must provide certification documentation through a third-party certification organization

DIVERSE SUPPLIER CATEGORIES DEFINITIONS
([Citigroup](#))

"Minority Business Enterprise" (MBE): A for profit enterprise presently located in the United States or its trust territories, and is at least 51% owned by African Americans, Hispanic Americans, Native Americans, Asian-Indian Americans and Asian-Pacific Americans. Individual(s) must be involved in the day-to-day management of the business.

Asian-Indian

A U.S. citizen whose origins are from India, Pakistan and Bangladesh.

Asian-Pacific

A U.S. citizen whose origins are from Japan, China, Indonesia, Malaysia, Taiwan, Korea, Vietnam, Laos, Cambodia, the Philippines, Thailand, Samoa, Guam, the U.S. Trust Territories of the Pacific or the Northern Marianas.

Black

A U.S. citizen having origins in any of the Black racial groups of Africa.

Hispanic

A U.S. citizen of true-born Hispanic heritage, from any of the Spanish-speaking areas of the following regions: Mexico, Central America, South America and the Caribbean Basin only. Brazilians shall be listed under Hispanic designation for review and certification purposes.

Native American

A person who is an American Indian, Eskimo, Aleut, or Native Hawaiian, and regarded as such by the community of which the person claims to be a part. Native Americans must be documented members of a North American tribe, band or otherwise organized group of native people who are indigenous to the continental United States and proof can be provided through a Native American Blood Degree Certificate (i.e., tribal registry letter, tribal roll register number).

"Woman Business Enterprise" (WBE): A for profit enterprise presently located in the United States or its trust territories, and is at least 51% owned, controlled, and operated by a woman or women of U.S. citizenship. Individual(s) must be involved in the day-to-day management of the business.

"Disabled Business Enterprise" (DBE): A for profit enterprise presently located in the United States or its trust territories and is at least 51% owned by an individual(s) of U.S. citizenship with a permanent physical or mental impairment which substantially limits one or more of such persons' major life activities. Individual(s) must be involved in the day-to-day management of the business.

"Disabled Veteran Business Enterprise" (DVE): A for profit enterprise presently located in the United States or its trust territories, and is at least 51% owned by an individual(s) who have performed active service in one of the United States armed services and is disabled as defined above in DBE. Individual(s) must be involved in the day-to-day management of the business.

"Veteran-Owned Small Business" (VOSB): A small business (as defined pursuant to Section 3 of the Small Business Act) presently located in the United States or its trust territories, and is at least 51% owned by an individual(s) who have performed active service in one of the United States armed services.

Small Business: The Small Business Act states that a small business concern is "one that is independently owned and operated, and which is not dominated in its field of operation." The law also states that in determining what constitutes a small business, the definition will vary from industry to industry to reflect industry differences accurately.

CURRENT LISTS OF DIVERSE SUPPLIERS AVAILABLE TO PRC MEMBERS

- [The DNC's Supplier Diversity List](#)
- [The ANA Supplier Resource Report and List - The ANA's report highlights that identifying diverse suppliers represents a significant challenge for marketers. To help the marketing/advertising community, they have curated a list of certified diverse suppliers that work in our industry.](#)
- [NYC Online Directory of Certified Businesses](#)

COMPANIES THAT ARE DOING IT RIGHT

[Supplier Diversity Programs List](#) is a repository of best practices from companies with successful programs.

A number of the businesses included on the list are part of the [Billion Dollar Roundtable \(BDR\)](#), which was created in 2001 to recognize and celebrate corporations that achieved spending of at least \$1 billion with minority and woman-owned suppliers. The BDR promotes and shares best practices in supply chain diversity excellence through the production of white papers. In discussions, the members review common issues, opportunities and strategies. The BDR encourages corporate entities to continue growing their supplier diversity programs by increasing commitment and spending levels each year.

We encourage agencies to inquire if any clients are BDR members and how your efforts can contribute to their goals.

Abbott Laboratories	EY	Nationwide Insurance
Accenture	FCA	Nielsen
Adient	FedEx Corp.	Pacific Gas & Electric Company
Allstate Insurance Company	Ford Motor Company	PepsiCo
Apple Inc.	Freddie Mac	PNC Financial
Aramark	General Mills	Procter & Gamble Co.
AT&T Inc.	General Motors Company	Raytheon
Avis Budget Group Inc.	Hilton	Robert Half
Bank of America	Honda North America	Sempra
Boeing	IBM	Shell Oil Company
Bristol-Meyers Squibb	Intel Corp.	Sodexo, USA
Capital One	Johnson & Johnson	Southern Co. Gas
Citigroup Inc.	Johnson Controls	State Farm Insurance
Comcast-NBCUniversal	JPMorgan Chase	The Coca-Cola Company
Comerica	Kaiser Permanente	The Kroger Company
Consolidated Edison Company	Lear Corp.	Time Warner
Cummins Inc.	Lockheed Martin	Toyota Motor North America
CVS Health	Lowe's Companies, Inc.	Verizon
Dell	Macy's Inc.	Vizient Inc.
Dell Technologies	Marriott International	Walgreens
Delta Air Lines Inc.	McDonald's	Wal-Mart Stores, Inc.
DTE Energy	Merck	Wells Fargo & Company
DuPont	Messer Construction	Wyndham Worldwide
Ericsson	MGM Resorts International	Xerox Corporation
Exelon Corp.	Microsoft Corp.	
ExxonMobil Corporation	National Grid	

OTHER RESOURCES

[Diability:IN](#)

[OneSandbox](#)

[National LGBT Chamber of Commerce \(NGLCC\)](#)

[National Minority Supplier Development Council \(NMSDC\)](#)

[National Veteran Business Development Council \(NVBDC\)](#)

[National Veteran-Owned Business Association \(NaVOBA\)](#)

[National Women Business Owners Corp \(NWBOC\)](#)

[Small Business Administration \(SBA\)](#)

[United States Hispanic Chamber of Commerce](#)

[US Hispanic Chamber of Commerce \(USHCC\)](#)

[U.S. Pan Asian American Chamber of Commerce Education Foundation \(USPAACC\)](#)

[VET-force](#)

[VetFran](#)

[Women's Business Enterprise National Council \(WBENC\)](#)

[Women Presidents' Educational Organization](#)