



Why working with certified diverse suppliers matters for your bottom line



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Through the many years I've spent helping diverse suppliers achieve certification I've often noticed how procurement teams fail to tap value from a diverse supplier program – despite the importance supplier diversity plays within wider environmental, social, and corporate governance goals.

It's a widespread problem. According to a survey by JAGGEAR, 63% of organizations that responded are yet to kick off their supplier diversity initiatives – or have just made a start. With supplier diversity programs carrying so many obvious benefits, the limited engagement can only be attributed to a lack of knowledge and motivation.

In this article, I'll touch upon a few key points to highlight why working with diverse suppliers is worth your while, and also explain why it's important that organizations work with independently certified diverse suppliers rather than relying on self-certification.

Finally, I'll conclude with some of the issues faced by supplier diversity programs – and indeed by diverse suppliers themselves.

What is the supplier diversity and inclusion program?

In line with corporate sustainability and social responsibility goals, forward-thinking companies are increasingly taking a close look at their suppliers, and who it is that owns and operates these companies.

As a next step, many organizations initiated concerted efforts to be more inclusive in their procurement processes, setting up dedicated supplier diversity and inclusion programs to make sure that diverse suppliers represent a significant portion of their spend.

Which companies qualify as diverse suppliers? A diverse supplier must be owned and operated by an individual or group of individuals from traditionally underserved or underrepresented groups. Specifically, at least 51% of the company must be owned and controlled by qualifying individuals.

It's important to note that while suppliers can *claim* to be diverse, several certification programs exist to *certify* that a company is diverse – essentially a confirmation stamp

that guarantees that at the time of certification a supplier really did meet the criteria to qualify as diverse.

Over time, the groups that qualify for diversity status have steadily expanded, now including for example minority-owned businesses, women-owned businesses, disability-owned enterprises, and LGBTQ-owned businesses.

Benefits of using diverse suppliers

It's been well-established that "D&I" – diversity and inclusion initiatives – have broad benefits. As a primary goal, these initiatives progress a company's social responsibility aims, helping it to achieve and maintain high ethical and moral standards. In other words, diversity initiatives including supplier diversity programs ensure that organizations achieve their commercial objectives, while respecting their obligations to society.

It matters because organizations are increasingly judged on these criteria, by all manner of stakeholders. There are prospective employees to worry about too – and of course prospective customers (more about that later).

But, while operating a supplier diversity program is the right thing to do anyway, diversity also feeds into the bottom line. For example, it's known that diversity boosts innovation: a Boston Consulting Group survey suggests that in big companies, 41% of the variation in innovation capabilities can be explained by the diversity of those at the top.

Similarly, a 2019 study by McKinsey highlighted that companies who are in the top quartile for gender diversity tended to have a significantly higher chance of delivering above-average profitability.

It may be required of you

These benefits are mirrored in supplier diversity programs, and organizations are increasingly catching on. Personally, I've seen a rapid uptick in supplier diversity programs over the last couple of years, as more and more organizations look to establish supplier D&I programs.

Growing awareness of the importance of supplier diversity is driven by a few factors – a better understanding of the benefits, but also through pressure from external partners.

One thing I'm increasingly observing is the way that larger firms are imposing supplier diversity requirements on the companies that they buy from. In other words, organizations want to know that the suppliers they use also invest in supplier diversity programs, ensuring that the diversity effort truly trickles down.

For example, you may find that an RFP contains specific questions about your own supplier diversity program, which you may struggle to answer if you do not maintain a formal supplier diversity program. You may be excluded from bids if you can't offer proof

of a diversified supply chain, and there is also a risk that an existing client may request a spend report.

Answering questions around supplier diversity can become particularly challenging because of a requirement of proof: and how do you prove that your suppliers meet diversity criteria?

Certification: a key component in accountability

That brings me to an important aspect of successful supplier diversity programs: the need to be able to certify that diverse suppliers are who they say they are. That's true for measuring internal results too because to get metrics on D&I programs, you need real numbers behind it. But how do you count? You can't measure what you can't count.

You can better quantify and substantiate your supplier diverse efforts when the suppliers in question are certified as diverse. There are several organizations that offer diversity certification, including the Women's Business Enterprise National Council ([WBENC](#)), the National Minority Supplier Development Council ([NMSDC](#)), Disability:In ([DOBE](#)), National Veterans Business Development Council (NVBDC), National Veteran Owned Business Association (NaVOBA), and the National LGBT Chamber of Commerce ([NGLCC](#)).

Each organization will have unique certification requirements, though these would be roughly within the 51% ownership rule. As for benefits, first – you know that a certified supplier is truly diverse and not claiming to be something that it isn't. Furthermore, certification processes are very thorough – companies that are certified as diverse can generally be expected to be more robust, and more likely to deliver on their promises to you.

For suppliers, the benefits are manyfold. Certified diverse companies have access to procurement programs across a wider array of potential clients, and gain access to networking opportunities within the organization that provided the certification.

The argument for certification is overwhelming but passing the requirements can be challenging so it's worth helping your smaller suppliers to get through the stages. Indeed, I'm getting more and more corporate clients coming to me with a need to help their suppliers attain certification.

Future and challenges for supplier diversity

There's clearly a growing awareness of the benefits of supplier diversity programs and the existing drive for supplier diversity is having a deep effect. Gartner estimated the community impact and suggested that every \$1 million in diversity spending creates 17 jobs, with an economic impact of \$1.97 for every \$1 in diverse spending.

But there's a lot to do, and one of the biggest hurdles remains a lack of adoption by those who make the buying decisions, and those who influence the buying decisions.

For now, if you're not already progressing with supplier diversity, know that it's the social thing to do and that it's a profitable thing to do. You may soon find yourself excluded from procurement programs if you cannot demonstrate your dedication to D&I.

You'll also reduce your risk and increase your effectiveness if you create opportunities for suppliers who are certified diverse – and if you help diverse suppliers to certify. So, even if you're making good progress with your program it's worth considering how helping suppliers get certified can give your efforts a boost.