Procurement and Business Practices - Supplier Diversity

Companies increasingly understand the competitive advantage of using a broader choice of available businesses with benefits such as price, quality, attention to detail, and future relationship building. A number of entities have achieved success at broadening the range of available business options by increasing outreach to minority-owned and women-owned businesses.

Entities often use metrics to establish the baseline of how much they spend on procuring goods and services and contracting for other business services, how much they spend with minority owned and women-owned businesses, the availability of relevant minority owned and women-owned businesses, and the growth in usage over time. Similarly, entities can use outreach methods to inform minority-owned and

women-owned businesses (and affinity groups representing these constituencies) of the availability of these opportunities and the mechanism used by the entity for procurement.

In addition, entities’ prime contractors often use subcontractors to fulfill the obligations of various contracts. The use of minority-owned and women-owned businesses as subcontractors provides valuable opportunities for both the minority owned and

women-owned businesses as well as for the prime contractor. The prime contractor can use this opportunity to work with minority owned and women-owned businesses and can expand the prime contractor’s own capability under the contract. Entities can encourage the use of minority-owned and women owned subcontractors by incorporating this objective in their business contracts.

**Standards:**

1. The entity has a supplier diversity policy that provides for a fair opportunity for minority owned and women-owned businesses to compete in procurement of business goods and services. This includes contracts of all types, including contracts for the issuance or guarantee of any debt, equity, or security, the sale of assets, the management of assets of the entity and the making of equity investments by the entity.
2. The entity has methods to evaluate and assess its supplier diversity, which may include metrics and analytics related to:
   1. Annual contract spending by the entity;
   2. Percentage spent with minority owned and women owned business contractors by race, ethnicity, and gender;
   3. Percentage of contracts with minority-owned and women-owned business subcontracts; and
   4. Demographics of the workforce for contractors and subcontractors.
3. The entity has practices to promote a diverse supplier pool which may include:
   1. Outreach to minority-owned and women owned contractors and representative organizations;
   2. Participation in conferences, workshops and other events to attract minority owned and women-owned firms and inform them of contracting opportunities; and
   3. An ongoing process to publicize its procurement opportunities.

The assessment scores are based on the following scale:

1. No evidence or actions taken to address this in our workplace.
2. Some evidence and/or actions taken to address this in our workplace. We have initiated a discussion to address this.
3. Defined verbal and written standards in place to support this effort.
4. Frequent actions taken in support of this effort. This has been integrated into workplace norms.
5. The standards set and actions taken in support of this effort represent an industry best practice. We can serve as role models and champions to other companies.

References

*Diversity & Inclusion Self-Assessment*. (2016). VRM University and VRM Mortgage Services. https://vrmuniversity.com/wp-content/uploads/2016/11/DISelfAssessmentGuide.pdf