



# The Business Case for Diversity & Innovation Through Strategic Supplier Inclusion

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# INTRODUCTION

## Did you know

that women-owned businesses only make up

40 percent of companies within the **United States?**



While this number continues to grow, progress has not always been swift.



Fortunately, **businesses owned by women** and **other minorities** are **steadily growing** as time progresses, **increasing equality** and inclusion at a rapid pace. These businesses support individuals and communities alike and offer **significant benefits**.

# Advantages of Supplier Diversity Programs

A supplier diversity program ensures a diverse supply of goods and services for any sector. This allows various groups, including women and diverse populations, to own and run private enterprises, non-profit organizations, and have certified contracts with the government without discrimination. A diverse supplier is a single person or a group of people (at least 51 percent of the company) that falls into an underrepresented group, such as woman-owned, small-businesses, and minority-owned. A diverse supplier needs to have a third-party certification that expands opportunities to win contracts before becoming a diverse supplier/organization/ business. For example, the federal government offers contracts to minority-owned businesses to “increase the number of diverse suppliers within an organization’s supply chain” (supplier.io, n.d.). According to a study by Harvard Business Review, a significant issue with creating diversity programs in large companies is that the programs are sometimes treated as “nonessential” and therefore ignored (Bateman et al., 2020). This leads to lack of accountability and lack of supplier diversity within companies.

Regardless, supplier diversity programs offer a wealth of benefits for companies of all sizes. They encourage economic growth and give communities an introduction to new products that might not have been available otherwise. Moreover, these programs create new job opportunities, increasing the delivery of new products and new

clientele. Bringing in new suppliers allows for diversity in products and services, stimulating competition as well as increased demand. Increased demand for the latest products or services will improve the quality of those products and services while maintaining reasonable pricing.

Ultimately, supplier diversity programs make a strong business case based on the new economic growth and opportunities companies are afforded. These programs create novel networks to enable new markets and suppliers, building and establishing new partnerships that might have been overlooked due to past discrimination. Opening your business to the possibilities that minority groups can offer demonstrates to your community that you care about small businesses and the community at large, serving to bolster word-of-mouth advertising and widespread support for your business.



# The Evolution of Supplier Diversity

An essential part of the growth of minority-owned businesses, supplier diversity goes back to the 1950s and 1960s, at the height of the Civil Rights Movement. The 1950s focused on small businesses and their protection and welcomed in the Small Business Act of 1953, establishing the Small Business Administration to for further support. The only downside to the Small Business Act is the lack of support and protections for minority-owned businesses. However, the Civil Rights Act of 1964 was a call to end racism and discrimination, giving equal opportunities to smaller businesses that were previously only accessible to majority-owned companies and organizations. Accordingly, the Office of Minority Business Enterprise (OMBE) was established in 1969, further facilitating the slow growth of diversity in business.

In the 1970s, the OMBE founded the National Minority Purchasing Council (today called the National Minority Supplier Development Council). This council was established to help minority-owned businesses reach corporate and public enterprises. In addition, the Small Business Act of 1978 defined what a minority-owned business is and sounded the alarm that minority-owned enterprises were at a disadvantage. This required federal agencies to establish provisions for federal contracts to minority-owned businesses as well as the Office of Small and Disadvantaged Business Utilization, created to develop businesses opportunities for

small and diverse businesses within the federal government.

In the 1980s, the U.S. Pacific Asian American Chamber of Commerce was created to represent Asian businesses in the professional community. The contracting goal created in 1987 was to bring in five percent of Asian minorities to grow public consumption of products and representation. However, it wasn't until the 1990s that women-owned businesses gained the spotlight. In 1994, the Federal Acquisition Streamlining Act set a five percent contracting goal for women-owned businesses. Three years later, the Woman's Business Enterprise National Council was created to guide and promote the success and advancements of certified women-owned businesses, and the HUBZone Empowerment Act was also passed in hopes of awarding at least three percent of federal money to small businesses in specific locations.

In 1999, the Veterans Entrepreneurship and Small Business Development Act enacted guidelines to help veteran-owned businesses through specific spending goals. In 2001, the National Veteran-Owned Business Association was founded to create corporate contracting opportunities for American veterans and disabled veterans. The next year, the LGBTQ+ community got its first association when the National LGBT Chamber of Commerce was founded to advance LGBTQ inclusive policies in corporations and public businesses.



# The Notable Growth of Women and Minority-Owned Businesses in the U.S.

There Were

## 6,861

more women-owned businesses in 2018 than in 2017



Women-owned businesses reported making nearly

## \$1.8 trillion

in shipment, sales, and revenue (U.S. Department of Commerce, 2021)



Male-owned companies still make more than women-owned businesses by

## \$1.6 million

Annually



There Were About

## 135,000

African American-owned businesses in 2019-2020

From 2017 to 2018, women-owned businesses thrived in the arts, entertainment, and recreation industries, growing by a whopping 10.5 percent. Specifically, there were 6,861 more women-owned businesses in 2018 than in 2017. Women-owned businesses reported making nearly \$1.8 trillion in shipment, sales, and revenue (U.S. Department of Commerce, 2021) and employing over 10.1 million workers in 2018. However, male-owned companies still make more than women-owned businesses by \$1.6 million annually. Most women-owned businesses are run by white, non-minority, non-Hispanic, and non-veteran women (U.S. Department of Commerce, 2021).

Minority business owners don't always stay within one specific field. For example, there were about 135,000 African American-owned businesses in 2019-2020, nearly one-third in health care and social assistance. At the same time, there was an estimated 581,000 Asian-owned businesses, comprised of about 28 percent food service and accommodation companies.



There Was An Estimated

## 581,000

Asian-owned businesses, comprised of about **28 percent** food service and accommodation companies.

# Shifts Impacting the Supplier and Consumer Base

By 2025



companies worldwide will increase their diversity spending goals by **50 percent**

Federal Government

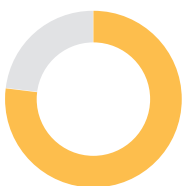


**7.2 percent** to underrepresented groups or about

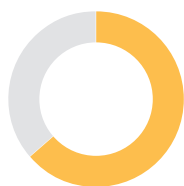
**\$72 million**

By 2025, it is expected that companies worldwide will increase their diversity spending goals by 50 percent. Presently, the federal government gives 7.2 percent to underrepresented groups or about \$72 million. Many companies have seen the advancements supplier diversity programs have provided to companies, encouraging more Fortune 500 companies to get on board to get most of the system, not just because it's the right thing to do (Doerfler, 2021). In 2021, the Institute for Supply Management did a study that showed the estimated increased planned spending between diverse categories. Black-owned companies are expected to go up to 77 percent, with LGBTQ+-owned companies growing by 66 percent, women-owned companies by 66 percent, and Asian-owned companies by 54 percent (Doerfler, 2021).

2021, the Institute for Supply Management did a study that



**77 percent**  
Black-owned



**66 percent**  
LGBTQ+-owned



**66 percent**  
Women-owned



**54 percent**  
Asian-owned

(Doerfler, 2021)



# The Strong Business Case for Supplier Inclusion

Diversity among suppliers is becoming a system norm within large companies, based on experience and evidence. Communities can source the best companies owned by underrepresented groups from local organizations, not only boosting the local economy but also creating new ideas and products. Supplier diversity program also helps minority-owned companies and organizations develop new job opportunities and

create and strengthen connections and support within the community. Large corporations like UPS, Amazon, and Coca-Cola have already implemented these changes and have seen great success (Bureau, n.d.). Diverse suppliers are a growing requirement for some customers. Ultimately, these programs support the companies that institute them and the businesses they connect with.



# Resources

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