WHAT IS SUPPLIER DIVERSITY?
WHAT ARE DIVERSE SUPPLIERS?

DBE  WOSB  HUBZone
SDB  8(a)  SBE  MBE
HUB  VOSB  WBE
SDVOSB  EDWOSB
WHY ARE SMALL & DIVERSE SUPPLIERS IMPORTANT?

• Per the 2010 Census, 99.7% of US employer firms are small businesses
• Since 1995, small businesses have been responsible for creating 2 out of every 3 net new jobs
• In 2012, minority business ownership was 14.6% (up from 11.5 in 2007)
• In 2012 36% of business owners were women and 9.1% were veterans

www.inc.com
THE DEFINITION OF SUPPLIER DIVERSITY

• An organization's efforts to include different categories of suppliers in its sourcing process and active supply base and to address the opportunities and challenges that arise from differences and similarities.
  • Proactive business process that seeks to provide diverse suppliers equal access to purchasing opportunities
  • Promotes supplier participation reflective of a company's diverse customer base and the diverse business community

www.instituteforsupplymanagement.org
THE MISSION OF SUPPLIER DIVERSITY

• To increase the sponsoring company’s market share within the nations’ expanding multicultural/diverse communities
• To increase companies in the supply chain owned by historically under-represented groups, thereby creating wealth for these groups and growing the customer base
• The traditional government contract spend requirements

www.diversitybusiness.com
THE HISTORY OF SUPPLIER DIVERSITY

• **1953**: Small Business Act established the SBA to encourage and develop small businesses and to aid minorities and other disadvantaged peoples in securing loans and learning managing techniques
• **1969**: President Nixon signs Executive Order 11458, creating the Minority Business Development Agency (MBDA)
• **1972**: National Minority Supplier Development Council (NMSDC) founded
• **1978**: Small Business Act Revised
  • Redefined minority firms as Socially and Economically Disadvantaged Small Business Concerns (SDB)
  • Required federal agencies to establish Small Business Goals
  • Required small and SDB subcontracting goals for major contracts awarded to large businesses
  • Required the establishment of the Office of Small and Disadvantaged Business Utilization (OSDBU)
THE HISTORY OF SUPPLIER DIVERSITY

- **1987**: National Defense Authorization Act established SDB Program with 5% goal and emphasized contracting with HBC’s
- **1994**: Federal Acquisition Streamlining Act established 5% goal for Women Owned Small Businesses
- **1997**: Women’s Business Enterprise National Council (WBENC) founded and HUBZone Empowerment Act provides preferences to small business that are located in HUBZones
- **1999**: Veterans Entrepreneurship and Small Business Development Act established 3% goal for SVDOSBs and best effort goal for VOSBs
THE HISTORY OF SUPPLIER DIVERSITY

- **2001**: National Veteran Owned Business Association (NaVOBA) founded
- **2010**: Small Business Jobs Act expanded access to capital for small businesses, increased exporting initiative, and strengthened contracting opportunities
- **2011**: Section 8(m) of the Small Business allows for contracts to be set-aside for WOSBs and establishes procedures for certification
SUPPLIER DIVERSITY... CERTIFICATION SOUP?

Federal Certifications
- 8(a)/SDB
- HUBZone
- WOSB/EDWOSB
- VOSB/SDVOSB
- DOT DBE

Third Party Certifiers
- NMSDC
- WBENC

State Certifications
- Minority owned (MBE)
- Women owned (WBE)
- Small Business (SBE)
- Veterans & Service Disabled Veterans
- Individuals with Disabilities
VETERAN BUSINESS CERTIFICATIONS
RECIPROCITY...REALITY OR MYTH?

• Nearly all state level programs grant reciprocity with DOT DBE certification and 8(a) certification
• Some state programs grant reciprocity with third party certifiers
• Few states allow out of state business to become certified
  • In these cases, home state certification is required first
• Commercial entities vary in which non-federal certifications they will accept
  • Due Diligence – is self certification enough?
WHERE ARE WE TODAY?

Federal Mandates

“The right thing to do”

Corporate Responsibility

Sustainability
CHANGING FACE OF SUPPLIER DIVERSITY

- Full-time Supplier Diversity Professionals
  - ISM Certification 2010
- Corporate world & State Governments leading Federal mandates
  - IWD Certifications
  - LGBT Certifications
- Increased attention to small business and supplier development
  - It's not just about subcontracts
• Contracts that were Full and Open moving to set-asides or sole source
• Small businesses MUST team in order to compete
• Agencies must take steps to facilitate small business teams
• Large primes are encouraged to be **subcontractors** to small businesses
SUPPLIER DIVERSITY & FEDERAL GRANTS

• OMB Super Circular
  • Consolidated, updated, and streamlined eight previous circulars.
  • Also supersedes 32 CFR Part 32 & 33; 2 CFR Part 220, 225, & 230.

• Procurement Highlights
  • Competition, records stressed
  • **Must take all necessary affirmative steps to assure minority businesses, women's business enterprises, and labor surplus area firms are used when possible (not just “positive efforts...whenever possible”)**
EXAMPLES

• OIG-15-35-D (February 2015) – FEMA should recover $3,642,597 in ineligible contract costs awarded to Imperial Irrigation District, CA

• OIG-15-48-D (March 2015) – FEMA should recover $395,032 in improper contracting costs awarded to East Jefferson General Hospital, Metairie, LA

• OIG-15-65-D (April 2015) – FEMA should disallow $82.4 million in improper contracting costs awarded to Holy Cross School, New Orleans, LA
THE FUTURE OF SUPPLIER DIVERSITY

• More inclusive BUT formal certifications will become more mandatory
• Proactive, supplier diversity programs will become a necessity among all commercial businesses
• Diverse suppliers will also function as buyers in some contractual relationships
• Grants and Contracts will continue to converge
  • Subcontract plans on assistance awards?
DON’T PANIC!

• I’m with the government and I am here to help

• Resources
  • Small Business Development Centers www.americassbdc.org
  • Procurement Technical Assistance Centers www.aptac-us.org
The SBTDC is a business advisory service of The University of North Carolina System operated in partnership with the U.S. Small Business Administration.