



How the Construction Industry is Putting Supplier Diversity at the Forefront

By Jamie Ousterout





Leaders are hearing more and more about the benefits of a supplier diversity strategy, but with long-standing relationships, easy reordering, and a daunting to-do list, this added initiative often means revamping an existing supply chain and procurement process.

They might wonder:

How can supplier diversity help my business?

When organizations deliberately choose to source their goods and services from diverse vendors, and local or small businesses, there are bottom-line advantages and social benefits that help the wider community. In short, supplier diversity enables organizations to do the right thing while they are also doing the profitable thing.

Many industries — and construction in particular — depend on public sector contracts for much of their revenue. These contracts spell out requirements for diverse suppliers. Other companies intentionally tap diverse vendors as part of their diversity, equity, and inclusion (DEI) strategies, corporate social responsibility (CSR) initiatives, and environmental, social, and governance (ESG) goals. Still other organizations see building relationships with small, diverse businesses as simply the right thing to do.

Whatever the motivation, it's clear that making supplier diversity a priority has exponential benefits — for the organization, its vendors, and the community at large. After considering these advantages, business leaders might then ask, how should I begin?

First, who counts as a diverse supplier?

These are businesses that are owned and operated by an individual or group of people who belong to a traditionally underrepresented or underserved group. Diverse suppliers might include woman-owned businesses (WBEs), minority-owned business enterprises (MBEs), veteran-owned small businesses (VOBs), LGBTQ+-owned businesses (LGBTBEs), or disability-owned business enterprises (DOBEs).

When first launching a supplier diversity program, a procurement officer might look at a vendor's website or leadership team to try and assess whether it is a diverse supplier. However, websites can contain outdated or inaccurate information, and keeping up with vendors' information can be time-consuming. There are better and more accurate methods.

Instead, companies should look for vendors with third-party certifications from reputable agencies. Many large projects or government contracts specify that companies with winning bids use certified diverse suppliers. Even if an organization doesn't yet have the capacity to bid for these big jobs, establishing a trusted network of diverse suppliers allows the company to easily leverage those relationships when it is ready to grow.

When a company's current vendors are diverse but not certified, there is an opportunity for mentorship. By encouraging its diverse suppliers to become certified, a company can keep its relationships with valued partners, who then are able to take advantage of a network of similar businesses, tax breaks, and other growth opportunities.



Is supplier diversity worth investing in?

In the construction industry, public sector projects are a primary source of revenue, and having a robust supplier diversity program can provide a competitive advantage when bidding for local, state, and federal contracts. Increasingly, private companies are also expressing interest in – and looking favorably on – business partners with diverse supplier networks.



Construction firm Clancy & Theys reported in 2021 that in some locations, public sector projects represented 70% of revenue. But even in privately developed projects, the company has seen an increased push to “demonstrate a successful inclusion history on all projects and continued improvement strategies for our Diversity, Equity and Inclusion program,” according to a letter from the leadership team.



“The DEI program ensures our diverse employees feel like they are being heard and are on a team that cares about the issues they face on a daily basis. This is absolutely critical because it’s the right thing, but also because talent is so competitive right now, and we need to always think about retention, says Baker Glasgow, President of Clancy & Theys.”

Sharing the stories of their diverse partners can be an important component of a company’s marketing strategy. Highlighting diverse suppliers enables companies to publicly demonstrate the company’s values and commitment to diversity, equity, and inclusion – which resonate with stakeholders who share those values. These marketing efforts also help the subcontractors, bringing them more attention and business.



Finally, there is a broad social good realized when businesses with diverse founders succeed: the narrowing of the racial wealth gap. Nationally, the median net worth of Black and Latine business owners is more than ten times that of their peers who don't own a business. Not only is business ownership a traditional path to greater wealth, but diverse businesses also employ more folks from underrepresented groups.

Supplier diversity is an integral part of building better business. Your company can positively influence the community, because you're using these underrepresented suppliers who may not otherwise have had the opportunity.

“ *The world is not going to get less diverse or inclusive, just more and more, therefore we need to be a leader in educating our employees. It's not our job to change their minds overnight, but it is our job to provide them the information in some kind of steady drumbeat so they can make decisions for themselves,*
Glasgow says

How should companies begin?

To create a successful and sustainable supplier diversity program, it's essential to establish the business case and enlist executive support. While it is an important part of an organization's DEI strategy, supplier diversity programs can't be the sole purview of the diversity executive. Procurement officers need the backing of the entire leadership team to implement changes, and every employee should know why supplier diversity is a priority.

At Clancy & Theys, senior management clearly supports expanding its supplier diversity program and has established clear goals. In 2021, leadership announced that the "Supplier, Diversity and Inclusion minimum goal will be 15% participation for Minority and Women, Disadvantaged, Small and Veteran-owned businesses across all projects, unless the project owner/client has stated otherwise, whichever is greater."

The policy announcement came after three years of steady change, says Matt Chambers, Senior Director of Corporate Project Development at Clancy & Theys. A supplier diversity specialist was hired in November, and since then, the company has been more active in DEI organizations and networks that include Historically Underutilized Businesses (HUB) and MWBE firms.



*“ We made a shift from a supplier diversity compliance perspective, just meeting or exceeding goals to check the box, to a more outreach and culture approach. Project requirements have also become more prevalent and much more strictly enforced. In the past you could show a minimal level of due diligence, but now the bar is much higher. You can't just passively advertise opportunities. You need to have outreach sessions that draw out the MWBE firms and create interest in the project, says **Matt Chambers, Senior Director at Clancy & Theys.** ”*

Setting specific, measurable, attainable, relevant, and time-bound goals are key to success. Like Clancy & Theys, a company might set participation goals. Other organizations might decide to set up a web portal to increase access for diverse vendors or establish a mentoring program for potential partners.

The important thing is to streamline the process for potential new suppliers. Eliminating or mitigating barriers to entry for folks is vital — making things really clear. Here's how you apply; here's what's available to you; here's what the process looks like.

But before establishing goals, organizations need to know what their current supply chain looks like. A thorough audit should note the diverse suppliers that are already being used, and where there are opportunities to partner with new suppliers.

Companies don't need to overhaul their supply chain all at once. When an organization is looking to change vendors, it's a good opportunity to widen the candidate pool to include diverse partners. When evaluating suppliers, she suggests asking for vendors' certifications as part of the procurement process. Similar to when you're interviewing someone for a job role, encourage folks to look beyond what they always do and be more intentional.

Finally, good internal systems are vital, so organizations can monitor and track suppliers. A spreadsheet might be adequate for smaller companies, but larger companies might be more successful assigning a dedicated member of the procurement team and using a database to keep up with vendors. Services like [supplier.io](#) track certifications, so purchasing agents can easily verify certifications of their vendors.



Intentional relationships and mentoring can advance supplier diversity goals

Accelerator programs and intentional mentoring are also useful when companies are looking to build relationships with diverse vendors. In these programs, organizations intentionally target promising entrepreneurs and help them become certified minority vendors.

Clancy & Theys' outreach programs include identifying and coaching diverse suppliers and vendors that work with their subcontractors.

"Instead of just focusing on Tier 1 subcontracts," Chambers says, "we are now pushing down further into the second- and third-tier levels to find suppliers and vendors that also qualify to meet MWBE requirements. We assist them in obtaining certifications and identify how they may be able to bid to us directly. We're early on in this process, so it's still a work in progress."



Samet Corporation, a North Carolina-based construction company, also has a robust supplier diversity program that includes outreach, training, and business coaching along with recruiting diverse subcontractors. Through its Mentor-Protégé Program, the company partners with minority- and women-owned businesses on select projects to support them throughout the building process, instilling the knowledge to grow their operations.



“Taking that time to bring them in, teach them, and have them on the job, start to finish, that doesn't just help Samet, but it helps that company when they decide that they want to go outside Samet or do something on their own, says **Jason Deans, Project Diversity and Development Manager at Samet.**

In addition to building skills in the field, Samet also provides business coaching – how to recruit and manage employees, how to handle the finances, and how to bid for jobs efficiently. Deans says that subcontractors can also take advantage of Contractor's College, where experienced superintendents or field supervisors from Samet will sit down and go through any issues that arise on the job site.

“With contractors and small businesses, you're here to make them successful and not put them on jobs where they fail. You want them to be successful, because that's why you're giving them the opportunity, **Deans says.**

Where else can you find diverse vendors?

While there are a number of resources available to companies looking for diverse vendors, the councils and agencies that provide certification are good places to start.

✓ The [National Minority Supplier Development Council \(NMSDC\)](#) certifies minority-owned businesses (MBEs) and maintains a database containing more than 15,000 companies owned by people from the Asian, Black, Hispanic, and Indigenous communities.

✓ The [Women's Business Enterprise National Council \(WBENC\)](#) certifies women-owned businesses (WBEs) and provides support and educational services for women entrepreneurs.

✓ [Disability IN](#) certifies disability-owned business enterprises (DOBE), including service-disabled veteran-owned small businesses (SDVOSBs) and links them to organizations seeking to diversify their supply chains.

✓ The [U.S. Department of Veterans Affairs](#) certifies veteran-owned small businesses (VOBs), including service-disabled veteran-owned businesses (SDVOSBs) and maintains a list of participating businesses.

✓ The [National LGBTQ Chamber of Commerce \(NGLCC\)](#) certifies LGBTQ+-owned businesses (LGBTBE) and provides additional support services.

Other resources include:

✓ [The National Black Chamber of Commerce](#)

✓ [United States Hispanic Chamber of Commerce](#)

✓ [National Asian/Pacific Islander American Chamber of Commerce and Entrepreneurship](#)

✓ [Native American Contractors Association](#)

Companies dedicated to procurement like [supplier.io](#) and [rangeme.com](#), which connects retailers and vendors, are also good resources. These companies maintain databases, publish newsletters, and provide support services for both small diverse businesses and larger companies looking to diversify their supply chain.

5 Tips for a Successful Supplier Diversity Program, plus a Bonus Activity

- 1 Enlist the support of senior management.
- 2 Assess the current situation, set up a supplier database, and track your vendors.
- 3 Set SMART goals – Specific, Measurable, Attainable, Relevant, and Time-bound
- 4 Partner with organizations that cater to small, diverse businesses. Some great places to start are the Minority Business Development Agency (MBDA), the Women’s Business Enterprise National Council (WBENC), the U.S. Small Business Administration (SBA) and the National Minority Supplier Development Council (NMSDC).
- 5 Use storytelling to promote your efforts and the work of your diverse suppliers.



Bonus Tip:

Encourage your vendors and business partners to launch DEI initiatives and supplier diversity programs of their own.

About The Diversity Movement

The Diversity Movement offers a suite of employee experience applications that personalizes diversity, equity, and inclusion (DEI) for your organization and delivers real world business outcomes. Our team of experts provides a customized mix of online learning, tools, events, and consulting services that help our partners create future focused, employee-centered cultures. Learn more at thediversitymovement.com.