

Supplier Diversity: Untapped Resource for Construction Companies

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An effective supplier diversity program can provide multiple benefits for construction companies, including enhanced innovation, profitability, and the ability to attract and retain qualified minority and female employees.

Enhance Compliance with Government Contract Requirements

The federal government, state government agencies, and even local governments require companies that do business with them to adopt and implement supplier diversity programs. Many government contracts impose specific levels of contracting with diverse businesses as a contract requirement.

The definitions of “diverse business” vary from jurisdiction to jurisdiction, and many of the acronyms and names commonly used (*e.g.*, Disadvantaged Business Enterprise or DBE) can have different meanings, depending on the laws and regulations applicable to the specific contracts. Therefore, contractors must perform due diligence on the supplier diversity requirements whenever they submit a bid or proposal for a government contract.

Help Meet Increasing Demands and Expectations from Commercial Customers

A growing number of non-governmental owners mandate diverse supplier participation in their projects. The “Billion Dollar Roundtable” is a group of major U.S. companies that have pledged to spend a minimum of \$1 billion a year with diverse suppliers. Due to their large dollar value, construction projects are a key component of these efforts. As of May 31, 2019, the Roundtable has 27 members, including some of the biggest companies: Apple, Boeing, Exelon, and Walmart. Other companies are following this example.

Boost Innovation

Numerous studies demonstrate that diverse suppliers can be more agile and innovative than their non-diverse competition. For example, the 2018 U.S. Winter Olympics Team uniform jackets were heated by conductive carbon and silver inks *printed* in the shape of an American flag on the inside. The technology was provided by women-owned Butler Technologies as a subcontractor to the uniform manufacturer, Ralph Lauren.

Increase Market Share and Open New Markets

According to a 2019 survey by CVM Solutions (a Kroll company), 82% of respondents said existence of supplier diversity programs influence their decision to purchase from a company. Diverse suppliers can provide unique design insight. Management guru Tom Peters tweeted about a female architect whose designs put the laundry room on the second floor. As Peters noted, it “would never occur to a male architect in a jillion years to put laundry room up where kids bedrooms are.”

Improve Profitability

A study by the Hackett Group found that “companies that allocate at least 20% of

annual spending to supplier diversity programs can directly attribute 10% - 15% of their annual sales to those programs.”

Enhance Recruiting of Minorities and Women

The construction industry is facing worker shortages across the country. In response, many companies are expanding efforts to recruit minorities, women, and younger workers. Studies demonstrate that minorities, women, and millennials are all attracted to more diverse workplaces, and that an effective supplier diversity program enhances a company’s reputation for fairness and diversity.

Supplier diversity has evolved from being of interest only to government contractors into a 21st Century business imperative. To maximize those benefits, companies must go beyond minimum government contracting requirements and develop positive relationships with diverse suppliers who can become trusted business partners.

Please contact a Jackson Lewis attorney with any questions.

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