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The dedication and passion supplier diversity professionals bring to their jobs benefit their companies, the diverse businesses who provide goods and services to those companies, and the community at large. Their impact doesn’t go unnoticed.

CVM, a supplier.io company, initiated the State of Supplier Diversity Report to measure that impact and ensure voices in the supplier diversity community are heard. This is our third year surveying supplier diversity professionals and asking about their challenges, best practices, and triumphs. As in past years, what they told us was fascinating.

CVM, a supplier.io company, initiated the State of Supplier Diversity Report to measure and ensure voices in the supplier diversity community are heard.
41 percent of respondents were from supplier diversity programs that were at least 10 years old.

59 percent of respondents track Tier 2 spend, and about two-fifths of that group report that spend to five or fewer customers.

Nearly a quarter (23 percent) of programs consider themselves very effective, and another 43 percent rate their programs as somewhat effective.

Our comprehensive survey covered questions, some multiple-choice and some open-ended, that addressed a variety of supplier diversity topics. Some of the more interesting findings, which are detailed throughout this report, include:

- 41 percent of respondents were from supplier diversity programs that were at least 10 years old.

- When asked about the primary drivers of supplier diversity programs (respondents could choose more than one answer), corporate social responsibility and alignment with corporate culture and workforce inclusiveness tied as the top response at 68 percent each.

- Nearly a quarter (23 percent) of programs consider themselves very effective, and another 43 percent rate their programs as somewhat effective.

- 53 percent of supplier diversity programs count small businesses in their diverse spend.

- 59 percent of respondents track Tier 2 spend, and about two-fifths of that group report that spend to five or fewer customers.

- 43 percent of respondents do not track the financial ROI of their programs.

- A third of respondents track the financial impact of their programs.

- 29 percent of respondents have a global supplier diversity program, and another 44 percent plan on implementing one in the next three years.
03 METHODOLOGY

We asked supplier diversity professionals across all industries to participate in our survey and received 134 responses in December 2018 and January 2019; 119 participants completed the non-optional portion of the survey in its entirety. Only 21 responses are from CVM customers, meaning we received a good sampling of participants from companies of all sizes and program maturity levels.

The following charts detail the size of the respondents’ companies and their industries of operation. Though the largest organizations comprised the most respondents, a good mix of small and big companies of various industries contributed to our survey. Throughout this report, we’ll break down certain sections based on the following demographic data:

**Which industry/sector best corresponds to your organization?**

<table>
<thead>
<tr>
<th>Industry/Sector</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation and Food Services</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Administrative and Support Services</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Construction</td>
<td>8</td>
<td>8%</td>
</tr>
<tr>
<td>Consumer Product Goods</td>
<td>12</td>
<td>11%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>6</td>
<td>6%</td>
</tr>
<tr>
<td>Finance/Insurance</td>
<td>8</td>
<td>8%</td>
</tr>
<tr>
<td>Government</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>Healthcare/Pharma</td>
<td>6</td>
<td>6%</td>
</tr>
<tr>
<td>Information</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>22</td>
<td>20%</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>21</td>
<td>19%</td>
</tr>
<tr>
<td>Real Estate, Rental, and Leasing</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Retail</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Sports/Entertainment</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Telecommunications/Technology</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>4</td>
<td>4%</td>
</tr>
<tr>
<td>Utilities</td>
<td>6</td>
<td>6%</td>
</tr>
</tbody>
</table>

In charts throughout this report, answers of “Unsure/Not Applicable” were removed from the results and total percentages.

Finally, responses to open-ended questions that we’ve highlighted have been edited for grammar, clarity, and length.
How long has your supplier diversity program been in place?

Continuing the trend we’ve seen in past reports (the percentages are nearly identical to last year), most supplier diversity programs are well-established, with 70 percent of respondents from programs at least 3 years old. In terms of size, the smallest and largest organizations tended to have the most mature programs, with 37 percent of companies of fewer than 1,000 employees and 64 percent of companies with more than 20,000 employees featuring supplier diversity programs that are at least a decade old.

Results by company size:

- **<1,000 employees**
  - <1 year: 29%
  - 1-2 years: 37%
  - 3-10 years: 11%
  - 10+ years: 16%

- **1,000-5,000 employees**
  - <1 year: 32%
  - 1-2 years: 25%
  - 3-10 years: 14%
  - 10+ years: 11%

- **5,000-20,000 employees**
  - <1 year: 37%
  - 1-2 years: 16%
  - 3-10 years: 11%
  - 10+ years: 29%

- **20,000+ employees**
  - <1 year: 11%
  - 1-2 years: 28%
  - 3-10 years: 64%
  - 10+ years: 8%
What are the primary drivers of your supplier diversity program?

Choose all that apply

- Customer requirements: 58% 75
- Corporate social responsibility: 68% 88
- Alignment with corporate culture and workforce inclusiveness: 68% 88
- Mirror customer base: 35% 45
- Gain market share/enhance brand image: 36% 46
- Supplier development: 47% 60
- Government compliance: 53% 69
- Drive competition and inclusive supply chain: 47% 60
- Other: 2% 2

Although most of these numbers are similar to last year's results, government compliance experienced a notable increase from 48 percent in 2018 to 53 percent in 2019. Corporate social responsibility dropped 4 percentage points (from 72 percent to 68 percent) from last year and is now tied with alignment with corporate culture and workforce inclusiveness as the top driver of supplier diversity programs.
The significant finding in this category is that search engines jumped from 31 percent in 2018 to 57 percent this year. Conversely, third-party providers fell from 52 percent to 40 percent. These two stats may suggest that supplier diversity programs are becoming more content to do the legwork themselves to find new suppliers. Certification agencies remain the top channel and even increased (up 3 percentage points to 75 percent) in 2019, thus cementing the importance of diverse suppliers achieving certification with appropriate agencies.

How do you locate diverse suppliers?
Choose all that apply

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certification agencies</td>
<td>75%</td>
<td>100</td>
</tr>
<tr>
<td>Third-party provider</td>
<td>40%</td>
<td>54</td>
</tr>
<tr>
<td>Search engines</td>
<td>57%</td>
<td>77</td>
</tr>
<tr>
<td>Through other diverse suppliers</td>
<td>50%</td>
<td>67</td>
</tr>
<tr>
<td>Other</td>
<td>27%</td>
<td>36</td>
</tr>
</tbody>
</table>
After seeing an upturn last year in respondents using dedicated supplier diversity software to manage their programs, the option backslid from 30 percent to 24 percent. Excel and other database programs crept up a couple of percentage points, and programs not using a solution at all increased from 7 to 10 percent.

As in past years, the larger the company, the more likely it is to use supplier diversity software—although their usage rates dropped for 2019 (28 percent of organizations of 5,000-20,000 employees used dedicated software this year, down from 37 percent; at companies of more than 20,000 employees, the percentage plummeted to 32 percent from 45).
As in past years, the larger the company, the more likely it is to use supplier diversity software—although their usage rates dropped for 2019.
What percentage of your Tier 1 supplier spend is with diverse suppliers?

This question yielded one of the most interesting results in our survey. The percentage of respondents who gave the >15% response remained steady. After that, 10-15% jumped 7 percentage points, 5-10% fell a whopping 16 points, and 0-5% climbed 8 points. Could this mean companies are taking an all-or-nothing approach toward Tier 1 spend, either increasing their efforts or scaling back?
Because some of the industries in the survey had only a few responses, the results are grouped here in two broader categories.

<table>
<thead>
<tr>
<th>The service-focused industries are:</th>
<th>The product-focused industries are:</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Icon] Accommodation and food services</td>
<td>![Icon] Agriculture</td>
</tr>
<tr>
<td>![Icon] Administrative and support services</td>
<td>![Icon] Construction</td>
</tr>
<tr>
<td>![Icon] Educational services</td>
<td>![Icon] Consumer product goods</td>
</tr>
<tr>
<td>![Icon] Finance/insurance</td>
<td>![Icon] Information</td>
</tr>
<tr>
<td>![Icon] Government</td>
<td>![Icon] Manufacturing</td>
</tr>
<tr>
<td>![Icon] Healthcare/pharma</td>
<td>![Icon] Retail</td>
</tr>
<tr>
<td>![Icon] Professional, scientific, and technical services</td>
<td>![Icon] Sports/entertainment</td>
</tr>
<tr>
<td>![Icon] Real estate and rental and leasing</td>
<td>![Icon] Telecommunications/technology</td>
</tr>
<tr>
<td>![Icon] Transportation and warehousing</td>
<td>![Icon] Utilities</td>
</tr>
</tbody>
</table>

Interestingly, service-focused industries were more likely to devote a lower percentage of Tier 1 spend with diverse businesses but yielded numbers similar to product-focused industries in higher ranges.
Does your program count small businesses as diverse suppliers?

The 2019 percentages for this question matched the 2018 results. Once again, organizations with fewer than 1,000 employees were more likely to accept SBEs (72 percent, a minor gain over 2018’s 68 percent), and those with 5,000-20,000 employees were least likely to count small businesses.

Results by company size:

- **<1,000 employees**
  - Yes: 72% (21)
  - No: 28% (8)

- **1,000 - 5,000 employees**
  - Yes: 52% (11)
  - No: 48% (10)

- **5,000 - 20,000 employees**
  - Yes: 34% (7)
  - No: 66% (21)

- **20,000+ employees**
  - Yes: 66% (21)
  - No: 34% (11)
SELF-CLASSIFIED SUPPLIERS

Does your program count self-classified as diverse suppliers?

Fewer respondents said their programs counted self-classified diverse suppliers, with the percentage slipping from 47 percent to 46 percent. A reverse in this trend would be surprising, thus reinforcing that certification is the best avenue for diverse businesses to draw the attention of supplier diversity programs. This finding also indicates that programs want to minimize the risk of minority false-positives through agency certification, as evidenced by the quarter of programs that use third-party supplier diversity software (referenced earlier in this report).
In your estimation, what percentage of diverse suppliers who won a bid met or exceeded expectations of quality, efficiency, and cost savings last year?

In the second year of this optional question, the number of respondents choosing to answer was again fewer than expected. We’ll stick by our theory from last year: Admitting that a supplier might not be living up to expectations in terms of quality and efficiency may feel like a step backward for programs working hard to expand diverse spend. Of the programs that did respond, 42 percent said that at least three-quarters of diverse suppliers were meeting expectations—a drop from 48 percent last year. The next range (50-75%) offset some of that decrease, but overall, survey respondents are less impressed with the work their diverse suppliers are delivering.

As organizations of every caliber try to remain competitive by cutting costs or raising product standards, is this a decline in supplier quality, an increase in buyer expectations, or something else?

42 percent said that at least three-quarters of diverse suppliers were meeting expectations.
Do you measure Tier 2 supplier spend?

This question resulted in a significant decrease, from 68 percent of respondents saying their programs measure Tier 2 spend to 59 percent. Also, larger companies were less likely to worry about Tier 2 than in 2018, but smaller companies posted increases. After two years of steady results in this question, these numbers could be an anomaly based on respondents, or they could signal a shift toward smaller organizations realizing the value of Tier 2 spend and larger companies not thinking it’s worth the effort.

The service-focused industries are:
- Accommodation and food services, Administrative and support services, Educational services, Finance/insurance, Government, Healthcare/pharma, Professional, scientific, and technical services, Real estate and rental and leasing, Transportation and warehousing

The product-focused industries are:
- Agriculture, Construction, Consumer product goods, Information, Manufacturing, Retail, Sports/entertainment, Telecommunications/technology, Utilities
To how many customers do you report Tier 2 spend?

These results were grouped according to the same parameters as the question about Tier 1 spend. Service-focused industries were far more driven toward Tier 2 spend than their product-focused counterparts—which is interesting because these service businesses were a little less likely to report Tier 1 diverse spend.

We asked this question, new for 2019, to learn more about how important Tier 2 spend is to customers that companies with supplier diversity programs do business with. The 1-5 answer drew the top result, at 41 percent, but 31+ came in second at 27 percent. As with similar results in this survey, the middle ground was less common—either Tier 2 isn’t a big deal or is incredibly important.
How effective would you say your supplier diversity program is?

The percentage of respondents who believe their programs are very effective dropped from 32 percent last year to 23 percent—which was 2 percentage points lower than what we saw in our inaugural survey two years ago. Somewhat effective came in at 43 percent; doing the math, 66 percent of programs are effective, which represents another decrease (from 75 percent) from last year. With fewer programs satisfied with the performance of their diverse suppliers (per our earlier question), this finding isn’t so unexpected as it is discouraging.

<table>
<thead>
<tr>
<th>Effectiveness Level</th>
<th>&lt;1,000 employees</th>
<th>1,000-5,000 employees</th>
<th>5,000-20,000 employees</th>
<th>20,000+ employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very ineffective</td>
<td>9% 3</td>
<td>11% 3</td>
<td>13% 2</td>
<td>3% 1</td>
</tr>
<tr>
<td>Somewhat ineffective</td>
<td>3% 1</td>
<td>7% 2</td>
<td>13% 2</td>
<td>3% 1</td>
</tr>
<tr>
<td>Neither effective</td>
<td>9% 3</td>
<td>32% 9</td>
<td>44% 7</td>
<td>9% 3</td>
</tr>
<tr>
<td>Somewhat effective</td>
<td>56% 18</td>
<td>25% 7</td>
<td>19% 3</td>
<td>28% 9</td>
</tr>
<tr>
<td>Very effective</td>
<td>22% 7</td>
<td>25% 7</td>
<td>13% 2</td>
<td>22% 9</td>
</tr>
</tbody>
</table>
How many full-time resources work for your supplier diversity program?

Programs in 2019 have even fewer resources to advance supplier diversity. The percentage of companies choosing the <1 answer increased from 18 percent to 26 percent, and 60 percent of respondents employ no more than one full time, as opposed to 55 percent last year. This finding offers another potential correlation to the reduced program effectiveness our respondents reported, among other year-over-year downswings.
What is your biggest challenge in the supplier diversity space?

None of the challenges respondents offered was that shocking, but one that did stand out was the struggle getting the C-suite and individual departments to understand what supplier diversity is and why it’s important. Among the great responses our survey received:

“Adequate staff resources; building engagement and participation across the enterprise; ensuring the accuracy and integrity of supplier diversity data.”

“Changing the mindset of supply chain management professionals of the value found with diverse suppliers versus non-diverse suppliers.”

“Decentralized decision-making is a challenge to the program. Getting business owners to work with procurement early enough so there is time to influence the slate of suppliers considered.”

“Executive support and communication.”

“Finding more diverse suppliers and identifying appropriate opportunities.”

“Finding opportunities for diverse businesses to compete, and changing mindsets that diverse businesses cannot provide the quality and capability to compete—that they are simply too small.”

“Getting internal client teams to more readily work inclusively with diverse firms on integrated client engagements.”

“Having total support of leadership who understands and communicates the value that diverse suppliers bring.”

“Leadership buy-in; education of those who do not understand the purpose of the program.”

“Providing opportunities when we already have great suppliers in place.”

“Securing competent diverse suppliers.”

“While I manage the diversity program and policy, purchasing decisions are made by managers in sourcing, transportation, IT, HR, et cetera—many of whom are not in the least bit concerned with diversity.”

“Spend growth trend and supplier diversity program expansion outside the U.S.”
How do you measure the financial ROI of your supplier diversity program? (Choose all that apply)

This question always surprises us because the most common answer is that companies do not measure the ROI of their supplier diversity programs. Moreover, that percentage jumped from 38 percent last year to 43 percent for 2019. Stakeholders responsible for approving the supplier diversity budget, often the C-suite, are primarily concerned with furthering business objectives, something almost always tied to ROI. Creating a measurement process could be the difference between a short-lived and thriving supplier diversity program.

- **Dollars saved by using diverse suppliers that were less costly**: 27% (34)
- **Revenue from customers with diverse spend requirements**: 34% (42)
- **Grants received related to having a successful program**: 6% (8)
- **Amount of sales to the government**: 13% (16)
- **Economic impact/jobs created**: 27% (34)
- **Other**: 3% (4)
- **Do not have a measure**: 43% (54)

For those programs that do measure ROI, revenue from customers with diverse spend requirements repeated as the top measurement, followed by a tie between dollars saved and economic impact.

After we remove the responses of “Do not have a measure,” 68 percent of participants said they measure ROI by more than one method—a 10-point increase over last year. An ROI strategy that emphasizes multiple results makes a greater impression with executives, suppliers, and the community at large.
ECONOMIC IMPACT OF SUPPLIER DIVERSITY PROGRAM

Do you measure the economic impact of your program?

This result was similar to last year, climbing 1 percentage point after a huge gain over 2017. We did ask respondents who answered “yes” a sub-question about how they measure the economic impact of their supplier diversity programs. The responses included:

- “All procurement/purchasing agents are required to report all of their diverse supplier spend within our own community.”
- “We look at our top 100 customers and see how many of them have supplier diversity programs that we report on.”
- “Job creation, number of workshops, number of vendors.”
- “We have to report our direct spend to our customers twice a year.”
- “Monthly metrics.”

This result was similar to last year, climbing 1 percentage point after a huge gain over 2017.
Do you have a supplier development program?

Supplier development rebounded in our survey, with 29 percent of respondents reporting a formal program and another 29 percent reporting an informal program. The numbers took a significant hit in our 2018 report, and though they aren’t back at their 2017 levels, they are headed back in that direction.
How often do you report to executive leadership on supplier diversity?

Programs that report at least quarterly took a slight drop from last year (from 57 percent to 53 percent), and programs that don’t report at all slightly increased (from 7 percent to 11 percent). Measuring diverse spend, ROI, and economic impact gives you good news to report to leadership, who in turn might be more enthusiastic to support your goals.

- **We don’t**
  - 11% 14

- **As needed**
  - 11% 14

- **Once a year or longer**
  - 14% 18

- **Semi-annually**
  - 11% 15

- **Quarterly or more frequently**
  - 53% 70
Do you currently have a global supplier diversity program?

This question produced a nice jump in “yes” answers, going from 23 percent to 29 percent. Furthermore, this increase was across the board, among smaller businesses and larger organizations. The number of companies planning a global supplier diversity program saw an even bigger increase, from 28 to 44 percent.

If your organization doesn’t have a global supplier diversity program, do you plan to implement one in the next three years?

By company size:

- **<20,000 employees**
  - No: 77%
  - Yes: 23%

- **20,000+ employees**
  - No: 56%
  - Yes: 44%
What do you enjoy most about supplier diversity?

Supplier diversity isn’t just a means to an end—for many professionals, it’s as important philosophically as it is financially. This question gets at the heart of why many of us entered and continue to work in supplier diversity. We again asked survey respondents what they enjoyed most about supplier diversity, and once again, we received some inspiring answers:

“Allowing diverse suppliers to participate in interesting projects and enabling them to grow.”

“Being able to give those businesses the opportunity to compete alongside Fortune 500 companies and seeing the diverse suppliers come up on top and win the bid.”

“Bringing opportunities to DBEs that individually they could not have otherwise.”

“Educating people within my company about the supplier diversity field and the great impact that we can have on small and diverse suppliers if we just take the time to strategically plan opportunities. I also enjoy the suppliers and contractors.”

“Helping diverse companies grow like ours was helped.”

“I have watched many of them continue to develop into strong businesses over the years, and knowing that somehow I had an impact on that growth and development is such a reward!”

“Helping to decrease the inequality gap.”

“In this new position I have met some amazing diverse business owners/organizations that are doing tremendously. Seeing the impact that is happening at my organization and, most of all, within the community has been most rewarding.”

“The collaboration required to drive change in a positive direction—internally with business partners and stakeholders, and externally with suppliers, customers, and advocacy organizations.”

“The possibility of meeting diverse businesses with different goals, products, and services. It’s a great way to understand how other cultures work.”

“Working with innovative companies that will work through challenges with you.”
22 SUCCESS STORIES

Would you like to share a supplier diversity success story or achievement?

This question is new for 2019, focusing on real results supplier diversity programs are enjoying:

“A supplier came into my office to meet with me. When we discussed the type of business they had, I picked up the phone and called the buyer in purchasing. He took their information, and two weeks later, the supplier received a purchase order. She was so thankful that I took the time to make that [one] phone call.”

“At my company, supplier diversity was known but unknown. I challenged myself in my second year on the job to develop a mentor-protégé program that was not based on teaching a small business how to be like their larger competitor, but rather take the larger small businesses and vet out their resources so that I could pair them with a small business with similar needs. This program was highly successful, and we plan to launch it in another division in FY 2019.”

“We have exceeded total Tier 2 spend with major automotive OEMs for over a decade.”

“We’ve grown a small woman-owned firm from $25K annual revenue to $3M.”

“We have had several suppliers that could be included in a success story. It is very exciting to have a supplier that has been trying for three, four, even five years to get an opportunity, and then they are finally given a chance and become one of our premier suppliers. This is what makes all the work in our field so rewarding.”
What changes would you like to see in the next 3-5 years of supplier diversity?

In the previous two years, we asked a question about what respondents expected to see in the future, but for this year’s survey, we shook it up by asking respondents not to tell us what they think will happen, but what they want to see happen. Their answers might provide a blueprint on where these professionals and others will take supplier diversity in the coming years:

“A broader range of supplier diversity over all markets.”

“Becoming a mandatory part of the procurement process.”

“A lot has been done with outreach and networking. I’d like to see more utilization, more diverse businesses getting contracts. We’ve done the legwork; now let’s prove that diverse businesses are ready, willing, and able to do the work and get paid!”

“Better resources to locate diverse suppliers.”

“Consistent measurement of ROI and economic impact of supplier diversity programs; more enforcement and protections for subcontractors; education to companies on the benefit and advantage of supplier diversity.”

“Federal government changes to reporting measures to disallow multiple counting of the SD dollar—to be consistent with corporate practice. At this time, SD spend is grossly overstated by the federal government.”

“Greater value placed on quality diverse suppliers, and to see their growth in under-represented sectors.”

“I would like to see supplier diversity be involved in everyone’s everyday decisions—and not managed by a specific group within the company.”

“I’d like to see more executive-level support for this, even in conservative companies.”

“More culture-baked versus leadership-driven.”

“Tighter restrictions on classifying a business as being diverse.”

“The vast majority of diverse suppliers tend to be clustered in certain spaces such as staffing, IT, transportation, and so on. We need to identify ways to develop diverse suppliers in other areas, especially in manufacturing. Also, we need to engage the next generation of business owners, educate them on the resources available to them as diverse suppliers, tap into their ideas on where supplier diversity should move next, and get them involved.”
CONCLUSION

Our State of Supplier Diversity Report continues to reveal everything that is great and everything that is challenging for supplier diversity programs and the professionals behind the programs. Your strategy for overcoming many of these challenges might present itself in a supplier diversity management solution that helps with analytics, data enrichment, Tier 2 spend, developing current diverse suppliers, and discovering new suppliers.

CVM offers education, data, and technology that achieve these goals and unlock your supplier diversity program's potential. Visit our website at cvmsolutions.com or call us at 708-236-2000 to learn more. Also, let us know if you want to participate in our 2020 survey.