

Supplier Diversity 101

What is Supplier Diversity?

Supplier diversity is a business strategy that provides access and opportunity to underrepresented business ownership in the procurement of goods and services. It works to equitably build an inclusive and diverse supply chain workforce targeting historically excluded individuals or groups.

Terms & Definitions

Prime Contractor/Supplier

Any party or person (who is not an employee of the utility) who enters into any agreement or arrangement with the utility for the furnishing of supplies or services for the use of real or personal property which, in whole or in part, is necessary to the performance of any one or more contracts

Subcontractor

Any party or person (who is not an employee of the prime contractor) who enters into any agreement or arrangement with a prime contractor to deliver supplies or services

Diverse Supplier/Contractor

Owned by, and the daily business operations controlled by, minority-owned, woman-owned business enterprise, small business and veteran-owned business

Tier 1

Prime contract spend with a diverse supplier

Tier 2

Subcontracted spend by a diverse or non-diverse prime contractor with a diverse supplier

** These are the common terms and definitions we identified; depending on the commission or utility, terms may be different. Interpretations may vary.*

Diverse Business Certifications

Listed below are the six most common national **diverse supplier certifications**. Regional or local chapters are essential in the certification process for application review and site visits. Regional chapters also play a critical role in matching certified businesses with local corporations seeking to purchase their products, services and solutions.

- [Disability:IN](#)
- [National LGBT Chamber of Commerce](#) (NLGC)
- [National Minority Supplier Development Council](#) (NMSDC)
- [Small Business Administration](#) (SBA)
- [Vets First](#)
- [Women's Business Enterprise National Council](#) (WBENC)

Benefits of Certification

Once certified, businesses have access to numerous benefits and services. For more information, we encourage you to contact the regional affiliate nearest your company headquarters. Benefits can include:

- Access to corporate purchasing agents and executives
- Opportunities for more work, which ultimately equates to more wealth and addressing systemic inequities
- Educational opportunities and mentoring
- Access and invitations to networking events
- If applicable, collaboration and community support from regional partner organizations or offices
- Formal and informal opportunities to pursue business with members with Diverse Supplier programs and other certified diverse businesses

Challenges to Certification

Many qualifying enterprises are small-scale operations, often unable to devote the resources necessary to become a Tier 1 or Tier 2 supplier.

- Time commitment of getting certified can be a big hurdle for interested businesses
- Upfront and annual fees to apply for and keep certification can be difficult for some small businesses to manage
- Process can be cumbersome and invasive
- Lack of guidance through a demanding process can present an obstacle

State Supplier Diversity Policies

The first state in the Midwest with a statewide supplier diversity framework was Illinois. Their policy requires utilities to recognize at least four diverse supplier certifications and sets a minimum threshold of capital and procurement spending.



To learn more about Illinois' policy, please visit:
<https://www.icc.illinois.gov/Home/diversity-and-community-affairs>

Utility Supplier Diversity Policies

Depending on the utility territory in which you are located or wish to do business, there may be differences in the requirements or processes required to participate in that utility's supplier diversity initiative. Be sure to consult your local utility service provider to determine if certification is appropriate for you.