


SUPPLIER DIVERSITY PLAYBOOK



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The construction industry's success is contingent on the diverse backgrounds and experiences that influence and shape our built environment. Our current and future workforce expects change, and employers that have clearly established cultures honoring diversity, equity, inclusion (DE&I), and safety. In fact, studies show that companies who invest in DE&I programs see improved teamwork, innovation, and productivity, and experience improved financial results.

Belong California is a program of the AGC Construction Education Foundation (CEF), a 501(c)3 non-profit corporation whose mission is to inspire the construction industry to be a place where people belong, grow and build lasting legacies. Through the guidance of the CEF Board of Directors and the AGC of California DE&I Steering Committee, with other industry partners and experts, the program offers resources and support to companies working to build belonging across their workforce, businesses, and industry at large.

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INTRODUCTION

WHAT IS SUPPLIER DIVERSITY?

Supplier diversity in the California construction industry refers to the strategic business practice of proactively including diverse suppliers, or small/underrepresented businesses (SUB), in procurement and contracting opportunities. These SUBs typically include enterprises owned by minorities, women, veterans, LGBTQ individuals, and disabled individuals. Supplier diversity programs aim to promote economic inclusion, foster innovation, support the growth and development of these underrepresented businesses, and more.

While supplier diversity has many benefits, challenges such as finding qualified, diverse suppliers, navigating the certification process, and overcoming implicit biases may arise. However, these challenges also present opportunities for growth and improvement within the industry. This playbook will provide recommendations, best practices, and resources to support you in creating a robust supplier diversity program.

WHY IS SUPPLIER DIVERSITY ESSENTIAL IN CONSTRUCTION?

Supplier Diversity is important in construction, uniquely in California, because of the state's diverse population and policies. California has expansive regulations and policies that encourage or mandate the inclusion of SUBs. For example, public projects may have specific goals or requirements for subcontracting with certified SUBs. This incentivizes construction firms seeking to do public projects to have a robust supplier diversity program.

Inclusion in Contracts: Construction companies may develop internal supplier diversity programs that set targets for the inclusion of SUBs in their projects. This can include direct contracting with SUBs or encouraging their participation through subcontracting.

Economic Impact: Supporting SUBs can have a positive economic impact by creating jobs, fostering entrepreneurship, and stimulating economic growth within local and underrepresented communities.

By implementing and supporting supplier diversity initiatives, the California construction industry can contribute to a more inclusive economy and build stronger, more resilient communities.

WHO IS THIS PLAYBOOK FOR?

This Playbook is designed for California construction firms that do not have a Supplier Diversity Program and want to create one or build upon/strengthen their current program. It is also a good fit for companies looking to enter public works projects. However, Supplier Diversity Programs are important for firms looking to enter any type of project, given the various benefits of small and underrepresented inclusion.



DEFINITIONS/ COMMON TERMS

A **supplier diversity professional** is responsible for developing and implementing strategies to include SUBs in a company's procurement process. The role involves identifying potential SUBs, fostering relationships, ensuring compliance with diversity standards, and contributing to the company's commitment to inclusive economic growth.

Certifications can help businesses gain access to more opportunities and resources. There are various certification programs for SUBs to become certified, including the California Department of General Services (DGS) Office of Small Business and Disabled Veteran Business Enterprise Services, which certifies Small Business Enterprise (SBE) and Disabled Veteran Business Enterprise (DVBE). Below is a list of some, but not all certifications for SUBs in California:

Disadvantaged Business Enterprise (DBE):

- Businesses owned by 51% or more socially and economically disadvantaged individuals.
- Although primarily associated with federally funded projects, DBE certification can also be relevant in certain California construction projects receiving federal funding.

Disabled Veteran Business Enterprise (DVBE):

- Businesses owned by 51% or more disabled veterans can obtain DVBE certification through organizations such as the California Department of General Services (DGS).
- This certification enhances opportunities for veteran-owned businesses in state contracting.

LGBT Business Enterprise (LGBTBE):

- Businesses at least 51% owned by lesbian, gay, bisexual, transgender (and more) + individuals. This certification is typically issued by organizations such as the National LGBT Chamber of Commerce (NGLCC).
- This certification provides more access for businesses owned by LGBT individuals to contracting opportunities in California.

Local Business Enterprise (LBE):

- Businesses with a "legitimate business presence" within the city in which it seeks certification.
- Note that each city defines the "legitimate business presence" differently.
- LBE certifications allow businesses to compete in city bidding processes.

Small Business Enterprise (SBE):

- This certification is for businesses that meet specific criteria based on size (typically defined by annual revenue and number of employees).
- The SBE certification is essential for accessing set-aside contracts and procurement opportunities reserved explicitly for small businesses.



DEFINITIONS/ COMMON TERMS

Minority Business Enterprise (MBE):

- This certification verifies that a business is at least 51% owned, operated, and controlled by minorities (e.g., African Americans, Hispanic Americans, Asian Pacific Americans, Native Americans).
- The MBE certification is issued by private certifying agencies recognized by entities such as the National Minority Supplier Development Council (NMSDC) or one of its local chapters.

Women Business Enterprise (WBE):

- WBE certification verifies that a business is at least 51% owned, operated, and controlled by women.
- This certification is essential for accessing contracts that include supplier diversity goals related to gender diversity.

Historically Underutilized Business Zone (HUBZone):

- HUBZone refers to a program managed by the U.S. Small Business Administration to encourage economic development in historically economically disadvantaged areas.
- For a business to qualify as a HUBZone business, it must meet specific criteria:
 - ♦ **Location:** The business must be located in a designated HUBZone area. These areas are determined based on economic need and can include parts of urban and rural regions.
 - ♦ **Ownership:** The business must be at least 51% owned and controlled by U.S. citizens.

- ♦ **Size:** The business must be a small business as defined by the SBA.
- ♦ **Employment:** The business must have at least 35% of its employees residing in HUBZone areas.

Compliance: Refers to meeting regulations and goals related to the inclusion of SUBs in a company's supply chain. For example, federal contractors in the U.S. may be required to subcontract with diverse businesses to meet government regulations, ensuring that the supply chain reflects the diversity of the community and promotes equal economic opportunities.

Corporate Social Responsibility: Refers to a business model that promotes inclusive and equitable business practices by engaging various suppliers and subcontractors. This involves intentionally including businesses owned by minorities, women, veterans, LGBTQ+ individuals, and other underrepresented groups in the supply chain.

Small/Underrepresented Business (SUB): Small and underrepresented businesses are typically independent enterprises owned and controlled by individuals who are socially and economically disadvantaged. These businesses play a crucial economic role, contributing to job creation and innovation.



CREATING A PROGRAM

Whether starting from scratch or enhancing your own Supplier Diversity Program, this section will cover the many steps required in creating a robust Supplier Diversity program.

STEP 1:

DEFINING PROGRAM GOALS AND OBJECTIVES

Whether starting from scratch or enhancing your own Supplier Diversity Program, this section will cover the many steps required in creating a robust Supplier Diversity program.

- **Increase SUB participation:** Set clear targets for engaging minority-owned, women-owned, veteran-owned, and other underrepresented subcontractors.
- **Promote equity and inclusion:** Ensure equal opportunities for SUBs in bidding and project participation.
- **Enhance project outcomes:** Leverage the innovation and competitive edge of SUBs.

BEST PRACTICE:

A company should get to its “why?” Is the intent to add competition to our trade partners and supplier pool or achieve client participation goals or requirements? Start by identifying the desired outcome and using it to inform the development of your program. Align what is important to your key stakeholders and use those commonalities to develop your guiding star(s).

STEP 2:

SECURE EXECUTIVE AND STAKEHOLDER SUPPORT

Once your company's goals are identified, secure executive and stakeholder support. Executive and stakeholder commitment is pivotal to embedding diversity principles into the company's procurement strategy and ensuring the program's long-term success and evolution.

- **Executive Commitment:** Obtain buy-in from senior management to emphasize the importance of the program.
- **Stakeholder Involvement:** Engage key stakeholders, including project managers, procurement teams, and

BEST PRACTICE:

The Supplier Diversity Program is most successful when embedded into the core values of your firm – active championing from senior leadership, allocating resources while holding the company accountable for the outcomes (setting milestones, ensuring synchronicity), using awareness campaigns, training programs, to foster the knowledge and benefits of these programs and commitment.



CREATING A PROGRAM

STEP 3:

DEVELOP A DIVERSITY POLICY AND FRAMEWORK

Developing policy and framework around Supplier Diversity is vital to ensure company-wide alignment and commitment to the program.

- **Formal Policy:** Draft a policy outlining your commitment to subcontractor diversity.
- **Scope and Definitions:** Clearly define what constitutes a SUB and the scope of the program.

BEST PRACTICE:

Communicate how engaging with SUBs can contribute to economic inclusion, social responsibility, innovation, and business growth.

Create policies within your company that REQUIRE procurement to include SUBs in all bids and RFPs.

STEP 4:

OUTREACH AND IDENTIFICATION OF SUBS

With your supplier diversity goals clear and your company aligned with them, the company must ensure it is taking steps to expand its supplier base. Networking and developing a presence within the SUB communities is a great way to build relationships.

- **Partnerships:** Collaborate with organizations like BuildOUT California, NMSDC, WBENC, NAMC, AGC, and local chambers of commerce to identify certified SUBs.
- **Supplier Database:** Create or update a database of qualified SUBs.
- **Networking Events:** Participate in or host events to connect with potential SUBs.

BEST PRACTICE:

Get actively involved! The time you invest in organizations that help you achieve your supplier diversity goals will be paid back multifold.

Create and manage a database of your outreach and follow up continuously to connect and assist. When networking, ensure you utilize social media to acknowledge and give credit to your partners to expand their network and visibility further.



CREATING A PROGRAM

STEP 5:

SIMPLIFY THE BIDDING PROCESS

Evaluating the bidding process is important to ensure increased participation, fair competition, efficiency, better relationships, and more!

- **Inclusive RFPs:** Develop RFPs that encourage SUB participation by including clear and accessible criteria.
- **Simplified Submission:** Ensure the bid submission process is straightforward to minimize barriers for small and underrepresented businesses.

BEST PRACTICE:

Define goals and criteria to develop a clear vision of what you want to achieve and how you will measure it (what groups will be involved and percentages). Reduce the number of steps and documents required, provide clear and concise instructions, offer flexibility, communicate, and collaborate through the process. Providing supplier registration portals or supplier diversity questionnaires is helpful; these can be on a website or shareable links to a form.

STEP 6:

PROVIDE SUPPORT AND RESOURCES

Investing in SUB development, like hosting programs to support and promote resources for SUBs, is a strategic approach to building a robust and knowledgeable network that can drive collective success

- **Training and Workshops:** Offer training sessions on your company's procurement processes, compliance requirements, and industry standards.
- **Mentorship Programs:** Pair SUBs with experienced contractors or company executives to provide guidance and support.
- **Technical Assistance:** Provide resources or partner with organizations that offer technical assistance to help SUBs improve their capabilities.

BEST PRACTICE:

Create a structured initiative, such as a mentor program, that is designed to support and develop the skills, capabilities, and business acumen of subcontractors from diverse backgrounds, including minority-owned, women-owned, veteran-owned, and other disadvantaged businesses. The program can pair these SUBs (mentees) with experienced professionals in your firm (mentors) who can provide guidance, training, and resources to help them succeed and grow in the industry.



CREATING A PROGRAM

STEP 7:

IMPLEMENT INCLUSIVE PROCUREMENT PRACTICES

Implementing inclusive procurement practices is vital for fostering equitable economic opportunities, enhancing supplier diversity, and driving innovation and competitiveness within the supply chain. Setting these practices before a project will ensure a smooth process for all parties involved.

- **Intentional Contracts:** Allocate specific contracts or portions of contracts for SUBs.
- **Tiered Goals:** Set tiered participation goals to ensure SUBs are included at various levels of the supply chain.
- **Performance Metrics:** Establish metrics to track the participation and performance of SUBs.

BEST PRACTICE:

One of the hardest things to do is incorporate diverse firm participation within the project budget after the fact. Be proactive in working with sub-trades to ensure and maximize contract opportunities, such as breaking up scopes and bid packages, during the budgeting processes prior to your GMP or finalized project budget.

STEP 8:

MONITOR AND EVALUATE PROGRESS

Monitoring and evaluating your progress in a supplier diversity program is essential to ensuring your program evolves. This helps secure accountability, measure impact, and continuously improve efforts to create a more inclusive and equitable supply chain for your organization.

- **Data Collection:** Regularly collect data on SUB participation and contract awards.
- **Performance Reviews:** Conduct periodic reviews to assess the program's effectiveness and identify areas for improvement.
- **Feedback Loop:** Gather feedback from SUBs and internal teams to refine processes.

BEST PRACTICE:

Implement a Supplier Diversity Management System (SDMS). This specialized software helps entities systematically track, analyze, and report on their supplier diversity initiatives. Third-party software is available to track SUB spend, certifications, etc.

Implement tracking into internal KPIs that need to be reviewed quarterly through various platforms, from Excel to the SDMS.



CREATING A PROGRAM

STEP 9:

PROMOTE SUCCESS STORIES AND ACHIEVEMENTS

Promoting success stories and achievements in supplier diversity is crucial for highlighting the positive impact of inclusive practices, inspiring further engagement, and demonstrating the tangible benefits of a diverse supply chain.

- **Case Studies:** Document and share success stories of projects involving SUBs.
- **Recognition:** Recognize and celebrate the contributions of top-performing SUBs through awards and public acknowledgments.
- **Communication:** Use internal and external communication channels to highlight the successes and impact of your supplier diversity program.

BEST PRACTICE:

Create and share case studies and success stories. This approach effectively highlights the tangible benefits and impact of supplier diversity initiatives, inspiring further engagement and support from stakeholders – identify impactful stories of small and underrepresented businesses succeeding on your projects, provide detailed descriptions of the projects or contracts, including the challenges faced, and how the small and underrepresented businesses overcame them, and focus on the positive outcomes and benefits, such as improved project performance, cost savings, enhanced innovation, and community impact.

STEP 10:

CONTINUOUS IMPROVEMENT

Continuous improvement in a supplier diversity program is vital for adapting to evolving market dynamics, addressing emerging challenges, and sustaining long-term success in creating an inclusive and equitable Supplier Diversity Program.

- **Stay Informed:** Keep up-to-date with industry best practices and regulatory changes.
- **Adapt and Evolve:** Regularly review and adjust program strategies based on performance data and feedback.
- **Engage and Collaborate:** Continue to engage with small and underrepresented businesses and industry partners to enhance the program.

BEST PRACTICE:

Implement a semi-annual review and feedback process. Analyze the data and feedback to identify gaps and areas where the program is not meeting its objectives. Develop and implement action plans to address identified gaps and improve program effectiveness. Maintain ongoing communication with diverse suppliers and stakeholders to ensure the program responds to their needs and concerns.



TRACKING

As with any business initiative or program, tracking your supplier diversity program is crucial for success. Your program must be measured and adjusted often to keep up with market trends and improve your efforts. A successful tracking procedure will allow your program to continue growing as you monitor your performance and hold your program accountable for meeting goals, regulatory compliance, and more. This section will guide you on monitoring and tracking your program successfully.

1. DEFINE CLEAR GOALS

Establish specific, measurable, achievable, relevant, and time-bound (SMART) goals for supplier diversity spend and other respective goals. This could include targets for the percentage of total spending going to Small Underrepresented Businesses (SUBs).

- **While establishing your goals, integrate and align with internal Diversity, Equity, & Inclusion strategic plan goals.**
- **Be sure your program is appropriately funded to track, monitor, and hopefully exceed your goals.**

2. INTERNAL TRACKING MECHANISMS

Define systems for tracking operations and providing regular executive report-outs. This should include crafting contract language that supports reporting requirements and identifies the required measurement tools and reporting frequency.

3. REGULAR REPORTING

Provide monthly reporting on spending with SUBs. This should be integrated into existing reporting structures and processes.

4. SUB DATA MANAGEMENT

Maintain accurate and up-to-date data on SUBs, including certifications and capabilities, to ensure they are considered for relevant opportunities.

5. DATA ANALYSIS

Analyze spending patterns to identify areas for improvement and opportunities to increase SUB engagement.

6. CREATION OF OUTREACH PLANS

Utilize data to tailor outreach plans to align with funding, client needs, and internal goals. Outreach plans should include partnerships with local supplier diversity community partners, trade partner associations, training agencies, and capacity-building organizations to ensure the proper mechanisms are in place to maximize community impact investments. This can include partnering with other General Contractors to host outreach events (i.e., Construction Inclusion Week).



TRACKING

7. TRAINING AND AWARENESS

Train internal and external stakeholders on the importance of supplier diversity and how to engage with SUBs.

8. SUB SCORECARDS

Develop SUB scorecards that track performance against diversity goals and provide feedback to SUBs on their performance.

9. FEEDBACK LOOPS

Establish feedback mechanisms for SUBs to provide input on their experiences working with your organization and areas for improvement. This should include providing opportunities to discuss contracting opportunities in which SUBs are not the successful bidders.

10. RECOGNITION AND AWARDS

Recognize and celebrate achievements in supplier diversity, both internally and externally, to encourage continued commitment.

11. CONTINUOUS IMPROVEMENT

Continuously review and refine your supplier diversity program based on feedback, data analysis, and changing business needs.

12. TRANSPARENCY

Communicate your Supplier Diversity Program's progress, challenges, and successes to internal and external stakeholders in a transparent manner.

By implementing these suggestions, you can effectively monitor and track supplier diversity spending and goals, leading to a more inclusive and successful supplier diversity program.



BEST PRACTICES

Best practices provide actionable insights and proven strategies for developing and maintaining an effective supplier diversity program. Compiled by supplier diversity professionals from McCarthy Building Company and Shawmut Design & Construction, this section will provide guidelines for construction companies to build robust partnerships with diverse suppliers and ensure a more inclusive and dynamic supply chain.

1. LEADERSHIP COMMITMENT

Obtain visible support from top leadership to demonstrate the organization's commitment to supplier diversity.

2. DIVERSE SUPPLIER IDENTIFICATION

Develop a process for identifying diverse-owned trade partners.

3. SUB ENGAGEMENT

Actively seek out SUBs through networking events, industry conferences, and outreach programs and guide them on registering in your procurement portal.

4. SUB DEVELOPMENT

Provide resources and support for SUBs to help them grow and compete effectively for contracts.

- **Seek to create sustainable, mutually beneficial relationships with diverse trade partners.**

- **Ensure that your company's Supplier Diversity Program aims to also expand and advance its current pool of diverse-owned trade partners/suppliers through education and mentoring, as the ongoing goal is to support capacity building and aspire to create prosperity through empowerment.**

- **Supplier Performance Monitoring: Monitor SUBs' performance to ensure they meet expectations and provide feedback for improvement.**

5. CLEAR GOALS & OBJECTIVES

Establish clear, measurable, and attainable goals for new SUBs and annual spending goals and objectives for the program, aligned with the organization's overall diversity and inclusion strategy.

6. PROCUREMENT PROCESS

Update your procurement process to include the infusion of SUBs to ensure its overall success in promoting a diverse supply chain. This includes communicating that using SUB partners/suppliers is integral to your company's purchasing procedures.

- **Look for opportunities to work with SUBs who reflect the demographics of the communities you are building**

Best Practices provided by McCarthy Building and Shawmut Design & Construction.



RESOURCES & PARTNERS

Below is a list of resources and partners that can be utilized for a successful supplier diversity program.

1. CALIFORNIA UNIFIED CERTIFICATION PROGRAM (DBESYSTEM.COM)

This program streamlines the certification process for businesses seeking Disadvantaged Business Enterprise (DBE) status. The CUCP was created to comply with federal regulations and to facilitate the inclusion of DBEs in federally funded transportation projects.

2. SBA - DYNAMIC SMALL BUSINESS SEARCH

The Small Business Administration (SBA) Dynamic Small Business Search website is a tool that helps SUBs market their business and services to government agencies and prime contractors. Government agencies and prime contractors can utilize this database to locate SUBs to fulfill supplier diversity goals.

3. THE SUPPLIER CLEARINGHOUSE

The Supplier Clearinghouse certifies SUB firms and publishes a directory that can be publicly accessed at no cost. It provides SUBs access to a broader range of contracting and business opportunities.

4. CAL ePROCURE

The Cal eProcure website is California's online procurement system, designed to facilitate the procurement process for state agencies and provide vendors with a platform to do business with the state. Resources for accessing procurement information, opportunities, and resources related to doing business with the State of California.

5. CALIFORNIA DGS OFFICE OF SMALL BUSINESS AND DISABLED VETERAN BUSINESS ENTERPRISE SERVICES

The DGS Office of Small Business and Disabled Veteran Business Enterprise Services promotes and supports small and disabled veteran-owned businesses (DVBES) in the state's procurement and contracting activities. It provides SBE and DVBE certification for qualifying companies.

6. BUILDOUT CALIFORNIA

BuildOUT California is a coalition and advocacy group dedicated to advancing LGBT inclusion in the built environment industry, which includes construction, architecture, engineering, and related fields. The organization promotes diversity, equity, and inclusion (DEI) by supporting LGBT-owned businesses and ally professionals.

7. PEGBO

Pegbo aims to help businesses meet their diversity spending goals by providing a one-stop shop for all things construction. It makes it easier to find competitive bids and manage procurement processes efficiently. It offers a dedicated marketplace for construction needs, where users can find SUBs, bid for projects, and rent equipment.



RESOURCES & PARTNERS

8. WRMSDC

The Western Regional Minority Supplier Development Council (WRMSDC) is an organization dedicated to fostering the growth and well-being of minority communities. It achieves this by advocating for utilizing minority-owned businesses in Northern California, Nevada, and Hawaii and creating business opportunities for certified minority business enterprises (MBEs). The WRMSDC connects these MBEs with corporate members, facilitating a network that supports economic growth and diversity.

9. NAMC

The National Association of Minority Contractors (NAMC) was founded to empower minority-owned businesses in the construction industry. It is the oldest minority construction trade association in the United States. NAMC works through a network of local chapters and strategic partnerships to help members build capacity and grow their businesses, representing a combined annual project capacity of over a billion dollars nationally.

10. AGC OF CALIFORNIA SUB BASICS

The SUB BASICS program is an on-demand training program that will train SUBs on industry-specific topics, such as developing overall business acumen and industry best practices. This training with AGC of California aims to connect SUBs who have completed the SUB BASICS program with AGC Prime/General Contractors bidding projects.

11. AGC OF CALIFORNIA TRAINING AND EDUCATION

AGC of California offers over 300 in-person, virtual, and on-demand training sessions ranging from building information modeling and construction accounting to project management. There's a course to suit every construction industry professional's needs, regardless of their experience level!

12. REGIONAL ALLIANCE MARKETPLACE FOR PROCUREMENT (RAMP) Los Angeles

RAMP LA is a website tool for SUBs to access contracting opportunities from Regional Partners. Regional Partners can also post their opportunities, and search the database of SUBs in the program's region.

AGC of California can help your company invest in the future of the construction industry and strengthen your supplier diversity and community engagement efforts. Contact us for more information!

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