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National Credit Union Administration



Credit Union Guide to Supplier Diversity

Office of Minority and Women Inclusion

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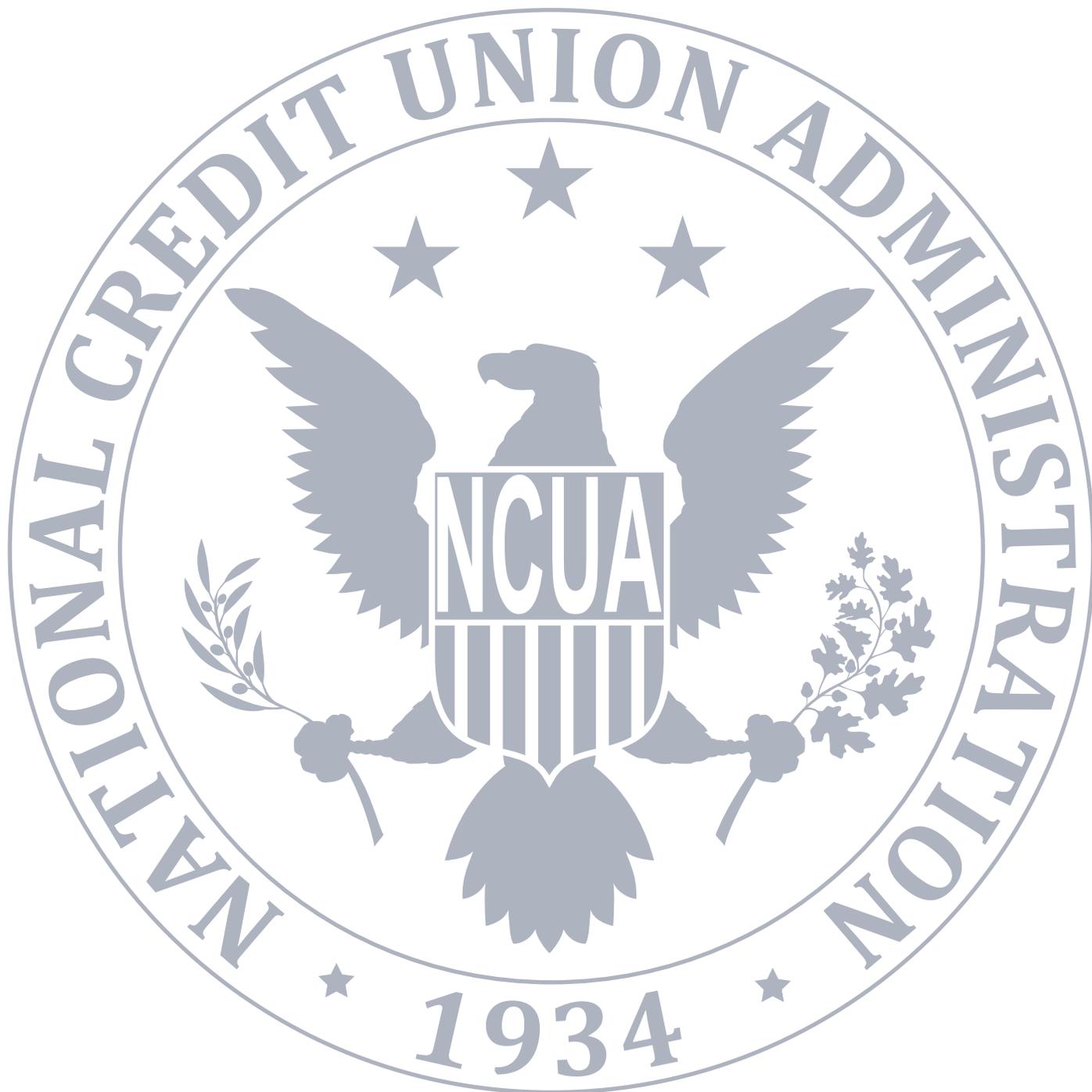




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Understanding Supplier Diversity

What is Supplier Diversity?

Supplier diversity is the practice of intentionally including a diverse supplier pool when procuring goods and services for a business or organization.

Who are Diverse Suppliers?

Diverse suppliers are generally defined as small, women-owned, minority-owned, or veteran-owned businesses, or businesses owned by individuals from other groups that have been historically underrepresented (e.g., individuals with disabilities, individuals from the LGBTQ community).





Why is Supplier Diversity Important?

Opening procurement opportunities to suppliers from a variety of backgrounds, viewpoints, and experiences can yield better business outcomes for credit unions. Using a larger and broader pool of potential vendors creates greater competition, provides new and innovative business solutions, and economically empowers the diverse communities in which the credit union operates. In other words, it makes sound business sense for credit unions to engage in supplier diversity.

Although initially spearheaded by the federal government as part of its acquisition of goods and services from the private sector, supplier diversity was broadly adopted by the private industry and has been in practice for well over 40 years. Overall, private industry has found significant benefits in the practice of supplier diversity. Some of the benefits of supplier diversity include:

- Promoting a competitive advantage through cost reduction (broader competition and lower cost structure for diverse firms) and innovation (broader and different set of ideas and solutions, and access to untapped markets);
- Enhancing reputation and branding by advancing corporate social responsibility;
- Aligning the organization's supplier base to reflect the employees it hires, the customer base it sells to, and the communities it serves;
- Meeting compliance requirements mandated by government-entity customers;
- Promoting job creation and stimulating local economies. (Small, diverse businesses represent the fastest growing segment of the U.S. economy. Doing business with them advances economic recovery and sustainability in the communities they operate in or serve); and
- Promoting economic benefits to underserved and underrepresented communities.



Implementing Supplier Diversity

What is a Credit Union Supplier Diversity Program?

A supplier diversity program is a proactive business program established to ensure diverse suppliers are included in procurement opportunities for products and services. The complexity of the supplier diversity program depends largely on the volume of procurement the credit union generates. Small credit unions may have a simple, basic supplier diversity program, while larger credit unions may have a more formal, structured program with employees dedicated to supplier diversity.

The key goal of a supplier diversity program is to ensure diverse suppliers are being included and provided opportunities to compete for procurement needs. All credit unions, regardless of size, can establish a supplier diversity program. For example, small credit unions may intentionally seek out, include, and consider contract quotes and proposals from diverse suppliers when procuring products and services. On the other hand, larger credit unions may go further by developing more robust methods



of encouraging diverse suppliers to bid on procurement opportunities – such as establishing a position dedicated to supplier diversity or creating a database of diverse suppliers to invite to bid on upcoming procurement opportunities. Regardless, the essence of any supplier diversity program lies in the following four key components.

Following a formal procurement process

A credit union's procurement process is the process it uses to obtain goods and services from outside vendors. This process usually involves:

- Documenting in detail the good or service needed (e.g., financial auditing services, legal services, janitorial services, supplies, etc.),
- Requesting quotes or proposals from vendors, and
- Evaluating the responses and awarding the contract to one of the responding vendors.

There are also some key elements that are important to consider when establishing a fair and open procurement process. Some critical questions to ask are:

- Is the process open to the public (e.g., opportunities are posted on a website so anyone can participate) or closed (e.g., a limited number of vendors are directly invited to participate)?
- Are diverse businesses intentionally contacted and encouraged to compete for the procurement contract?
- How and when does the credit union include diverse businesses in its procurement process?

At a minimum, a well-documented procurement process properly formalized by way of a written policy and set of procedures would benefit any credit union.

Connecting with and engaging diverse suppliers in procurement opportunities

Whether a credit union has an open or closed procurement invitation process, it is critical to know where and how to access qualified and competitive vendors to invite to participate in procurement opportunities.



Knowing how to research and identify diverse vendors using publicly available databases (e.g., System for Awards Management, or www.sam.gov, the Small Business Administration's dynamic search portal) is very helpful in identifying prospective diverse vendors. Other non-governmental organizations can also be of assistance in identifying diverse vendors.

Engaging key internal stakeholders

The titles and responsibilities of these stakeholders will vary from one credit union to the next, but in general, employees in the following roles will have the most influence on a credit union's success in supplier diversity.

- **Supplier Diversity Program Manager:** This person structures, implements, and monitors supplier diversity and conducts market research to identify diverse firms for invitation.
- **Contracting Office:** This person or team is responsible for intentionally including qualified, competitive, diverse firms in the list of vendors invited to participate in procurement opportunities.
- **Program Office:** This person or team works with the contracting office and supplier diversity program manager to identify diverse firms to invite to participate in procurement opportunities.

Coordinating external efforts and resources

- **Outreach in diverse business communities:** This type of outreach helps the diverse business community know who you are, what types of goods and services you buy, and how you buy them.
- **Technical assistance:** Beyond connecting with diverse vendors for opportunities with an organization, it is also useful and beneficial to connect them with available resources that can help them operate and perform at their best.

What Does a Supplier Diversity Program Entail?

Successfully starting and managing a supplier diversity program requires the implementation of various elements. Each of these components builds upon the previous to create a strong foundation that yields consistent and repeatable supplier diversity results. Following are four of the most critical steps to launching and maintaining a supplier diversity program.



Conducting an initial organizational supplier diversity assessment

The first step in establishing a supplier diversity program is to know what you have and what you need in terms of supplier diversity. Analyzing current procurement processes and procedures, especially with respect to the inclusion of diverse vendors, is a critical first step.

Establishing a baseline policy to support supplier diversity

- **Supplier Diversity Policy Statement:** Issuing a supplier diversity policy statement from the credit union's leadership is foundational to supporting this business practice and should be a first step in implementing any supplier diversity program.
- **Supplier Diversity Inclusion Policy:** This type of policy requires the credit union to include a certain percentage (e.g., 20 percent, 30 percent, etc.) of diverse vendors in any effort to procure contracted goods or services. If the procurement process is open to all, the credit union can implement a more expansive outreach and advertising process to diverse firms. It is also important to implement a system to track compliance with this type of policy.

Establishing procedures for supplier diversity as part of the procurement process

Establish how you intend to embed supplier diversity into the procurement process. Identify where in the process the supplier diversity program can have a positive impact.

Establishing a process to track supplier diversity results

- Develop reporting standards for supplier diversity results.
- Create a system for holding stakeholders accountable for results.
- Establish on-going communication of supplier diversity results and benefits.
- Institute an external outreach program to connect with diverse firms.



Assessing Supplier Diversity

The NCUA's Voluntary Credit Union Diversity Self-Assessment

The Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 encourages financial institutions, especially those with more than 100 employees, to conduct self-assessments of diversity and inclusion in their workforce and contracting activities. In 2011, the federal financial regulatory agencies (including the National Credit Union Administration, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, and the Bureau of Consumer Financial Protection) collectively established a set of joint standards to assess the diversity policies and practices of regulated entities. These standards also serve as a framework to help regulated entities create and strengthen policies and practices in five fundamental areas:



1. Organizational Commitment to Diversity and Inclusion;
2. Workforce Profile and Employment Practices;
3. Procurement and Business Practices—Supplier Diversity;
4. Practices to Promote Transparency of Organizational Diversity and Inclusion; and
5. Entities' Self-Assessment.

Using the joint standards, the NCUA developed a Voluntary Credit Union Diversity Self-Assessment form (<https://cudiversity.ncua.gov>) which contains a section specifically devoted to supplier diversity best practices in credit unions. The factors for self-assessment in supplier diversity are:

- A supplier diversity policy that provides opportunities for minority- and women-owned businesses to compete to deliver goods and services.
- Leadership support to incorporate supplier diversity into business planning cycles or initiatives.
- A policy that qualified minority- and women-owned businesses are consistently invited to compete in the credit union's contracting opportunities.
- Outreach specifically to inform diverse firms (e.g., minority- and women-owned businesses) about contracting opportunities and how to do business with the credit union.
- Use of metrics to identify a baseline and track:
 - The total amount spent annually acquiring goods and services;
 - The availability of relevant minority- and women-owned businesses;
 - The amount the credit union spends with minority- and women-owned businesses;
 - The percentage of contract dollars awarded to minority- and women-owned businesses by race, ethnicity, and gender as compared to total contract dollars awarded for the calendar year; and
 - The changes related to the above items over time.



- Practices that promote a diverse supplier pool which may include:
 - Participation in conferences, workshops, and other events that attract minority- and women-owned business to inform them of contracting opportunities with the credit union;
 - A listing of qualified minority-and women-owned business that may compete on upcoming contracting opportunities; and
 - Establishing an ongoing process to publicize contracting opportunities.
- Encouraging prime contractors to use minority-and women-owned subcontractors by incorporating this objective into their business contracts.

The NCUA encourages credit unions to incorporate the above factors into a supplier diversity program in a manner reflective of the size and other characteristics of the credit union and to complete and submit the Voluntary Credit Union Diversity Self-Assessment annually to the NCUA.

Supplier Diversity Program Resources¹

- **Websites:**
 - Financial Services Roundtable on Supplier Diversity (<https://fsrsd.org/>)
 - National Minority Supplier Development Council (<http://www.nmsdc.org/>)
 - [How to Guide to a Corporate Minority Business Development Program](#)
 - Women's Business Enterprise National Council (<http://www.wbenc.org/>)
 - National Gay & Lesbian Chamber of Commerce (<http://www.nglcc.org/>)
 - Disability:IN – formerly US Business Leadership Network (<https://disabilityin.org/>)
 - Small Business Administration (<https://www.sba.gov/>)
- **Book:** [Supplier Diversity Best Practices](https://www.billiondollarroundtable.org/bdr-book), (<https://www.billiondollarroundtable.org/bdr-book>)
- **Podcast:** [Murmurings Podcast #31 – Diversity & Inclusion](https://blog.ncuf.coop/2017/09/murmurings-podcast-31-diversity-inclusion/), (<https://blog.ncuf.coop/2017/09/murmurings-podcast-31-diversity-inclusion/>)

¹ The resources listed, including websites, books, blogs, and financial institutions are not endorsed or sponsored by the National Credit Union Administration. These links were active as of August 31, 2018.



Examples of Supplier Diversity in Action¹

Below are a few examples of what other financial institutions are doing in the area of supplier diversity:

- Purdue Federal Credit Union: [Diversity and Inclusion Policy](https://www.purduefed.com/files/pages/0295-diversity-inclusion-policy-07-06-16.pdf) (<https://www.purduefed.com/files/pages/0295-diversity-inclusion-policy-07-06-16.pdf>)
 - Veridian Credit Union: [Supplier Diversity Commitment and Registration Information](https://www.veridiancu.org/belong/inclusion/supplier-diversity) (<https://www.veridiancu.org/belong/inclusion/supplier-diversity>)
 - Union Bank: [Supplier Diversity Program Overview](https://www.unionbank.com/global/about/corporate-social-responsibility/supplier-diversity/index.jsp) (<https://www.unionbank.com/global/about/corporate-social-responsibility/supplier-diversity/index.jsp>)
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This guidebook was created by the National Credit Union Administration's Office of Minority and Women Inclusion. To learn more about NCUA's OMWI visit the webpage at <https://www.ncua.gov/About/leadership/Pages/minority-women-inclusion.aspx>.

The Business Case for Credit Union Diversity

GROWTH	INNOVATION	TALENT
		
<p>Diversity creates opportunities for growth in untapped markets</p>	<p>Diversity gives credit unions the ability to create more innovative solutions and services that meet the diverse needs of members</p>	<p>Diversity allows credit unions to attract employees and volunteers from a broader pool of talent</p>

The NCUA encourages all credit unions to adopt an organizational commitment to diversity and inclusion, implement it in a manner reflective of the credit union's size and other characteristics, and to conduct and submit the Voluntary Credit Union Diversity Self-Assessment form to the NCUA Office of Minority and Women Inclusion annually. The self-assessment form is located at <https://cudiversity.ncua.gov>.

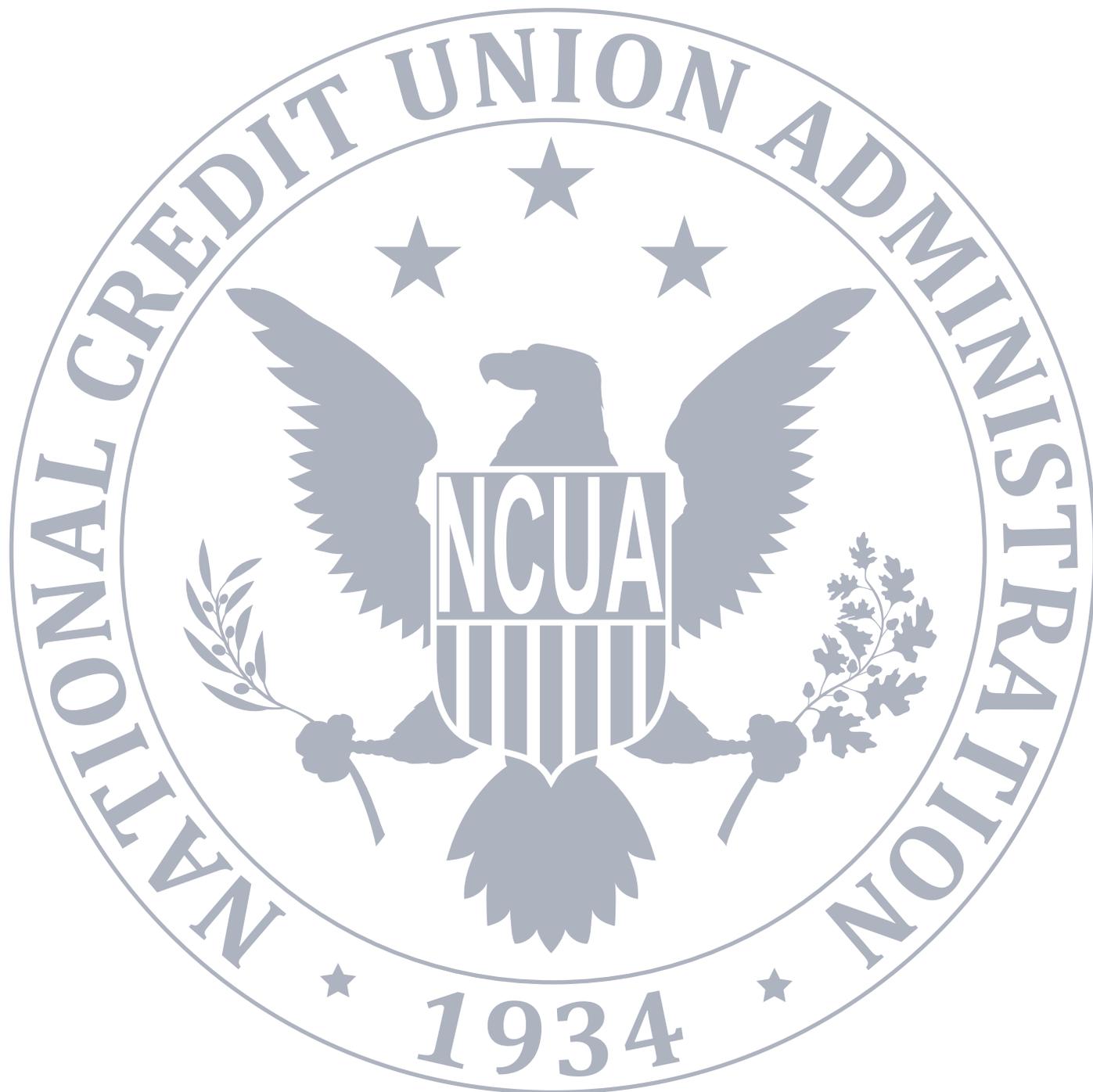
Please direct questions about the Voluntary Credit Union Diversity Self-Assessment or this guidebook to the NCUA's Office of Minority and Women Inclusion at omwimail@ncua.gov.

Learn more at www.ncua.gov/diversity-self-assessment.



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