

The Business Case For

MINORITY BUSINESS
ENTERPRISES

Fueling Economic Growth

White Paper

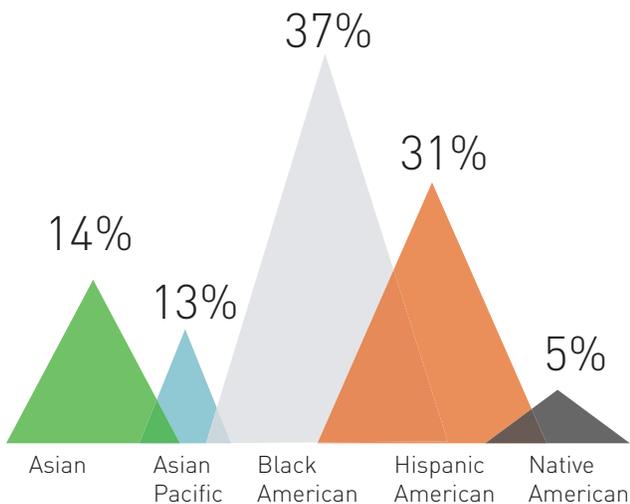
“We are now faced with the fact that tomorrow is today. We are confronted with the fierce urgency of now.” – Dr. Martin Luther King, 1963



IMPACT:

The NMSDC regional councils certify and match **more than 12,000** Asian, Black, Hispanic and Native American-owned businesses with member corporations that want to purchase their products, services and solutions.

In 2013 NMSDC member corporations purchased more than **\$100 billion** in products, services and solutions from NMSDC-certified minority business enterprises.



American business has a new champion in the White House. His arrival comes at a pivotal “now” for the National Minority Supplier Development Council (NMSDC).

Success has raised the bar of challenge for NMSDC: today it calls for a new affirmation and commitment to the cause of minority supplier development and its essential role in the American economy.

OUR GOALS

1. To ensure equivalent opportunities for minority businesses in federal entrepreneurship policies and contracting.
2. To demonstrate to federal policy makers and other business stakeholders that NMSDC is the thought leader in advocating for minority business growth and development.
3. To enlighten federal policy makers and others in how NMSDC’s minority supplier development policies and strategies are synonymous with best practices and are key tools for growing mature minority businesses of scale and size across all industry sectors.
4. To establish NMSDC’s authority as the go to resource for comprehensive information and advice concerning policies, regulations, and/or legislation concerning minority-owned businesses, contracting, growth and development.

OUR CALL TO ACTION

1. **Advocate** – urge the Trump Administration and the Congress to fully enforce existing federal rules concerning MBE diversity and inclusion for direct and federally assisted contracting. Request that the Trump Administration and the Congress collect, publish and assess data from every federal agency concerning their respective diversity and inclusion goals.
2. **Collaborate** – partner with NMSDC on ways to modernize and improve minority business/DBE certification processes and particularly federal certification requirements to better correspond to market realities.
3. **Support** – pilot programs that utilize NMSDC’s expertise in performing certification functions.

NMSDC

WHO WE ARE – WHAT WE DO

NMSDC means business.

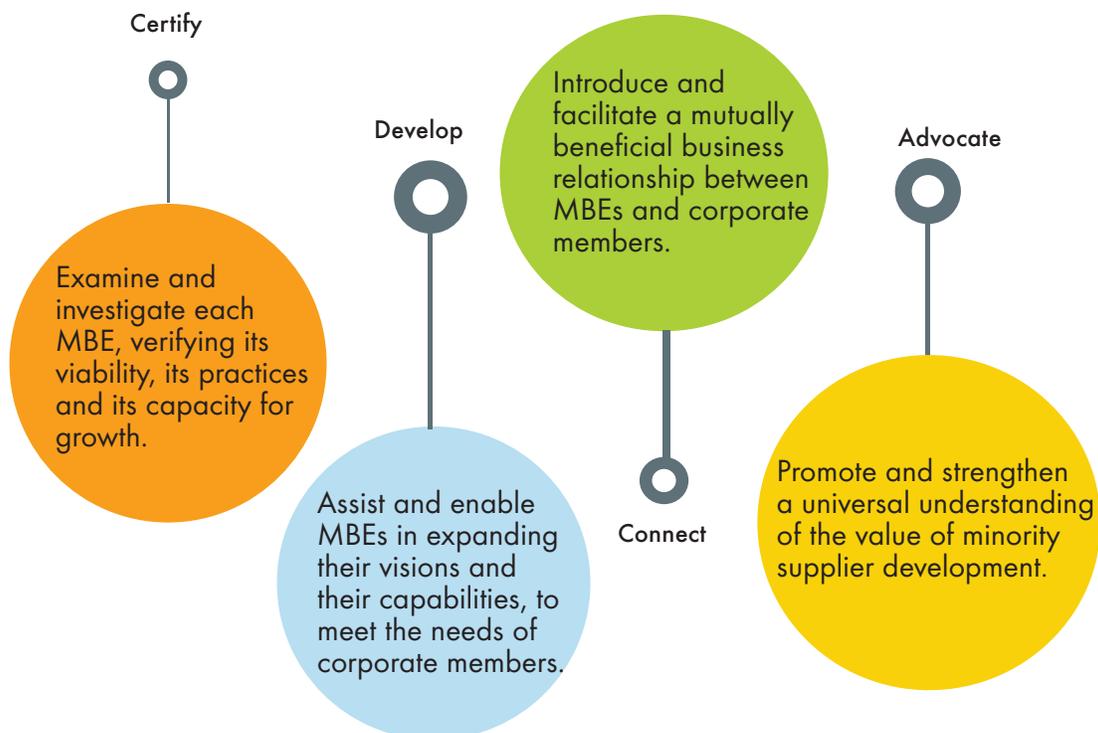
NMSDC is the most influential and successful organization in America that advocates for successful partnerships between the nation's top corporations and minority business from the Asian, Black, Hispanic and Native American communities.

NMSDC has established a network of corporate members, now numbering more than 1,400. It includes America's top companies – publicly, privately and internationally owned – as well as universities, hospitals and other institutions with supply-chain needs.

NMSDC initiates and develops connections between these corporate members with minority-owned suppliers of all sizes – Minority Business Enterprises (MBEs) – that have been certified to meet NMSDC's rigorous standards for excellence.

NMSDC means business not just because it serves businesses, but also because its commitment to its mission has a greater meaning to the future of America's economic life.

POWERING THAT MISSION ARE FOUR BASIC GOALS:



THE HISTORIC CHALLENGE

An executive order from President Richard M. Nixon led to the federal charter of NMSDC in 1972.

The idea of minority supplier development began with a Presidential mandate for federal government projects to seek the inclusion of suppliers from the Asian, Black, Hispanic and Native American communities in the bidding and awarding of federal contracts. Inspiring this innovation was a series of initiatives in Chicago in 1968 to showcase minority businesses and what they offered.

The success of these efforts got the attention of the federal government. By 1974 the newly formed NMSDC contracted with the U.S. Department of Commerce's Office of Minority Business Enterprise to encourage major corporations to "increase their purchases of goods and services from minority business. Almost half a century later, NMSDC has expanded to become a not-for-profit, member-funded advocacy organization that has been the leader in thought and action for minority supplier development throughout the U.S., in the private and public sectors.

Forty-five years later, minority business ownership **has increased more than 1000%**. Three million minority-owned firms account for **21%** of all U.S. businesses. They now generate **\$1 trillion** in economic output, employing **5.9 million workers across the nation** - a quantum leap from **\$86 million in goods and services** they generated in 1972.

Headquartered in New York, NMSDC powers a network of 23 regional councils, each of which certifies, develops, connects and advocates for the MBEs in its region and effectively serve the needs of corporate members and MBEs.

"THE VALUE PROPOSITION"

When NMSDC works to foster minority supplier development and empower minority businesses, it means **business - bottom-line business**.

It is dedicated, first and foremost, to "**the value proposition**" for everyone involved. It is not advocating for any kind of business welfare, handout, set-aside or "breaking the line."

NMSDC seeks only to build strategic, mutually beneficial partnerships in which corporate needs are met - and often exceeded - by MBEs who want nothing more than an opportunity to bid for and do the job.

By every metric, MBEs certified by NMSDC are recharging the American economy with their success and growth.

Corporations that invest in the philosophy of minority supplier development find that their MBE partners more than meet their challenges. The success of MBEs also has a positive impact on the economies of minority communities - as they move ever closer to becoming the majority of the U.S. population - as well as the nation itself.

What minority supplier development promises is an expansion of ownership of the American economy as well as the American future.





"MBEs have saved us money in many areas across Pfizer, in particular BT consulting as well as packaging and other direct materials utilized at our manufacturing sites," says Ellen Jameson, Pfizer's Director, Supplier Diversity, pointing also to the innovative methods and even significant bottom-line value her company gained from working with NMSDC-certified MBEs.

Jameson's words echo the response from corporations who benefit from the proactive, cost-effective work NMSDC-certified MBEs do in fulfilling contracts. Yet NMSDC's success over the last 45 years now is in danger of being perceived as "a job well done" - when that job is still unfinished, and the need for it more critical than ever.

A "post-racial" society does not exist yet.

Discrimination - both incidental and institutional - can slow or stop the progress of MBEs, even in 2017.

It is most damaging as an underlying factor. Even a tendency toward this kind of thinking can quickly calcify once again into the barriers non-minority business owners rarely have to contend - lack of access to capital, higher or double standards for best practices, absence of good-faith effort, even a lack of timely awareness of corporate bidding processes.

In short, all the issues that fed to the need for NMSDC and its advocacy.

"This is shortsighted," NMSDC President Joset Wright-Lacy insisted in a recent article.

"There is clear and strong evidence that working with minority-owned suppliers provides business benefits for both buyer and supplier," she added. "In fact, the state of minority-owned businesses is a critical measure of the nation's economic health."

"**MBEs** have saved us money in many areas across Pfizer. We have experienced innovation in the packaging and lab equipment areas. When provided with an opportunity to perform as a Tier 1 supplier, they did a great job and cost about **25% less than one of our incumbent suppliers.**"



- Ellen Jameson, Pfizer's Director, Supplier Diversity

THE ECONOMIC IMPACT OF WORKING WITH NMSDC-CERTIFIED MBEs



“Virtually all diversity suppliers meet or exceed expectations, and top corporate performers in supplier diversity experience no loss in efficiency, according to new research from The Hackett Group, Inc.

In addition, they see **improved quality** and often **extract other benefits, including increased market share and access to new revenue opportunities.**

The research challenges the attitude of many business leaders, who worry that dedicating resources to supplier diversity will divert attention from other strategic services.”

– February 16, 2017 press release from The Hackett Group, Inc.

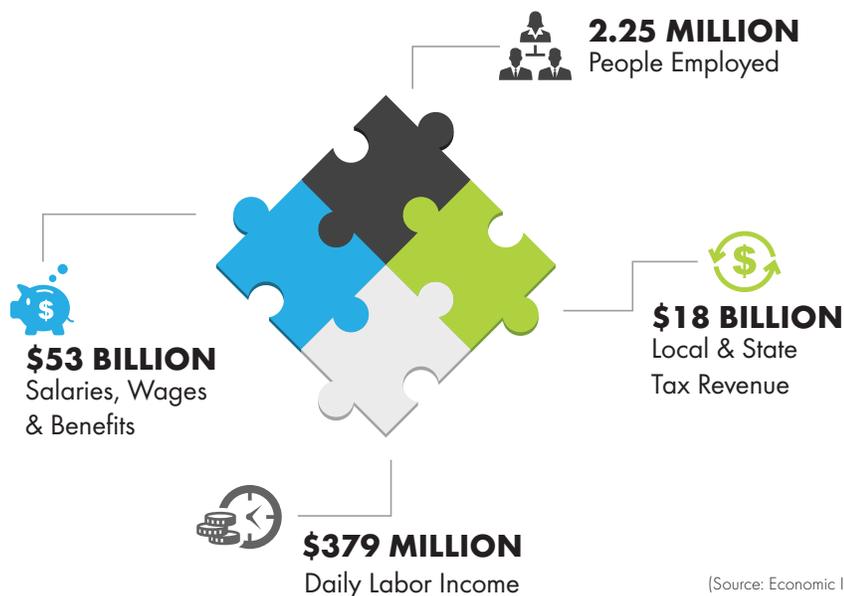
The Hackett Group’s recent conclusion is not news to NMSDC and its stakeholders, NMSDC-certified MBEs already have a dynamic impact on the U.S. economy, a fact verified in an Economic Impact Report that NMSDC commissioned in 2014. The report – assembled by Dr. Scott Anthony Vowels, a leading expert in the field of supplier diversity – concluded that the broad economic impact of NMSDC’s certified MBEs was both national and local.

This report came in the wake of a strategic restructuring of the NMSDC national network, to better and more effectively service minority business growth in each region of U.S.

As the MBDA’s statement pointed out, 59% of MBEs in 2012 were located in California, Texas, Florida, New York and Georgia.

NMSDC-certified MBEs Generate Annually

\$400 BILLION
= Over **\$1.1 Billion** Daily



(Source: Economic Impact Report 2014)



Economies in other areas are less robust, and they present a challenge that NMSDC is now better equipped to meet. MBEs of all sizes – from annual sales of less than **\$1 million to annual sales of more than \$1 billion** – benefit from NMSDC certification, as the numbers show.

Simply put, minority supplier development fuels the broadest possible economic growth. Corporations forge profitable relationships with intensely motivated and innovative suppliers. The success of those suppliers then impacts their own communities: they invest, employ and contribute to the tax base and the commonwealth. On a more profound level, they give us all a vested interest in the American economy.

Last year, the Minority Business Development Agency (MBDA) of the U.S. Department of Commerce reported that – at the end of the five-year period (2007-12) it studied – there were **8 million minority-owned businesses in the U.S.** – a **38% increase in that five-year period.** It also noted:

- Between 2007 and 2012, the number of MBEs grew three times faster than the population growth in minorities.
- Results of the U.S. Census Bureau's 2012 Survey of Business Owners revealed that MBEs grow significantly faster than non-minority-owned businesses.
- Employment at MBEs increased 33% and gross receipts rose by 57%, while non-minority-owned businesses shrank by 5%.

However, the MBDA noted that MBEs continue to lag in annual receipts behind non-minority-owned businesses:

- MBEs averaged \$196,000 in 2012, compared to \$650,000 for non-minority-owned businesses in the same year.
- By 2012, the number of MBEs had increased in the preceding five years from 21% to 29% – palpable progress, but still behind the growth in U.S. minority population.

Success does not lessen the challenge: the MBE still faces a far steeper climb to achieve equality with his or her non-minority competitors. The barriers to equality in business are subtle and overt, institutional and incidental, and NMSDC is uniquely equipped to change this environment – not by asking but by delivering, as MBEs do again and again. They offer more than a return on investment.

They dream big. They work hard. They are the future.

THE “TANNING” AND “GREYING” OF AMERICA: WHAT MINORITY SUPPLIER DEVELOPMENT CAN MEAN TO OUR COMMON FUTURE

A larger and more profound reality looms ahead. By the year 2050, the U.S. will be “minority-majority” nation. Aggregated minorities (including Hispanics) will be in the majority – a projected 53.7% – for the first time since the nation’s founding, while life expectancy continues to grow at the same time.

In a generation, the United States of America will enjoy a very different reality. History suggests we can expect a tipping point even sooner. In fact, the state of California – by itself, the world’s sixth largest economic entity – is already there, in both workforce and population.

The evidence of economic impact by NMSDC-certified MBEs is powerful, even dramatic. Despite the progress, though, it is merely a beginning.

In a powerful article entitled “When Minorities Become the Majority – The Vision for 2050” in a recent issue of *Diversity Business*, Dr. Leonard

Greenhalgh – Professor of Management at Dartmouth University’s Tuck School of Business – warned that the U.S. was ignoring its minority population.

He identified the direst problem as the inability of minorities to participate fully in the entrepreneurial economy, followed by a quality of education insufficient to staff the workforce of what will surely be a service/knowledge economy.

As of 2012, MBEs were generating **\$1.4 trillion** in combined gross receipts annually. As impressive as that number is, it is also challenging: non-minority-owned businesses generated five times that amount. It confirms Greenhalgh’s concerns, but it also reaffirms the potential upside of minority business enterprises.

“Unless we revise our present course of complacency and neglect of the minority population,” Greehalgh wrote, “the past success of the U.S. economy – and the unprecedented wealth it has bestowed on U.S. residents – cannot be sustained in the coming decades. This means not only will minorities and women continue to be denied a fair share of wealth and opportunity, but all Americans will also face a bleaker future.”

NEXT STEPS: HOW PUBLIC POLICY CAN STRENGTHEN THE INCENTIVE TO INCLUDE MINORITY BUSINESSES IN CORPORATE BUSINESS OPPORTUNITIES

In the beginning, it was the support of the federal government that gave life and momentum to the cause of minority supplier development. Now more than ever, that support is needed for the next stage in this vital work.

At this moment in American history, that work, NMSDC and the philosophies and intentions of a Republican President and Congress can be very much on the same page.

What NMSDC is calling for is not an “ask.” No appropriations, no favors for MBEs – just equity in the marketplace of goods and services, and equality in the process of competing to deliver.

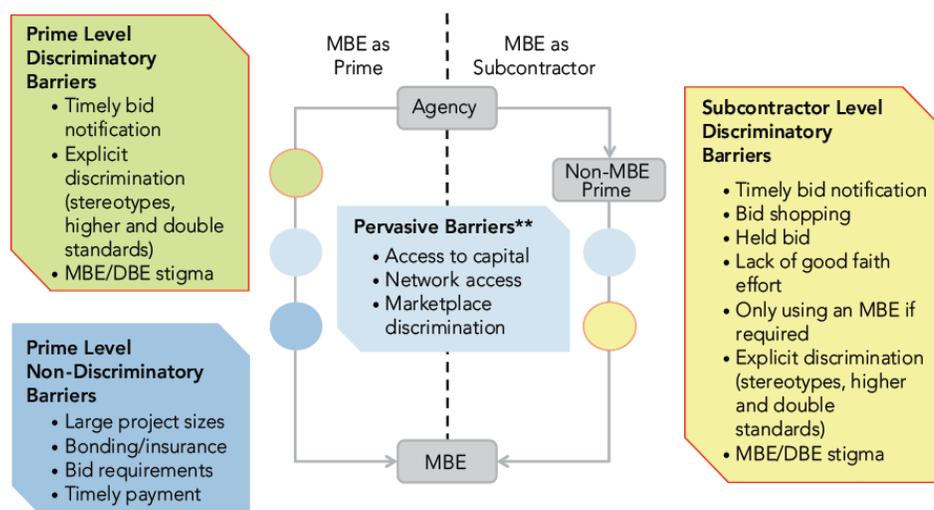
To that end, NMSDC urgently requests that the new administration and Congress reconsider a recent budget proposal to eliminate the Minority Business Development Agency (MBDA) of the U.S. Department of Commerce.

The MBDA was created in 1969 under another Republican President – Richard M. Nixon – who saw the wisdom and the long-term societal benefit in minority business development. The MBDA led directly to the formation of private organizations, among which NMSDC continues to be the thought leader, that advocate for minority businesses – not merely as a social cause, but as a value proposition for American business.

In its December 2016, the MBDA released a review of existing disparity studies, *Contracting Barriers and Factors Affecting Minority Business Enterprises*. The findings were drawn from 100 disparity studies, summaries and reports that are publicly available and accessible.

They bring new emphasis to the challenges NMSDC and its certified MBEs continue to confront:

MOST FREQUENTLY CITED CONTRACTING BARRIERS FACING MBES



** Access to Capital and Network Access barriers can arise due to both discriminatory and non-discriminatory reasons and also influence non-discriminatory barriers such as bonding and insurance.

The review's results echo the words above and provide substantial anecdotal evidence. Two of its conclusions stand out:

- The most difficult barrier to address is the presence of exclusionary networks encountered through public bidding.
- The largest absolute number of observed substantial disparity ratios was for African American construction businesses.

Overall, the groups and industries with the highest proportion of substantial disparities were:

- Asian American professional services
- African American construction services
- Hispanic American architecture and engineering services

NMSDC exists to solve these problems.

NMSDC assists certified MBEs in developing their business, then connect them with NMSDC corporate members, a process that is equitable and profitable to all stakeholders while advancing the cause of minority business. Enlightened and visionary corporate executives can testify to the value of adding MBEs to their rosters of suppliers.

Not only does it have a positive impact on the minority community, experience proves again and again that the impact at the corporate level is dynamic.

NMSDC's mission starts, critically, with recognition and certification of viable MBEs. These MBEs can only be majority-owned and operated by minority entrepreneurs. The process brings integrity to the advocacy of minority supplier development.

It also isolates inevitable abuses. The advantage of hiring a minority supplier has led, in some instances, to "shell" companies, in which a minority figurehead merely fronts for non-minority owners who take advantage of the company's distinctive status in bidding and contracting.

Laws and regulations already exist to ensure the integrity of the bidding and contracting process for MBEs. However, enforcement and consistency are flagging. A renewed commitment to these standards is an efficient and economical way to strengthen the public sector's commitment to minority supplier development.

All of the initiatives identified in the review summary of the MBDA's Contracting Barriers report come down to a single factor – equality. MBEs know they have to redouble their efforts to achieve their goals. They do not feel entitled to success, only to opportunity.

During his campaign in the 2016 election, President Donald J. Trump asked the African-American community, "What do you have to lose?"

In the minority business community, the answer could well be, "A lot."

Our hope is that President Trump – who, himself, is a businessman committed to a fair deal for American business – will understand and support the value proposition that is ready, willing and able in a vibrant and growing minority business environment.



Aligning with our corporate strategies and values, BP is committed to providing opportunities to diverse businesses that are competitive, operate safely and efficiently, and are of scale. Partnering with diverse firms allows us to accomplish our objective of being a focused oil and gas company delivering value over volume, while simultaneously bringing economic benefits and job growth to local communities.

- John Mingé, Chairman and President, - BP America

A PATH TO SUCCESS

The business of NMSDC is the promise of that robust American future for all. NMSDC is synonymous with best practices, with a proven record of growing mature MBEs of scale and size across all industry sectors.

Its goal in the immediate future is to work closely with federal policy makers in the executive and legislative branches, as well as other business stakeholders, with the recognition of NMSDC as the thought leader in minority business growth and development.

In its 45-year history, Corporate America has recognized NMSDC as the gold standard in minority supplier development, yet real success also creates challenges, and – at a pivotal time in the history of American business – NMSDC embraces the challenges.

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- **Support** – pilot programs that utilize NMSDC's expertise in performing certification functions.

Because NMSDC means business, its work is more focused than ever before.

If not in the fiercely urgent now, when?

If not NMSDC, who?



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