



Federal Reserve Supplier Diversity Policies Accelerate Success

The Federal Reserve supplier diversity effort is accelerating with spectacular results. It is an excellent time for qualified diverse suppliers to join the acquisition system.

In all honesty, the Federal Reserve System has not had a very good record in supplier diversity. But in all fairness, their operations are so specialized that it is not particularly surprising. In their own words in the 2013 Report to the Congress on the Office of Minority and Women Inclusion (OMWI), “The Board spends a significant amount of its overall contracting dollars on purchases of economic data, which are generally not available from minority or women-owned firms.” However, the Federal Reserve is a system and not a single operation, and some banks have fared better than others. The good news is that the entire System has a raised awareness of the importance of supplier diversity to the government financial regulatory agency as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Section 342 of the Dodd-Frank Act required the System’s Board of Governors and each district Reserve Bank to establish a dedicated Office of Minority and Women Inclusion, which they did. The system is composed of the Board and 12 district banks. The offices have responsibility for diversity hiring, contracting, and outreach. As required, the banks have developed standards and procedures to promote diversity during vendor selection. The Dodd-Frank has obviously had an effect because the Board reported in its most recent OMWI report that it had increased the contracting dollars amount spent with Minority and Women Owned Businesses (MWBs) from \$8.3 million to \$15.4 million, which is an 84 percent increase. The increase of \$7.1 million was incurred over the last five years, and Dodd-Frank was in force during three of them.

A Step Beyond

The supplier diversity policy for the Board is similar to the policies of the district banks and other businesses. The goal is to “promote the inclusion of, and maximize procurement opportunities for, diverse suppliers” throughout the system. However, the policy goes a step further to “ensure that the Board’s supplier selection processes encourage and support the participation of diverse suppliers, and give them the tools to compete successfully.



The importance of the additional statement is that the Board members must actively work to overcome the challenges faced in finding MWBE's that can provide the complex economic analysis and consulting products it needs. They are also directed at MWBEs who can provide other types of supplies but do not know how to bid contracts in the federal system. This is often a hurdle that small businesses have difficulty crossing because it requires technical knowledge to access the procurement systems, in addition to understanding the nuances of responding to federal information requests. Thus, the Board directs its member banks to provide the tools for successful diversity participation in the acquisition process.

Even the types of tools are addressed. The supplier diversity program directs the system to seek innovative inclusion methods, provide technical assistance and training, conduct capacity building programs, and host and attend outreach programs. The Board policy sets an example for other programs because it goes beyond establishing a vision and gets down to the nitty-gritty of finding diverse businesses that can join the acquisition process. The Board defines diversity as including recognized minorities and minority owned businesses, women owned businesses, veterans, service-disabled veterans and service-disabled veteran-owned businesses.

To put the policy into practice, the Board conducts numerous outreach activities across the nation. They include vendor fairs at which internal Board customers meet one-on-one with suppliers. Training workshops and seminars are held to teach potential suppliers how to do maneuver the federal acquisition process and teach small businesses how to find opportunities they would be eligible for. The Board also attends vendor outreach events like trade shows sponsored by various organizations like the Office of Small Disadvantaged Utilization, the Maryland/District of Columbia Minority Supplier Development Council, the Women's Business Enterprise National Council, the U.S. Chamber of Commerce, the U.S. Pan American Chamber of Commerce, and many others.

[Making Up for Lost Time](#)

The Board has a long way to go to make up for lost time. In 2011, only 12.3 percent of over \$125 million in procurement contracts were awarded to MWBEs. However, there are 12 district Federal Reserve Banks spread across the nation and each is doing outreach, maintaining supplier databases, holding workshops and networking. For example, the Federal Reserve Bank of Cleveland was recently recognized by the Commission on Economic Inclusion for the non-profit Best-in-Class for supplier diversity. In the Federal Reserve Bank of New York 2012 OMWI annual report to Congress, it is reported the district bank increased MWBE spending by 59 percent from 2011 to 2012 through enhanced engagement with eligible suppliers. It outreached by increasing participation in diversity councils and groups



the Financial Services Roundtable for Supplier Diversity and attending numerous networking vents throughout the year, like the NY/NJ Council Annual Business Expo and Conference.

The Board and member banks use council databases to find suppliers. The Board took the added step of verifying all vendor information, including classification, in its own database and got a 90 percent response rate. That is an indication that suppliers are anxious to continue working for the Board. However, it is also important for qualified diverse suppliers to take the initiative and actively work to join the acquisition process. The rapid increases in diversity spend in the Federal Reserve System since the passage of Frank-Dodd reflects a lackluster effort in the past to engage diverse suppliers. Now the System is actively looking for qualified suppliers. The steps suppliers can take include contacting local and national diversity councils, registering with one or more banks, talking to the diversity program managers at the bank, and attending as many relevant seminars, workshops, and conferences as possible.

The Federal Reserve supplier diversity policies are in place. The contracting opportunities are expected to grow dramatically from this point forward. It is an excellent time for diverse suppliers to join the acquisition process, and it is only going to get better.