

MANUAL

# THE POWER OF PROCUREMENT: HOW TO SOURCE FROM WOMEN- OWNED BUSINESSES

Corporate Guide to Gender-Responsive  
Procurement



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AUTHOR: Keric Chin

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# LIST OF ABBREVIATIONS

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<b>B-BBEE</b>	<b>Broad-Based Black Economic Empowerment</b>
<b>CAMSC</b>	<b>Canadian Aboriginal and Minority Supplier Development Council</b>
<b>CWBR</b>	<b>Center for Women’s Business Research</b>
<b>CGI</b>	<b>Clinton Global Initiative</b>
<b>EDGE</b>	<b>Evidence and Data for Gender Equality Initiative</b>
<b>FAO</b>	<b>Food and Agricultural Organization of the United Nations</b>
<b>FIWE</b>	<b>Federation of Indian Women Entrepreneurs</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>GEM</b>	<b>Gender Entrepreneurship Monitor</b>
<b>ICT</b>	<b>Information and communications technology</b>
<b>IDB</b>	<b>Inter-American Development Bank</b>
<b>IDRC</b>	<b>International Development and Research Centre</b>
<b>IFC</b>	<b>The International Finance Corporation</b>
<b>ILO</b>	<b>International Labour Organization</b>
<b>MSD-China</b>	<b>Minority Supplier Development Council China</b>
<b>MSDUK</b>	<b>Minority Supplier Development Council UK</b>
<b>NGLCC</b>	<b>National Gay and Lesbian Chamber of Commerce</b>
<b>NMSDC</b>	<b>National Minority Supplier Development Council</b>
<b>NWBC</b>	<b>National Women’s Business Council</b>
<b>RME</b>	<b>Rede Mulher Empreendedora</b>
<b>SASDC</b>	<b>South Africa Supplier Development Council</b>
<b>SBA</b>	<b>U.S. Small Business Administration</b>
<b>SDGs</b>	<b>Sustainable Development Goals</b>
<b>SEWA</b>	<b>Self-Employed Women’s Association</b>
<b>SINE</b>	<b>French Information System on New Enterprises</b>
<b>SMEs</b>	<b>Small and Medium Enterprises</b>
<b>UNGA</b>	<b>United Nations General Assembly</b>
<b>USBLN</b>	<b>U.S. Business Leadership Network</b>
<b>USPAACC</b>	<b>U.S. Pan-Asian American Chamber of Commerce</b>
<b>WBENC</b>	<b>Women’s Business Enterprise National Council</b>
<b>WEF</b>	<b>World Economic Forum</b>
<b>WEPs</b>	<b>Women’s Empowerment Principles</b>
<b>WPEO</b>	<b>Women Presidents’ Educational Organization</b>
<b>WTO GPA</b>	<b>World Trade Organization Government Procurement Agreement</b>



# EXECUTIVE SUMMARY

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Corporations in certain developed economies, such as the United States, have actively engaged women-owned businesses and other diverse suppliers as part of their overall business strategies or corporate social responsibility for decades. As corporate supply chains become increasingly more global, so too must these practices. This Guide provides corporations and their suppliers with a deeper understanding of the barriers and challenges preventing women-owned businesses from accessing and fully participating in local and global value chains. It is intended to support signatories of the Women's Empowerment Principles, which UN Women and UN Global Compact jointly promulgate, to take action on Principle 5: Implement enterprise development, supply chain and marketing practices that empower women. The Guide provides the tools and techniques for reducing or eliminating these barriers and challenges, and for leveraging the vast untapped economic potential represented by women as suppliers. And, it outlines the essential components of a comprehensive plan for gender-responsive procurement.

Corporations are well positioned to promote gender equality and empower women in their workplaces, in their communities, and through their purchasing policies and practices. The sheer size and volume of corporate purchasing worldwide means that corporations have the potential to dramatically influence the way suppliers and supply chains operate. Each year, corporations spend trillions of dollars acquiring goods and services, yet purchases from women-owned businesses account for a mere one per cent of the total spend. By overlooking women-owned businesses, many corporations are missing an opportunity to expand their global markets, diversify their supply chains, and grow the economy, while simultaneously improving the lives of women and girls around the globe.

## Gender equality and women's empowerment are indispensable to achieving the SDGs

In September 2015, the global community adopted a set of seventeen Sustainable Development Goals (SDGs) in an effort to end poverty and hunger, protect the planet, ensure prosperity for all people, and foster peaceful, just and inclusive societies. The purpose of the seventeen goals and the many targets they encompass is to guide the decisions and policies of individual countries and those of the global community more broadly over the next 15 years.

One of the primary objectives of the SDGs is to achieve gender equality and empower women and girls. This objective is embodied in SDG 5. While gender equality and the empowerment of women are a stand-alone goal, they are also indispensable to achieving the other sustainable development goals, such as eliminating poverty and hunger and ensuring good health and education for all people.

The links between gender equality, women's empowerment and development are well recognized. For example, the World Economic Forum reports that there is a positive correlation between gender equality and a country's level of competitiveness, its Gross Domestic Product (GDP) per capita, and its rank in the Human Development Index. Likewise, the World Bank (2012) reports, "When women's labor is underused or misallocated—because they face discrimination in markets or societal institutions that prevents them from completing their education, entering certain occupations, and earning the same incomes as men—economic losses are the result."

Indeed, corporations can play a pivotal role in achieving the SDGs by empowering women through corporate procurement.

## Closing the gender gap

For many women, entrepreneurship offers a path to economic empowerment and it is incumbent upon the global community – including corporations – to help create the conditions that permit this. Today, there is a gender gap in the level of entrepreneurial activity across all regions due, in large part, to an unequal playing field for men and women and other barriers to entry. Moreover, in both developed and developing economies, women have yet to attain equality with men on such measures as educational attainment, wages, political empowerment and economic participation.

Like most businesses, those owned and operated by women are overwhelmingly micro- or small-sized businesses. But unlike their male counterparts, women business owners must contend with a unique and disparate set of challenges in addition to those challenges facing small businesses more broadly. These challenges dissuade some women from starting businesses and prevent others from growing theirs. In other words, these challenges directly contribute to the gender gap.

Promoting women's entrepreneurship through corporate procurement is one way to close or at least narrow the gender gap. At the same time, increased participation by women-owned businesses in corporate supply chains will also yield tangible benefits for corporations.

## Empowering women is “smart economics”

Investing in women-owned businesses and integrating them into corporate supply chains is “smart economics” and good for business. Today, women-owned businesses contribute significantly to the world economy, generating millions of new employment opportunities and spurring local development. But their full economic potential remains largely untapped or underutilized. As of 2013, for example, more than one third of all firms worldwide had women owners, yet they receive a mere one per cent of corporate procurement spend.

Corporations that overlook the role of women-owned businesses in their supply chains are missing an

unparalleled commercial opportunity. The Boston Consulting Group described the women's market as “the most important commercial opportunity in our lifetime.” Today, women control about \$20 trillion in annual consumer spending and, by 2028, will control nearly 75 per cent of consumer discretionary spending worldwide. By all accounts, companies that invest in women-owned businesses and adopt inclusive sourcing practices will be better positioned to access this commercial opportunity than those that do not.

A recent study by McKinsey confirms that, for many companies, gender-responsive procurement practices have had a positive impact on profitability and return on investment. Indeed, in 2014, one large telecommunications company, AT&T, attributed \$4 billion of increased revenue to the engagement of women suppliers. By all accounts, when the playing field is level, women-owned businesses can compete successfully with businesses owned by men.

Research also shows that consumers are concerned about corporate social responsibility and this translates into a “bottom-line benefit” for brands that practice what they preach. Women, in particular, are more likely to try a company's products when they know the company supports women-owned businesses. They are also more likely to develop brand loyalty.

Likewise, inclusive procurement policies enhance a company's reputation among internal and external stakeholders, including employees, business clients, shareholders and the community.

Corporations that diversify their supplier base stand to benefit in other ways as well. Among other things, a diversified supplier base enhances supplier availability and security; promotes innovation through the entrance of new products, services and solutions; drives competition; and increases market penetration and access to new markets. More and more, corporations are also diversifying their supply chains because they realize their suppliers are likely to become their customers. Simply stated, gender-responsive procurement is a win for both the corporations and the women suppliers.

## Barriers to women's participation

Despite the many contributions women-owned businesses have made to economic growth and development around the world, their full potential has yet to be realized. There are many reasons for this. Globally, women entrepreneurs face a wide range of financial and non-financial barriers that prevent them from entering and/or fully participating in the formal economy and corporate supply chains.

One of the major factors limiting the size and growth of women-owned businesses and preventing them from reaching their full potential is lack of financing. Firms that start with higher levels of capital show better performance in terms of assets, revenue, profitability and survival. Women, however, typically start their businesses with less capital and have less access to financing than men, which limits their ability to start and grow their businesses.

There are a variety of structural and socio-cultural factors contributing to this global credit gap. They include, but are not limited to, lack of access to collateral, institutional bias, and socio-cultural norms.

Women business owners also have limited access to social capital. In particular, women tend to have difficulties establishing robust business networks and connections with individuals and organizations that can actually generate business. They tend to rely more heavily on family connections and informal networks for business. To be sure, women business owners have overcome many historical barriers by building professional networks of businesswomen. Many have not, however, extended their networks beyond this group of like-minded individuals. As a result, many women miss out on potential business opportunities that are needed to grow their businesses.

Likewise, women business owners tend to have limited access to human capital. While women have made tremendous gains over the past few decades on the educational front, they still lag behind men in terms of business and managerial experience. Because of this, women often lack the business skills and financial literacy necessary to operate and grow their businesses in a profitable manner. Indeed, a recent study found two key differences between male and female entrepreneurs that helped explain

the relatively lower revenue generated by women-owned businesses. The first was lack of managerial experience. The second was the amount of time women were able to devote to their businesses.

This latter finding underscores another major challenge with which women business owners must contend, namely, socio-cultural expectations and norms. For example, in most countries, women bear a disproportionate responsibility for housework and family care and, as a consequence, typically work more hours than men. These expectations do not change even when a woman enters the workforce or starts a business, thus impacting the amount of time women can allocate to their businesses. This is one of the major reasons women-owned businesses do not grow as large as those owned by men.

Another is that women are less confident than men about whether they have the knowledge, skills and experience required to start and run a new business. When they do start a business therefore, they tend to have lower expectations for it. While there are a number of reasons for these attitudes, the net result is lower growth and revenue.

The bottom line is that female and male business owners are not similarly situated. Women must contend with additional obstacles above and beyond those encountered by men. Understanding this is fundamental to developing an effective gender-responsive procurement programme.

## Understanding the women's market and finding women-owned businesses

To effectively increase the number of women-owned business enterprises participating in corporate supply chains, corporations must first identify which of their suppliers are women-owned businesses, establish their baseline and sourcing goals, and then develop a network of existing and new suppliers that are both owned and controlled by women and capable of providing goods and services in the quantities and of the quality required. To grow the baseline, an in-depth understanding of the potential supplier base and market opportunities is important.

The process of understanding and finding women-owned businesses begins simply enough by defining

what it means to be a “women-owned business”. This definition is foundational to understanding market capabilities, establishing baselines against which to measure progress, targeting technical and financial assistance, and determining which businesses are eligible for preferential procurement programmes.

Among other things, a carefully constructed definition and eligibility criteria are important because they reduce the likelihood of tokenism and fraud, both of which undermine the goals of inclusive and diverse sourcing. Within the current context, tokenism occurs when companies place women in key management positions, but do not grant them duties, responsibilities and authority commensurate with those positions. It creates the façade of diversity, but does little, if anything, to empower women. When this is done solely to gain preferential status as a women-owned business, these practices can amount to criminal or civil fraud.

To avoid this, the definition and eligibility criteria for women-owned businesses should at a minimum include the following elements: (1) at least 51 per cent unconditional ownership by one or more women; (2) unconditional control by one or more women over both the long-term decision-making and the day-to-day management and administration of the business operations; and (3) independence from non-women-owned businesses. This definition of women-owned business, whatever form it takes, will serve as the basis for certifying the status of firms as women-owned.

### **Significance of certifying**

An effective certification process is important to both corporations and women-owned businesses. Certification provides corporations with an easy and effective way to assess whether a business purporting to be women-owned is in fact women-owned. For women-owned businesses, certification maximizes their market opportunities with corporations, public sector agencies, and other certified women-owned businesses. Certification also benefits socially conscious consumers, who are looking for products and services from companies that align with their values.

Several options exist for certification: self-certification, third-party certification, government certification, or certification using in-house resources. Of these, third-party certifications appear to be the most promising. They offer an effective and, in many respects, a superior alternative to either self-certification or certifications using in-house resources. Organizations created by corporate buyers, such as the Women’s Business Enterprise National Council (WBENC) in the U.S. and WEConnect International outside of the U.S. have been certifying businesses owned, controlled and operated by women for years. As a consequence, they offer support to corporations and women-owned businesses and have in place the experience, expertise and procedures necessary to vet and certify women’s business enterprises. Perhaps more importantly, they have compiled searchable databases of certified women’s business enterprises that corporations can and do leverage to develop more diverse and inclusive local and global value chains.

### **Connecting with Women-Owned Businesses**

Finding women-owned businesses, particularly in new markets, can be challenging. Because of this, many corporations rely on established business associations and networks that focus on connecting diverse suppliers with corporate buyers. WBENC in the U.S. and WEConnect International outside of the U.S. offer the most comprehensive databases of certified and self-registered women’s business enterprises in the world.

Inclusive sourcing is not limited to sourcing from women-owned businesses. There are other important organizations that provide supplier education and certification services for other underutilized groups such as:

- Canadian Aboriginal and Minority Supplier Development Council (CAMSC)
- Minority Supplier Development Council China (MSD-China)
- Minority Supplier Development Council UK (MSDUK)
- National Gay and Lesbian Chamber of Commerce (NGLCC)
- South Africa Supplier Development Council (SASDC)

- Supply Nation in Australia
- U.S. Business Leadership Network (USBLN)
- U.S. Pan-Asian American Chamber of Commerce (USPAACC)
- U.S. Small Business Administration (SBA)

While these certification organizations do not certify businesses based on the gender of the business owners, they do all serve businesses that are owned by women.

## Overcoming the challenges facing women-owned business enterprises

As part of a comprehensive strategy for gender-responsive procurement, corporations must understand and address the many challenges and barriers that prevent women-owned businesses from accessing and fully participating in the corporate supply chain. These challenges and barriers exist on both the demand and the supply side.

### Strategic sourcing

Over the past few decades, corporations have developed complex, fully integrated global supply chain structures that are difficult for women-owned and other small businesses to penetrate. During this time, not only have corporations grown larger and more global, especially through mergers and acquisitions, but as part of this consolidation process, they have taken advantage of their global scale by combining and standardizing operations to increase efficiency, while buying goods and services globally and in greater bulk. Corporations have simultaneously reduced the number of suppliers they use to a select few who have proven track records and can provide goods and services in large quantities and at lower prices. These changes have disadvantaged women-owned businesses seeking access to corporate supply chains.

The challenge for corporations is to rethink today's supply chain model so that more women-owned and other small and underutilized businesses can access it. Reforming corporate procurement policies and practices is a good place to start.

At the outset, it is important to note that there was universal consensus among the corporations and

women-owned businesses, which were consulted during the preparation of this Guide, that corporations should not lower their standards to accommodate women-owned businesses. Rather, the emphasis should be on removing barriers and developing the capacity of these suppliers to compete with other businesses.

### *Increasing access to information and social networks.*

For small businesses, especially those owned and operated by women, the lack of information about corporations is a major impediment to becoming a supplier. Small businesses report that developing a relationship with potential corporate customers is critical to accessing the supply chain. It helps them understand the customer's needs and provides them with an opportunity to pitch their goods and services. Unfortunately, corporate procurement processes are often opaque. Many small business owners do not know where to start or whom to contact. This is particularly challenging for women business owners whose formal business networks are less developed.

Bridging this information gap is crucial to diversifying the supplier base. Corporations have attempted to do this by, for example, hosting and/or participating in supplier conferences, publishing their procurement policies and procedures, and establishing supplier pages on their websites.

### *Streamlining the application process.*

To become a corporate supplier, small businesses must first contend with a burdensome application process. This typically involves completing a lengthy questionnaire and submitting reams of documentation on their companies. For corporations, this information is essential because it allows them to evaluate product quality as well as the capabilities and reliability of the suppliers themselves. For small businesses, however, this process is time-consuming and daunting.

Small businesses have limited time and resources, which means that whatever is spent filling out applications is that which cannot be spent elsewhere. This is particularly true for women-owned businesses, which tend to be smaller than businesses owned by men, have less business experience, and are time poor due to competing family and childcare responsibilities.



Because of this, the more corporations can streamline, standardize and consolidate the application process, the more likely it will be that qualified women-owned businesses will apply.

### ***Streamlining the contracting process.***

For the same reasons, it is important that corporations streamline and standardize their contracting processes. For many women-owned businesses, the corporate contracting process can be just as daunting as the application process, if not more so. Standardization, in particular, has the potential to lower the transaction costs of contracting, thereby increasing the likelihood that women-owned businesses will participate.

### ***Limiting contract sizes.***

As corporations have grown larger and vastly more global, they have reduced the number of suppliers they use to a select few who can provide goods and services in large quantities and at lower prices. This has placed women-owned businesses at a distinct disadvantage. The practice of bundling multiple requirements into one large contract can effectively preclude many women-owned businesses from competing for the work because they do not have the necessary scope or depth to compete. Whenever practical, corporations should look for opportunities to unbundle requirements or otherwise limit the size of their contracts, particularly at the local level.

### ***Establishing appropriate award criteria.***

In general, women-owned and other small businesses cannot successfully compete against large businesses when price is the predominant selection criteria. By emphasizing price rather than “value for money”, the procuring entities not only ignore the life-cycle costs associated with the purchases, but also forego the many innovative solutions offered by small firms. Accordingly, research suggests that procuring entities wishing to level the playing field for small businesses, including most notably those owned by women, should consider awarding contracts to those firms whose offers represent the best overall value to the procuring entities, rather than simply the lowest price.

### ***Providing feedback.***

The importance of providing feedback to unsuccessful bidders after a competitive procurement cannot be overstated. Post-award feedback provides suppliers

with invaluable information about the strengths and weaknesses of their tenders so that they are better able to compete for contract opportunities in the future. In short, feedback is an important tool for supplier development.

### ***Paying promptly.***

Delayed payments can have a devastating effect on women-owned small businesses. Because their financial resources are quite limited in the first place, women-owned businesses are less able than larger firms to absorb the impact of delayed payments. Delayed payments reduce the working capital available to women-owned businesses and negatively affect production capacity and profitability. To alleviate the financial distress caused by delayed payments, it is incumbent upon corporations to establish efficient and effective systems for processing invoices and remitting payments to these businesses, and to insist that first-tier and lower-tier suppliers do the same.

### **Supplier development**

By identifying and eliminating structural impediments on the buy side, corporations make it possible for more women-owned businesses to access the supply chain. But this does not necessarily mean they will. To be successful, gender-responsive procurement programmes must do more than simply open the doors to women-owned businesses. They must also develop the capacity of women-owned businesses to compete and succeed as suppliers.

Supplier development encompasses a broad range of activities designed to improve the performance and expand the capabilities of suppliers for the benefit of the buying corporation. They include, among other things, outreach programmes, technical assistance, financial assistance, and business mentorship.

For women business owners, supplier development is especially important. This is because they tend to have less access to finance, human, and social capital than their male counterparts. As mentioned earlier, they must also contend with socio-cultural expectations and norms, which negatively impact their ability to start and grow their businesses.

## Infrastructure development

In many regions of the world, the effectiveness of the supplier development and sourcing reforms mentioned above may be limited by the lack of infrastructure. In India, for example, women entrepreneurs often lack access to basic equipment and floor space where they can manufacture their products, or the means and know-how to market those products. To overcome these constraints, women in many parts of the world have formed cooperatives. This is particularly true for women working in the informal and agricultural sectors.

Research also suggests a gender divide in digital technology exists in both developed and developing countries, which contributes to reduced business performance. This divide is most pronounced in low- and middle-income countries.

## Securing corporate commitment through data

Support from corporate management is essential to the success of gender-responsive procurement strategies. To secure this support, the proponents of these inclusive sourcing programmes must develop and communicate a compelling business case and strategy for them. This requires an in-depth understanding of the capabilities and capacities of women-owned businesses to supply the corporation's requirements and how the corporation might be able to unlock and leverage those capabilities.

Collecting and analyzing data on women-owned businesses can be challenging, but these challenges are not insurmountable. To be sure, researchers who study women entrepreneurs often lament the dearth of reliable gender-disaggregated data. There are, however, a variety of primary and secondary data sources upon which corporations can draw.

Before data-collection begins, corporations must clearly define their research objectives. Corporations seeking to better understand the capabilities and availability of women suppliers in their respective industries and how to increase their participation in the corporate value chain might focus their efforts on answering the following questions:

- What is the current level of participation of women-owned businesses as suppliers in their corporate value chain?
- What are the capabilities and capacity of women-owned businesses to participate in their corporate value chain?
- How will the corporation benefit from increased participation by women-owned businesses in their value chain?
- What barriers are preventing women-owned businesses from fully participating in their corporate value chain?
- What can be done to eliminate the barriers preventing women-owned businesses from fully participating in their corporate value chain?
- What goals should be set to increase the level of participation of women-owned businesses as suppliers in their corporate value chain over time?

To answer these questions, corporations can draw upon a variety of existing (or secondary) data sources, such as labor force surveys, surveys of small business owners, surveys of entrepreneurial activity, firm-level surveys and business registers. It is important to recognize however, that while these sources can yield relevant information on gender differences in entrepreneurship and business performance, there are notable limits to the quality, availability and utility of this data. The data may not meet the immediate needs of corporations seeking to understand and leverage women-owned businesses in their value chains. For example, firm-level business surveys lack a common international design framework making meaningful comparisons of datasets more difficult. Likewise, many of the population-based surveys contain few, if any, gender indicators. This is not to say these data sources should be ignored, but simply that corporations need to be aware of their limits.

Corporations, of course, are not limited to gathering secondary research. Both individually and collectively, they are well positioned to collect information on business ownership and performance through their supplier databases. Moreover, business associations and organizations, such as WBENC in the U.S. and WEConnect International outside of



the U.S., are invaluable sources of information on women-owned businesses. These organizations also have well-established networks of women-owned businesses within their national or regional markets and are able to connect corporations directly with women suppliers.

The ultimate goal of these data-collection and analysis efforts is to secure top-level commitment, by providing corporate management and other stakeholders with the information on the feasibility and benefits of a gender-responsive procurement programme.

### Establishing comprehensive programme plans

Removing the barriers that prevent women business owners from breaking into the corporate supply chain is an essential part of an effective gender-responsive procurement strategy, but does not alone guarantee results or a positive return on investment. To succeed, corporations must also establish comprehensive plans for developing, implementing and tracking gender-responsive procurement programmes. The end game is to reach a stage where gender-responsive procurement has become an integral part of the corporate culture and practice.

While there is no one-size-fits-all plan for gender-responsive procurement, the National Minority Supplier Development Council (NMSDC) has developed a list of best practices to guide corporations in the development and assessment of supplier diversity and inclusion programmes, which are equally applicable here: (1) establish a corporate policy; (2) develop a supplier development plan for women-owned businesses; (3) establish comprehensive internal and external communications; (4) identify opportunities for women-owned businesses in strategic sourcing and supply chain management; (5) establish a comprehensive supplier development process; (6) establish tracking, reporting and goal-setting mechanisms; (7) establish a continuous

improvement plan; and (8) establish a Second-Tier programme.

### Measuring progress

As with any programme, monitoring and evaluation are necessary to measure progress toward organizational objectives and to make adjustments where necessary to improve the system. This begins with setting goals for the programme. Corporate strategies should contain SMART – Specific, Measurable, Actionable, Realistic, and Time-bound – goals to increase the likelihood of sustained success and usage throughout the organization.

One of the primary objectives of goal-setting and measurement is to demonstrate return on investment. Corporations have traditionally measured the success of their supplier diversity and inclusion efforts in terms of corporate spend, either absolute dollars or as a percentage of total procurement spend. In addition to these traditional metrics, corporations should also consider measuring non-traditional metrics that show how diversifying the supplier base benefits the company in other ways, including, for example, enhanced customer loyalty and cost reductions through increased competition.

Increasingly, organizations are turning to self-assessments and other benchmarking tools to gauge the effectiveness of their business practices and programmes—and indeed those of their suppliers—against industry leaders and best practices. In South America, for example, Itaipu Binacional has developed a benchmarking tool for evaluating the degree to which its suppliers and other companies demonstrate best practices under the Women's Empowerment Principles (WEPs). This includes Principle 5, which focuses on business development, supply chain practices, and marketing that empowers women. By all accounts, benchmarking is a promising tool for measuring, tracking and evaluating gender-responsive procurement programmes.





WHY GENDER-  
RESPONSIVE  
PROCUREMENT  
MATTERS

# 1. WHY GENDER-RESPONSIVE PROCUREMENT MATTERS

Corporations are well positioned to promote gender equality and empower women in their workplaces, in their communities, and through their purchasing policies and practices. The purpose of this Guide is to provide corporations with a better understanding of the barriers and challenges preventing women-owned businesses from accessing and fully participating in the corporate supply chain. It also provides tools and techniques for overcoming these barriers and leveraging the vast untapped economic potential represented by women-owned businesses.

The sheer size and volume of corporate purchasing worldwide means that corporations have the potential to dramatically change the way suppliers and supply chains operate. To put this in perspective, about 63 percent of the top 175 global economic entities are corporations and not countries based on annual revenue or Gross Domestic Product, as the case may be (White, 2012). Each year, corporations spend trillions of dollars acquiring goods and services, yet purchases from women-owned businesses account for a mere 1 percent of the total spend (Vazquez & Sherman, 2013, p. 43). By overlooking women-owned businesses, corporations are missing an opportunity to expand their markets, diversify their supply chains, and grow the economy, while simultaneously improving the lives of women and girls around the globe. A growing body of research demonstrates that the promotion of gender equality and empowerment of women is critical to economic growth and achieving many of the United Nations Sustainable Development Goals. It is also the socially responsible thing to do.

## I. Sustainable Development Goals

### A. The Crucial Role of Gender Equality and Women's Empowerment

In September 2015, the global community adopted a set of seventeen Sustainable Development Goals (SDGs) in an effort to end poverty and hunger, protect

the planet, ensure prosperity for all people, and foster peaceful, just and inclusive societies. The purpose of the seventeen goals and the many targets they encompass is to guide the decisions and policies of individual countries and those of the global community more broadly over the next 15 years.



1 Based on total spending by Fortune 1000 companies..

In formulating the SDGs, the global community collectively acknowledged that women often encounter additional obstacles above and beyond those encountered by their male counterparts because of social, economic, cultural, and/or legal discrimination against women, both explicit and implicit. Even in countries where formal discrimination—and most notably legal discrimination—has been largely eliminated, women must still contend with the legacy of such discrimination. Indeed, in both developed and developing economies: “Women have yet to attain equality with men on such measures as educational attainment, wages, political empowerment and economic participation.” (Ernst & Young, 2009, p.6) Women also lag slightly behind men in health outcomes (World Economic Forum, 2015).

The gender gap is most pronounced in the areas of economic participation and political empowerment, as evidenced by the Global Gender Gap Index. Each year, the World Economic Forum (WEF) produces the Index, which measures the relative gap between men and women across four key areas or sub-indices—health, education, economy and politics—and tracks their progress over time. It is designed to measure relative gaps between men and women in access to resources and opportunities in a country, rather than the actual levels of resources available to them. In other words, a country’s ranking in the Index is not tied to its level of development or the amount of resources available in a country; rather, the Index measures the relative access men and women have to those resources, whatever they may be.

In 2015, the WEF found that only 59 per cent of the economic outcomes gap and only 23 per cent of the political outcomes gap had been closed across the 145 countries included in the Report (World Economic Forum, 2015). Ideally, 100 per cent of these gaps would be closed, placing men and women and boys and girls on a level playing field. While many countries have made progress towards closing these gaps, no country in the world has fully closed the gap between men and women.

One of the primary objectives of the SDGs is to achieve gender equality and empower women and girls. This objective is embodied in SDG 5, although there are

specific targets related to women and girls in 12 of the 17 goals. As a testament to its central importance, SDG 5 was singled out by the United Nations General Assembly when it adopted the SDGs. The preamble to the Resolution reads, in pertinent part, as follows:

**The 17 Sustainable Development Goals and 169 targets, which we are announcing today, demonstrate the scale and ambition of this new universal Agenda. They seek to build on the Millennium Development Goals and complete what they did not achieve. They seek to realize the human rights of all and to achieve gender equality and the empowerment of all women and girls. They are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental (UNGA, 2015, preamble).**

While gender equality and the empowerment of women are a stand-alone goal, they are also indispensable to achieving the other sustainable development goals, such as eliminating poverty and hunger and ensuring good health and education for all people. The crucial importance of SDG 5 is explicitly highlighted in the Resolution:

**Realizing gender equality and the empowerment of women and girls will make a crucial contribution to progress across all the Goals and targets. The achievement of full human potential and of sustainable development is not possible if one half of humanity continues to be denied its full human rights and opportunities. Women and girls must enjoy equal access to quality education, economic resources and political participation as well as equal opportunities with men and boys for employment, leadership and decision-making at all levels (UNGA, 2015, para. 17).**

The links between gender equality, women’s empowerment and development are well recognized. According to the WEF’s Gender Gap Report, there is a positive correlation between gender equality and a country’s level of competitiveness, its Gross Domestic Product (GDP) per capita, and its rank in the Human Development Index (World Economic Forum, 2013). The Report further observes: “While correlation does not prove causality, it is consistent with the

theory and mounting evidence that empowering women means a more efficient use of a nation's human capital endowment and that reducing gender inequality enhances productivity and economic growth." (*Ibid.*, p. 31).

Similarly, the World Bank's World Development Report 2012 notes that elimination of barriers preventing women from entering certain sectors or occupations would increase output per worker by 13 to 25 per cent. The Report also warns: "When women's labor is underused or misallocated—because they face discrimination in markets or societal institutions that prevents them from completing their education, entering certain occupations, and earning the same incomes as men—economic losses are the result."

Research also shows that business-owning women are more likely than business-owning men to contribute to family education, and invest in their communities using profits from their businesses (Kelly, *et al.*, 2015, p. 11). Indeed, women tend to invest a majority of their income in their families' education, health and nutrition, whereas men tend to spend a majority of their income on consumable goods (Vanderbrug, 2013).

In the words of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, "the message is simple":

**Women who are safe, healthy, educated and fully empowered to realize their potential transform their families, their communities, their economies and their societies. We must create the conditions so they can do so (United Nations, 2013, p. 31).**

## B. Stimulating Equal Opportunities for Women Entrepreneurs

For many women, entrepreneurship offers a path to economic empowerment and it is incumbent upon the global community to help create the conditions that permit this. Today, there is a gender gap in the level of entrepreneurial activity across all regions due, in large part, to an unequal playing field for men and women and other barriers to entry. For every ten new businesses being started or run by men, women have started or are running less than seven. The gender gap is even more pronounced for established businesses (Kelly, *et al.*, 2015, p. 16). (See Box 1).

The promotion of women's entrepreneurship not only supports SDG 5, "Gender Equality and Women's Empowerment", it also supports SDG 8, "Economic Growth". In particular, Target 8.3 of the SDGs calls for the global community to "promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services." Most businesses owned and operated by women are overwhelmingly micro- or small-sized businesses. But unlike their male counterparts, women business owners must contend with a unique and disparate set of challenges in addition to those challenges facing small businesses more broadly. As discussed more fully below, promoting women's entrepreneurship through corporate procurement will yield tangible benefits for both the corporations and the women-owned businesses while driving the economy and sustainable development.

### BOX 1

#### The Gender Gap in Entrepreneurial Activity

According to *The Global Entrepreneurship Monitor (GEM) Special Report: Women's Entrepreneurship 2015*, a gender gap exists for both early-stage and established businesses across the three different types of economic classifications used in the

report (Kelly, *et al.*, 2015). GEM classifies economies as factor-driven, efficiency-driven or innovation-driven based on the level of GDP per capita and the share of exports of primary goods to total exports (Kelly, *et al.*, 2015, pp. 12-13):

- Factor-driven economies are countries in early stages of economic development, typically with a large agricultural sector. They include, for example, India, Botswana and Bolivia.
- Efficiency-driven economies are countries with a developing industrial sector in which higher productivity is achieved through economies of scale and development of financial institutions. They include, for example, Brazil, Russia, China and South Africa.
- Innovation-driven economies are countries with mature economies, characterized by an expanding service sector and a sophisticated industrial sector. The United States, Japan, and the countries of Western Europe fall into this category.

Globally, the level of entrepreneurial activity among women on average is lower than it is among men, resulting in a significant gender gap. For every ten new businesses being started or run by men, women are starting or running less than seven. The gender disparity becomes even starker for established businesses. It is important to note that the impact of barriers, such as limited access to capital, competing child care demands and lack of financial literacy, differs by region and level of economic development (Kelly, *et al.*, 2015).

The level of early-stage entrepreneurship and established business activity is highest for women in factor-driven economies, where GDP per capita is low. This is likely due to higher levels of unemployment in those economies, where established companies and the formal economy are unable to meet the demand for jobs (Kelly, *et al.*, 2015). Because of this, women are forced to start their own businesses to earn a living for themselves and their families. In other words, for many women, starting a business is not a choice, but a necessity. The same holds true for efficiency-driven economies, although not to the same degree.

Factor- and efficiency-driven economies also have the highest gender parity when it comes to early-stage entrepreneurship and established

businesses. In Africa, for example, the ratio of female-to-male early-stage entrepreneurship is 0.96, while in Asia and Oceania, the ratio among factor- and efficiency-driven economies is 0.93.

By contrast, the levels of early-stage entrepreneurship and established business activity for women are much lower in innovation-driven economies. So too is the ratio of female-to-male businesses.

These findings beg the question: why does the level of entrepreneurial activity among women decrease as economic development increases? While the answer is not entirely clear, there are several potential factors affecting the rates of entrepreneurial activity among women in different economies.

In developing economies, women often start businesses out of necessity and in those sectors where capital requirements and other barriers to entry are very low, such as the consumer-related sector. However, these sectors have low growth potential and are also highly competitive due to the low entry barriers, making it more difficult for women to sustain their businesses. This helps explain why women-owned businesses—particularly necessity-based businesses—in less-developed economies tend to have higher rates of closure than those owned by men. Kelly *et al.* explained:

**Necessity-based businesses are generally highly liquid, requiring low amounts of capital to start and being relatively easy to close. In regions characterized by high poverty and chronic underemployment, it is not unusual to find a self-employed person supporting a large family and enabling those around her/him to have a better life. The liquidity of the business supports that pathway. This could be a positive factor to the extent that women can easily get started or shift to better opportunities, but problematic to the extent that women are constrained in these efforts. (2015, p. 22)**

Not surprisingly, these women-owned businesses also tend to be smaller than those owned by men. Kelley *et al.* reports that countries in Africa and the factor- and efficiency-driven economies of Asia have the highest percentage of single-owner female entrepreneurs, as well as the highest gender disparity with respect to this dimension.

While women in developing economies often face challenges sustaining and growing their businesses, women in developed economies face a slightly different set of challenges, namely, overcoming the barriers to entry and scaling up their businesses. In innovation-driven economies, the rate of female entrepreneurial activity is generally lower than in less-developed economies. Innovation-driven economies also show lower gender parity. In North America, for example, the ratio of female-to-male startups is 0.69 and in the innovation-driven economies of Europe and Asia, it is only 0.55 and 0.54, respectively. (Kelly, *et al.*, 2015, p. 17-18)

Moreover, like their female counterparts in less-developed economies, the research also suggests that women face greater difficulty than men in growing their businesses (Ernst & Young, 2009). For example, in the United States, research conducted by the Center for Women's Business Research (CWBR, October 2009) shows that 28.2 per cent of all businesses in the United States are owned by women, yet they account for only 4.2 per cent of all revenue generated in the United States.

Kelley *et al.* observed that there is less demand for entrepreneurship in innovation-driven economies, in part, because job opportunities with existing companies and organizations offer a viable alternative to self-employment. However, this does not explain the significant disparity between the rate of female and male entrepreneurship in those economies, suggesting that other factors are at play.

Gender-responsive procurement also aligns with one of the seven drivers identified by the UN High-Level Panel on Women's Economic Empowerment. The UN Secretary-General established the Panel in January 2016 as part of his efforts to ensure the 2030 Agenda on Sustainable Development has a real, demonstrable impact on the lives of women, and builds stronger, more inclusive economies. In September 2016, the Panel published its findings about proven and promising actions to address gender gaps and promote women's economic empowerment. To that end, the Panel identified seven primary drivers of transformation, including most notably, improving public sector practices in procurement and employment (United Nations, 2016). Improving corporate practices in procurement is a natural corollary to this.

## II. Business Case

### A. Smart Economics

For corporations, investing in women-owned businesses and integrating them into corporate supply chains is simply "smart economics." Today, women-owned businesses contribute significantly to the

world economy, but their full economic potential remains largely untapped or underutilized. In 2013 for example, over 200 million women started or operated businesses in 67 countries, and more than a third of the firms worldwide had women owners (Vanderbrug, 2013). These businesses—which primarily operate in the consumer sector—have contributed to the gross domestic product of their respective countries, generating millions of new employment opportunities and spurring local development.

In East Asia, the World Bank estimates that women own 35 per cent of all small and medium enterprises (SMEs), while in Kenya, they own 48 per cent of all micro, small, and medium enterprises—producing around 20 per cent of GDP (World Bank, 2012). The International Finance Corporation (IFC) estimates that women own about 8 to 10 million formal SMEs in emerging markets, which represents about 31 to 38 per cent of all formal SMEs in those markets (IFC, 2011).

The impact of women-owned businesses is not just confined to developing economies. In the United States, women are now the majority owners of 38



per cent of businesses and employ 8 per cent of the private sector workforce (American Express, 2016). The Center for Women's Business Research (CWBR) quantified the economic impact of women-owned businesses at \$3 trillion annually. This translates into the creation and/or maintenance of more than 23 million jobs, which is 16 per cent of the jobs in the United States (CWBR, 2009).

More broadly, small businesses have long been recognized as a critical component of the U.S. economy. According to the U.S. Small Business Administration's (SBA) Office of Advocacy, small businesses—those with fewer than 500 employees—employ about half the nation's private sector work force; create most of the net new jobs; produce a significant share of innovations; and generate half of the nonfarm, private real GDP in the United States (U.S. Small Business Administration, 2010).

From a purely "bottom line" perspective, female consumers represent an unparalleled commercial opportunity. The Boston Consulting Group described the women's market as "the most important commercial opportunity in our lifetime" (Silverstein & Sayre, 2009). The statistics bear this out. Globally, women control about \$20 trillion in annual consumer spending and this number is expected to rise to nearly \$28 trillion in the next five years (GEM, 2015, p. 10). By 2028, women will control nearly 75 per cent of consumer discretionary spending worldwide (Ernst & Young, 2009).

A recent survey conducted by McKinsey found that approximately 34 per cent of companies who had diversified their supplier base by engaging with women-owned businesses reported a positive impact on their profitability (National Women's Business

Council, 2015). AT&T, in particular, attributed about \$4 billion of revenue to the engagement of women suppliers in 2014. Along the same lines, a study commissioned by Cargill, Inc. found that companies with a higher adoption rate of supplier diversity and inclusion programmes generate one-third greater return on the cost of procurement operations than average (EY, 2015).

A study by the Hackett Group concluded that "world-class procurement organizations that focus heavily on supplier diversity don't sacrifice procurement savings by doing so. These leading companies have slightly higher adoption rates of supplier diversity programmes as typical companies, and they generate 133% greater return on the cost of procurement than average performers." (Hackett Group, Aug. 17, 2006). Moreover, the Wall Street Journal, reporting on the same study, states that "such companies spend on average 20 per cent less on their buying operations and have procurement staffs half the size of their peers whose supplier programmes aren't as diverse." (Jones, Aug. 21, 2006)

For corporations, the message is clear: those that invest in women-owned businesses and adopt inclusive sourcing practices will be better positioned to access this commercial opportunity than those firms that do not. More and more, corporations are diversifying their supply chains because they realize that their suppliers are likely to become their customers (Foggin, 2010). In other words, the women who are supplying a corporation today are likely to become its customers in the future. Moreover, women suppliers have a unique understanding of the women's market and experience selling to other women, which can benefit corporations in the near term.

## BOX 2

### IBM Commitment to Supplier Diversity and Inclusion

IBM recognizes that a diverse supplier base is integral to company profitability and strategic objectives—solidifying the connection between customer satisfaction and winning in the marketplace. IBM's global supplier diversity and inclusion programme expands purchasing opportunities for businesses owned and operated by minorities, women, LGBT, veterans and service-disabled

veterans, and disabled persons. Building and maintaining a community of diverse suppliers increases IBM's opportunity to hear new ideas, apply different approaches, and gain access to additional solutions that respond to customer needs. Such collaboration helps IBM deliver innovation, quality products, and world-class service to a growing global marketplace.

35%

OF ALL SMALL AND MEDIUM ENTERPRISES (SMES) ARE OWNED BY WOMEN

Source: World Bank 2012.



1

**WOMEN-OWNED SMES PRODUCE AROUND**

20%

OF GDP

Source: World Bank 2012.



2

8-10M

FORMAL SMES IN EMERGING MARKETS ARE OWNED BY WOMEN WHICH REPRESENTS 31-38% OF ALL FORMAL SMES IN THOSE MARKETS

Source: IFC 2011.

3

38%

OF BUSINESSES IN THE US ARE NOW MAJORITY OWNED BY WOMEN, EMPLOYING 8% OF THE PRIVATE SECTOR WORKFORCE



4

\$3 trillion

THE ANNUAL ECONOMIC IMPACT OF WOMEN-OWNED BUSINESSES IN THE US

Source: CWBR 2009.



5

23M

Source: CWBR 2009.



JOB'S CREATED OR MAINTAINED THROUGH WOMEN-OWNED BUSINESSES IN THE US

6

**\$20** trillion

7

IN ANNUAL CONSUMER SPENDING IS CONTROLLED BY WOMEN, RISING TO \$28 TRILLION IN THE NEXT 5 YEARS



Source: GEM 2015.

Nearly **75%**

8

OF CONSUMER DISCRETIONARY SPENDING WILL BE CONTROLLED BY WOMEN BY 2028

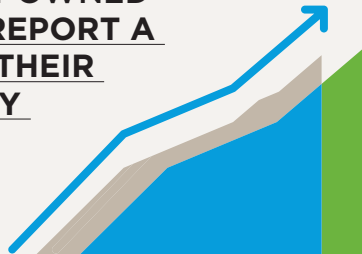


Source: EY 2009.

**34%**

9

OF COMPANIES THAT DIVERSIFIED THEIR SUPPLIER BASE ENGAGING WITH WOMEN-OWNED BUSINESSES REPORT A **+ IMPACT ON THEIR PROFITABILITY**



Source:  
NWBC 2015.

**33%**

10

GREATER RETURN ON THE COST OF PROCUREMENT BY COMPANIES WITH A HIGHER ADOPTION RATE OF SUPPLIER DIVERSITY



Source: EY 2015.

Less than **1%**

12

OF SPENDING BY LARGE BUSINESSES ON SUPPLIERS IS EARNED BY WOMEN-OWNED BUSINESSES

Source: Vazquez and Sherman 2014.

COMPANIES WITH MORE DIVERSE SUPPLIER PROGRAMMES SPEND ON AVERAGE

**20%**

11

LESS ON THEIR BUYING OPERATIONS

Source: Hackett Group.

## B. Reputation and Branding

By adopting diverse and inclusive supply chain policies and practices, corporations also enhance their brands and increase potential revenues. This is particularly true in the women's market. The Women's Business Enterprise National Council (WBENC) reports that when women are aware a company supports women-owned businesses: 78 per cent will try the company's products or services; 80 per cent will solidify their brand loyalty; and over half will give the company a second chance if the product or service falls short of initial expectations (Vazquez & Sherman, 2013).

More broadly, research shows consumers are concerned about corporate social responsibility and this translates into a "bottom-line benefit" for brands that practice what they preach.

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A recent Nielsen survey found that 55 per cent of global respondents, both male and female, said they would pay extra for products and services from companies that are committed to positive social and environmental impact.

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While the results of the survey show that both sexes have significant concerns about a variety of causes, women appear more concerned about social responsibility issues than men. This is particularly true when it comes to human-related issues, such as access to clean water, eradicating poverty and hunger, reducing child mortality and gender equality (Nielsen, 2014). This is consistent with the experience of clothing retailer, Benetton Group, which reports that 40 per cent of consumers want sustainable apparel.

Inclusive procurement policies also enhance the reputation of corporations among their internal and external stakeholders, including employees, business-to-business clients, shareholders, and industry more broadly.

### BOX 3

#### Branding and the "Women Owned" Logo

In 2014, the Women's Business Enterprise National Council (WBENC) and WEConnect International developed and launched the "Women Owned" initiative with support from retail giant Walmart. The goal of the initiative is to help consumers readily identify products that are produced by women-owned businesses. Firms that have been certified by WBENC or WEConnect International as women's business enterprises (WBEs) may utilize

the distinctive and universally recognized Women Owned logo on their products.

In 2015, Walmart became the first retailer to feature Women Owned business products, making them available in stores and online. Walmart simultaneously launched a new webpage to showcase products made by women-owned businesses. The online categories range from beauty and clothing, to electronics, health, and home improvement.

## C. Enhancing Supplier Availability

Corporations also stand to benefit from enhanced supplier availability and security. Over the past decade or so, the trend among corporations has been to consolidate their supply chains. As corporations have

grown larger and more global, they have sought to consolidate and streamline their operations, including the procurement of goods and services. Among other things, this has created a preference for larger suppliers that can meet the needs of multinational corporations at the global level (Foggin, 2010). This

trend toward consolidation has made it even more difficult for small businesses, including those owned by women, to break into the corporate supply chain.

There are, of course, inherent risks to “putting all of your eggs in one basket”. In a recent study of 400 supply chain executives, IBM reported that even minor missteps or miscalculations can have major consequences throughout these increasingly complex and interconnected supply chain networks. CVM Solutions, a global provider of supplier management software, similarly observed that, after years of supply chain consolidation, there is a dangerously small group of suppliers that receive most of the Fortune 500 procurement spend. If any of these suppliers goes out of business, the impact will likely be felt by dozens, if not hundreds, of corporate supply chains and production lines (Foggin, 2010).

A corporation can guard against potential disruptions to its supply chain by expanding and diversifying its supplier base to include women-owned and other small businesses. This approach has other potential benefits as well. As noted by many supply chain and business experts, supplier diversity and inclusion:

- ✓ Promotes innovation through the entrance of new products, services, and solutions.
- ✓ Drives competition (on price and service levels) between the company’s existing and potential vendors.
- ✓ Allows a company to take advantage of new opportunities for business expansion with the emergence of new consumer needs based upon shifting demographic realities.
- ✓ Allows a company to procure small orders, specialized products or critical services more quickly.
- ✓ Increases market penetration and access to diverse markets.
- ✓ Enhances corporate reputation and customer loyalty.
- ✓ (CVM Solutions, Apr. 15, 2016; NWBC, 2015; Foggin, 2010).

### III. Current State of Gender-Responsive Purchasing

#### A. Barriers to Women’s Participation in the Formal Economy

Despite the many contributions women-owned businesses have made to economic growth and development around the world, their full potential has yet to be realized. Indeed, it remains largely untapped. Today, women-owned businesses lag behind businesses owned by men on virtually all performance metrics:

- Women-owned businesses tend to be smaller than those run by men, whether size is measured by revenue, profitability, or number of employees (Ernst & Young, 2009, p.17).
- Their average growth rate is significantly lower than the average growth rate of businesses owned by men (IFC, 2011).
- Their revenues are, on average, only 27 per cent of those generated by men-owned businesses (Hadary, 2010).
- The level of entrepreneurial activity among women is lower than the level of entrepreneurial activity of men (GEM, 2015).

There are many reasons for this. Globally, women entrepreneurs face a wide range of financial and non-financial barriers that prevent them from entering and/or fully participating in the formal economy. To be sure, many of the barriers that women entrepreneurs confront in the business environment affect other small businesses as well (Foggin, 2010). However, women often contend with additional obstacles above and beyond those encountered by their male counterparts because of persistent social, economic, cultural, and/or legal inequities.

This section explores the more significant barriers to women’s participation in the formal economy under the general headings of Access to Financial Capital, Access to Human Capital, and Access to Social Capital. Because these barriers do not exist in isolation, this section also explores the unique socio-cultural challenges faced by women business owners. These challenges both inform and often exacerbate the other barriers.

## 1. Access to Financial Capital

One of the major factors limiting the size and growth of women-owned businesses and preventing them from reaching their full potential is lack of financing. Firms that start with higher levels of capital show better performance in terms of assets, revenue, profitability and survival (Ernst & Young, 2009). Women, however, typically start their businesses with less capital and have less access to financing than men, which limits their ability to start and grow their businesses.

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The International Finance Corporation (IFC) estimates the credit gap for women-owned SMEs in the formal sector is approximately \$287 billion across all regions (IFC, 2014). When informal businesses are added to the mix, the credit gap skyrockets to \$1 trillion (Vanderbrug, 2013).

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There are a variety of structural and socio-cultural factors contributing to this global credit gap. They include, but are not limited to, lack of access to collateral, institutional bias, and socio-cultural norms. Each of these factors is discussed below.

### ***Women lack access to collateral.***

Most financial institutions require some sort of collateral to secure a loan. Typically, this means a fixed asset in the form of a land title or property deed. In many countries, however, women do not own or have rights to land and therefore lack the collateral with which to secure loans. Worldwide, it is estimated that women own only about one per cent of registered land titles (IFC, 2014).

A recent study found that the laws or customary practices of 102 countries still deny women the same rights to access land as men (OECD, 2014). Even in countries where the constitution prohibits discrimination against women and grants them equal access to land and other property, those rights are frequently curtailed by other laws. For instance, marriage laws can restrict the legal capacity of married women to administer property, while succession laws can prevent women from inheriting property. Similarly,

divorce laws often favor men when it comes to the distribution of property (FAO, n.d.; SIDA, 2015).

In many countries, women must also contend with customary law. This is a set of rules or informal laws based on local customs and tradition. Customary law is commonly applied in rural Africa, as well as parts of Asia and Latin America and enforced at the local level even when it conflicts with national legislation. Given its local character, customary law is extremely diverse, even varying from village to village. In some instances, customary legal systems contain rules that discriminate against women. This is the case in most of Africa (FAO, n.d.).

For example, across Africa, customary systems of property tenure account for at least 75 per cent of the land (SIDA, 2015). Under most of these systems, women are restricted to secondary land rights, i.e. they only hold land use rights through their husbands or male family members. Because of this, women risk losing their right to use the land in the event of divorce or their husband's death. In fact, in some areas, widows are obliged to marry one of their deceased husband's brothers in order to maintain their land use rights (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, 2013).

As a practical matter, securing women's access to land is only part of the fight. Countries must also put in place fair and effective land titling and registration systems that can facilitate the use of land as collateral. This can be a challenge in many developing countries, where land administration institutions often lack the personnel and resources necessary to reach women in rural areas. Moreover, the Food and Agricultural Organization of the United Nations (FAO) warns that, while land titling programmes have become popular with many international agencies and beneficiaries, attempts to formalize land titling and registration can have unintended consequences for women, including the loss of secondary land rights under customary law (FAO, 2013). For example, when land registration programmes were first introduced in Kenya, the male-dominated adjudication committees typically registered land to the male head of household, but failed to record women's secondary rights to the land. This had the unintended effect of extinguishing those rights altogether (FAO, n.d.).

#### BOX 4

### The New Kenyan Constitution and Land Rights

As in many African countries, the legal system in the Republic of Kenya contained contradictory legal provisions regarding women's access to land. The Kenyan Constitution, as amended in 1997, prohibited discrimination based on gender. However, it also exempted family law, succession law and customary law from this prohibition,<sup>2</sup> all of which are critical to ensuring women's access to land.

Kenya has since reformed its legal system to eliminate these contradictions. In 2010, it adopted a new Constitution, which recognizes the unqualified right of women to equal treatment under the law and prohibits gender-based discrimination.<sup>3</sup> The new constitution provides, among other things, that: "Any law, including customary law, that is inconsistent with this Constitution is void to the extent of the inconsistency, and any act or omission in contravention of this Constitution

is invalid." Moreover, it explicitly states that the elimination of gender discrimination in laws, customs and practices related to land and property is a guiding principle of land management.

Today, Kenya is actively reforming its laws and developing new legal frameworks to conform to the provisions of the new Constitution. While considerable progress has been made, there is still, however, a significant gender gap when it comes to ownership and control of land. Gaafar (2014) reports that customary law, which often discriminates against women and limits their land and property rights, still governs at least 65 per cent of land in Kenya, and the patriarchal nature of Kenyan society often limits the rights of even those women not living on land governed by custom. According to Gaafar, as little as one per cent of land in Kenya is titled in the names of women and as little as five to six per cent is titled jointly by women and men.

#### ***Women lack access to alternative financing arrangements, which could help alleviate the gender credit gap.***

The IFC (2014) observed that collateral registries or credit bureaus could facilitate access to finance for women by providing alternative credit evaluations and collateral options other than land. According to the IFC, the availability of credit significantly increases where security interests are protected and there is a predictable priority for creditors in cases of loan default. In countries with creditor protections, private sector credit is 60 per cent of GDP. In those without, it is only 30 to 32 per cent of GDP (IFC, 2014).

The potential impact of collateral registries or credit bureaus can be seen in West Africa, where Ghana and Liberia recently established collateral registries. Since its collateral registry came online in 2010, Ghana has registered 60,000 loans totaling approximately \$14 billion. The registry has enabled more than 8,000 SMEs and 30,000 micro-enterprises to secure loans

using a variety of movable assets instead of land titles or property deeds. This includes assets such as inventories and receivables, household goods and vehicles. Likewise, Liberia's collateral registry has unlocked about \$270 million of debt financing for SMEs (Twebaze, 2016).

#### ***Even when women have access to collateral and would otherwise qualify for debt financing, financial institutions are less likely to offer them the same terms as men.***

There are several reasons for this. Financial institutions often mistakenly believe there are more risks, higher costs and lower returns when loaning money to women-owned businesses due to their smaller size (IFC, 2014). In reality, these beliefs are unfounded. The IFC recently observed that women in fact have similar loan repayment rates to men, notwithstanding the fact that they receive less favorable loan terms than their male counterparts. Moreover, female bank clients are more apt to show brand loyalty—which

2 The Constitution of the Republic of Kenya (Amendment) Act No. 10 of 1997, Art. 82.

3 The Constitution of the Republic of Kenya 2010, Arts. 27 & 40.



improves cross-selling and retention rates—and they are more risk-averse, both as business and personal customers. All told, women-owned businesses are an underserved, yet potentially profitable segment of the market (IFC, 2014).

***Women business owners lack access to the types of financing they need to grow their businesses.***

Most commercial banks offer a “one-size-fits-all” approach to financial products and services, which might not be suitable for women-owned businesses. These banks view most women-owned businesses as micro-enterprises that only need micro-sized loans. As a result, women have limited access to small and medium-sized loans that would allow them to scale up their businesses quickly or to start businesses in non-traditional industries (IFC, 2014; IDB, 2012). Like their male counterparts, women-owned businesses have a range of financing needs. For example, a recent survey of women business owners in the Middle East and North Africa showed that they were more interested in long-term than short-term capital, as well as supply chain and equity financing (Niethammer, 2013).

The net result of these institutional biases is that women receive less favorable financing terms than men. The loan sizes are smaller, the repayment periods are shorter, and the interest rates are higher (IFC, 2014). Needless to say, this can and does dissuade women from seeking financing.

The Inter-American Development Bank (IDB, 2012) observed that, under traditional lending models, banks tend to reject credit requests from women-owned businesses because of informality, lack of credit histories and collateral, not fitting the bank’s client profile, low educational levels, lack of formal work experience and lack of access to business networks. In particular, the IDB noted that women could not access larger business loans necessary to grow their businesses beyond the micro level. To address this, in 2012, the IDB and the Multilateral Investment Fund set aside up to \$55 million to help financial intermediaries in Latin America and the Caribbean implement lending models that support growth in women’s businesses.

**BOX 5**

**Itaú Unibanco’s Women Entrepreneurship Programme**

Itaú Unibanco S/A (Itaú) is Brazil’s largest non-state bank in market value and one of the planet’s most valued brands. Itaú has 97,000 employees, 40 million clients and operations in more than 20 countries throughout the Americas, Asia, Middle East and Europe. The bank maintains a strong presence in the micro, small and medium enterprises segment, with a loan portfolio of approximately US\$ 45 billion in Brazil.

Itaú is at the forefront of financing for women business enterprises in Latin America and the Caribbean. In January 2013, Itaú established the Women Entrepreneurship Programme in partnership with the IFC and the Multilateral Investment Fund. The main objective of the Programme is to better understand the financial and nonfinancial needs of women entrepreneurs in Brazil and to design specific products and services for them. Andrea Pinotti, director of Itaú, explained,

“Women think, act and behave differently than men, so there is a need to consider new ways to serve this audience.” Women business enterprises comprise approximately 53 per cent of businesses in Brazil and therefore represent an important market opportunity for the bank.

Further, in December 2013, Itaú signed a commitment with the Clinton Global Initiative to support 1,500 women-led small and medium enterprises (SMEs) by developing tailored financial products and services to directly meet the needs of women entrepreneurs. Itaú committed to recruiting 1,500 female entrepreneurs over a two-year period in partnership with Goldman Sachs’s 10,000 Women Programme and other businesses and to develop products and services, by and for women entrepreneurs that cater directly to their needs, such as advisory services, financial education, a greater focus on relationship



banking and savings and credit products. Itaú also committed to developing and implementing an innovative decision-making matrix for risk

assessment of women-led SMEs, incorporating psychometric analysis into the existing scoring model.

Source: Global Banking Alliance (2014); Multilateral Investment Fund (2013).

***For their part, women tend to shy away from debt financing.***

According to a report published by Ernst and Young (2009), most studies show that even where banks are willing to provide the same level of funding to men and women, women appear more reluctant than men to apply for loans and are more likely than men to expect rejection. In fact, research shows that women tend to view debt as a “bad thing” that should be avoided (Hadary, 2010). Because of this, women tend to start businesses using more of their own money and less financing from outside sources than men (Ernst & Young, 2009). Women are also more likely to turn to business earnings for expansion capital, rather than debt financing, which limits their growth potential (Hadary, 2010).

Hadary also notes that women seldom focus on building relationships with bankers and have limited knowledge about financial products and services. This, she suggests, explains to a great degree why women do not pursue more sophisticated types of financial products and services. Overall, women are less likely than men to use trade credit, business credit cards, credit lines, vehicle loans, capital leases and equipment loans (NWBC, 2009).

## 2. Access to Social Capital

Women also have limited access to social capital. Nahapiet and Ghoshal (1998, p. 243) define social capital as “the sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit.” Social capital is derived from business connections, family ties, friends, churches, schools, professional associations, and the like. For small businesses, access to formal business networks is key to greater success, both in terms of start-up and growth (NWBC, 2009).

Women business owners tend to have difficulties establishing robust business networks and connections with individuals and organizations that can actually generate business (Ernst & Young, 2009). While women business owners have overcome many historical barriers by building professional networks, they tend to rely more heavily on family connections and informal networks for business (NWBC, 2009). Alyse Nelson, President and CEO of Vital Voices Global Partnership, stated that women business owners are good at connecting and “bonding” with others who share similar interests and issues, but they are not good at connecting or “bridging” with people who do not (Ernst & Young, 2009, p. 12). As a result, many women miss out on potential business opportunities that are needed to grow their businesses.

The International Labour Organization (ILO, 2016) notes that the number of networking and related initiatives by women’s organizations have been growing in recent years at the global, regional and national levels. In Brazil, for example, the Brazilian Organization of Business Women (Organização Brasileira de Mulheres Empresárias) promotes networking among businesswomen nationally and internationally while also supporting training for startups. In India, the Federation of Indian Women Entrepreneurs (FIWE) promotes the economic empowerment of women, particularly the SME segment, by helping them become successful entrepreneurs and part of mainstream industry. FIWE provides a networking platform, technical know-how, industry research and skills development.

## 3. Access to Human Capital

According to the NWBC (2009, p. 13), “education and experience are key components of human capital in terms of developing entrepreneurial success.” While women have made tremendous gains over the past few decades on the educational front, they still lag

behind men in terms of business and managerial experience.<sup>4</sup> Indeed, the OECD (2012) found there were two key differences between male and female entrepreneurs that helped explain the relatively lower revenue generated by women-owned businesses. The first was lack of managerial experience. The second was the smaller amount of time women devoted to their businesses. The latter is explored more fully in the next sub-section.

Due to their inexperience, women often lack the business skills and financial literacy necessary to operate and grow their businesses in a profitable manner. They have difficulty keeping track of accounts, paying taxes, and complying with rules and regulations (IFC, 2014). Of course, this also reflects the fact that women business owners are often time poor and confronted by other socio-cultural challenges, as well.

#### 4. Socio-cultural Challenges: Why Women-Owned Businesses are Different

To fully appreciate the barriers facing women-owned businesses, it is important to understand how women-owned businesses differ from those headed by men. As noted above, women-owned businesses tend to be smaller and concentrated in less-profitable sectors, such as retail sales and personal services, where the barriers to entry are low, but so too is the growth potential (World Bank, 2012). This is largely a reflection of the fact that women entrepreneurs are often less experienced than their male counterparts and have less access to financial and social capital, among other things (NWBC, 2009). Social, political and cultural expectations also have a disparate impact on women-owned businesses and, in many instances, exacerbate or reinforce the other barriers discussed above.

For starters, women entrepreneurs must contend with family responsibilities and the demands of caregiving to a much greater degree than their male

counterparts (Kelley *et al.*, 2015). The World Bank found that the differing amounts of time men and women allocate to family care and household-related chores are one factor driving segregation and the consequent earnings gaps. In most countries, women bear a disproportionate responsibility for these tasks, and as a consequence typically work more hours than men. Differences range from one to three hours of additional household work, and from two to ten times more for family care (i.e., care of children, elderly, and the sick). Moreover, this unequal distribution of responsibilities does not go away when women enter the workforce or start a business. (World Bank, 2012) Because of the resulting time scarcity they experience, women are typically not able to invest as much time in their businesses as men. Not surprisingly therefore, research suggests that the social, political and cultural expectations regarding a women's responsibilities for the home and family is one explanation as to why women-owned businesses do not grow as large as those owned by men (Ernst & Young, 2009).

Men and women business owners also differ with respect to their views of their own capabilities. In general, women are less confident than men about whether they have the knowledge, skills and experience required to start and run a new business (Kelley *et al.*, 2015). Differences between genders are particularly stark in developed economies, such as Japan, Western Europe, and the United States. In addition, women tend to be more risk-averse than their male counterparts and more likely to let fear of failure prevent them from starting a business (Kelley *et al.*, 2015). Not surprisingly, there is a direct correlation between capability perceptions and the rates of early-stage entrepreneurship. In other words, in those economies where women have less confidence in their ability to start and run a new business, they are, in fact, starting and running fewer businesses.

Along the same lines, women business owners tend to have lower expectations for their businesses. According to Hadary (2010), research shows that the only statistically significant predictor of business growth is the entrepreneur's goal for growth. However, women entrepreneurs do not typically set high goals for themselves and their businesses. There are a number of reasons for this.

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<sup>4</sup> UNESCO reports that female enrolment at the tertiary level has grown almost twice as fast as that of men over the last four decades for reasons that include social mobility, enhanced income potential and international pressure to narrow the gender gap. UNESCO (United Nations Educational, Scientific and Cultural Organization), (2012). World Atlas for Gender Equality in Education. Paris.

First, for women entrepreneurs, making money is not always the primary motivation for starting a business. Oftentimes, women start businesses to be personally challenged, and as a way to balance work with family demands. Women are therefore more likely to set limits on the growth of their businesses in order to maintain this flexibility. Second, as noted previously,

women entrepreneurs are less confident than men are in their abilities to start and run a company, and thus, have lower expectations for growth. Third, women tend to start smaller businesses in sectors where the barriers to entry and, consequently, the potential for growth are lower. (Hadary 2010; Ernst & Young, 2009; Kepler and Shane, 2007).

#### BOX 6

#### Coca-Cola's 5by20 Initiative

The Coca-Cola Company recognizes that women around the world are already pillars of our business system. To build on that, in 2010, the company developed their 5by20 initiative to highlight both the challenges faced by women, and their economic potential. 5by20 is the company's global commitment to enable the economic empowerment of 5 million women entrepreneurs across the company's value chain by 2020. Specifically, this means the small businesses that

the company and their bottling partners work with in more than 200 countries around the world—from fruit farmers and recyclers to retailers and artisans. Through 5by20, the company addresses the most common barriers women face when trying to succeed in the marketplace. This initiative offers women access to business skills training courses, financial services and connections with peers or mentors—along with the confidence that comes with building a successful business.

Source: <http://www.coca-colacompany.com/our-company/5by20-what-were-doing>

## B. Current Level of Participation in Corporate Procurement

Corporations can play a pivotal role in helping women grow their businesses. A survey of 200 small businesses in the United States showed that becoming a corporate supplier was a pathway to growth for small businesses (Foggin, 2011). Small businesses that supplied large corporations had higher revenues overall and significant revenue and employment growth. According to Foggin, more than two dozen small business executives interviewed in the New York City area reported that “breaking into the supply chain of a large company was a seminal moment in their firm's history – providing increased stability, heightened credibility and a platform for growth.” (Foggin, 2010, p. 7). In the United States, small businesses that became suppliers to large corporations saw their average revenue grow by 250 per cent and their average number of employees grow by more than 150 per cent (NWBC, 2015).

Yet, despite these substantial benefits, the fact still remains that very few small businesses—including most notably women-owned small businesses—have been able to tap into corporate supply chains.

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According to preliminary research conducted by WEConnect International, women-owned businesses earn less than one per cent of the money spent by large businesses on supplies and services (Vazquez & Sherman, 2014, p. 42).

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On the upside, the situation is changing for the better both in the private and public sectors. To date, over 1,300 Chief Executive Officers (CEOs) from across the globe have signed statements of support for the Women's Empowerment Principles (WEPs), signaling their support for and commitment to gender equality and women's empowerment. The WEPs provide guidance to businesses on how to empower women in the workplace, marketplace and community. The WEPs are the result of a collaboration between UN Women and

the United Nations Global Compact and are adapted from the Calvert Women's Principles®.

The many CEOs who have signed statements of support recognize that gender equality and women's empowerment are not only laudable goals in and of themselves, but they are also good for business and the economy. Principle 5, in particular, calls for the implementation of enterprise development, supply chain and marketing practices that empower women.

This includes:

- Expanding business relationships with women-owned enterprises, including small businesses, and women entrepreneurs.
- Supporting gender-sensitive solutions to credit and lending barriers.

- Asking business partners and peers to respect the company's commitment to advancing equality and inclusion.
- Respecting the dignity of women in all marketing and other company materials.
- Ensuring that company products, services and facilities are not used for human trafficking and/or labor or sexual exploitation.<sup>5</sup>

This movement within the private sector to leverage corporate procurement in support of women-owned businesses complements efforts being made by governments to do the same within the public sector (see Box 7 below).

#### BOX 7

### Empowering Women Through Public Procurement<sup>6</sup>

Governments are increasingly using public procurement as a tool to promote socio-economic objectives, including increased entrepreneurial activity by women-owned businesses. Governments are often the single largest purchaser of products and services in their countries. Each year, they spend trillions of dollars worldwide, buying products, services and implementing public works. It is estimated that public procurement comprises as much as 10 to 15 per cent of GDP in developed countries and as much as 30 to 40 per cent of GDP in developing countries (International Trade Centre, 2014).

Public procurement is a powerful tool for promoting socio-economic objectives because it sits at the intersection of the government's regulatory and buying powers. On the one hand, governments have the power to regulate market participants, either by encouraging markets through competition laws, or by restraining markets through some sort of social regulation, such as health and safety laws. On the other hand, governments are also active participants in the market itself, spending trillions of dollars on

supplies and services each year. Because of this, governments are uniquely positioned to promote gender equality and women's empowerment through public gender-responsive procurement.

The United States, for example, has long used public procurement to promote increased participation by women-owned and other small businesses in the federal supply chain. The United States Small Business Act provides, *inter alia*, that “[t]o the maximum extent practicable, procurement strategies used by a Federal department or agency having contracting authority shall facilitate the maximum participation of small business concerns as prime contractors, subcontractors, and suppliers.” To that end, the Act establishes a government-wide goal for participation by small businesses of not less than 23 per cent of the total value of prime contracts awarded by the federal government for each fiscal year. Important to this discussion, the Act also establishes a goal for participation by small businesses “owned and controlled by women” of not less than 5 per cent of the value of all prime and subcontracts awarded for each fiscal year.<sup>7</sup> The SBA tracks the

<sup>5</sup> <http://www.weprinciples.org/Site/>

<sup>6</sup> International Trade Centre (2014). Empowering Women through Public Procurement. Geneva.

<sup>7</sup> 15 U.S.C § 644(g) (United States).

federal government and each of its departments and agencies' progress toward these goals each year.

These targets or goals are one part of a much broader set of programmes administered by the SBA aimed at helping women-owned and other small businesses. The SBA also provides financing in the form of loans, loan guarantees and grants; it provides technical assistance through business development centers, seminars and online content; and it oversees affirmative procurement programmes, including small business reservations or set-asides.

In 2000, for example, the United States Congress passed the Equity in Contracting for Women Act authorizing federal procuring entities to set aside

or reserve procurements for competition among women-owned small businesses (WOSBs). For constitutional reasons, the set-asides are limited to industries in which women-owned businesses are underrepresented, such as hardware manufacturing. Notably, implementation of the WOSB Federal Contract Assistance Programme was delayed until February 2011 due, in part, to U.S. constitutional issues.

This last point highlights the fact that both governments and corporations operate within certain constraints. For governments, constitutional and legal considerations limit the scope of affirmative procurement programmes. For corporations, it is their fiduciary responsibilities to shareholders.

**WOMEN'S EMPOWERMENT PRINCIPLE 5 CALLS FOR THE IMPLEMENTATION OF ENTERPRISE DEVELOPMENT, SUPPLY CHAIN AND MARKETING PRACTICES THAT EMPOWER WOMEN**

1



**EXPANDING BUSINESS RELATIONSHIPS WITH WOMEN-OWNED ENTERPRISES,**  
INCLUDING SMALL BUSINESSES, AND WOMEN ENTREPRENEURS.

2



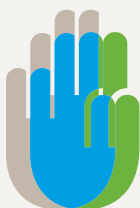
**SUPPORTING GENDER-SENSITIVE SOLUTIONS**  
TO CREDIT AND LENDING BARRIERS.

3



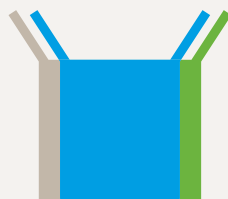
ASKING BUSINESS PARTNERS AND PEERS TO **RESPECT THE COMPANY'S COMMITMENT TO ADVANCING EQUALITY AND INCLUSION.**

4



**RESPECTING THE DIGNITY OF WOMEN**  
IN ALL MARKETING AND OTHER COMPANY MATERIALS.

5



**ENSURING THAT COMPANY PRODUCTS, SERVICES AND FACILITIES ARE NOT USED FOR HUMAN TRAFFICKING AND/OR LABOR OR SEXUAL EXPLOITATION.**



# UNDERSTANDING AND FINDING WOMEN- OWNED BUSINESS ENTERPRISES

# 2. UNDERSTANDING AND FINDING WOMEN-OWNED BUSINESS ENTERPRISES

To effectively increase the number of women-owned business enterprises participating in corporate supply chains, corporations must develop a network of suppliers that are both owned and controlled by women and capable of providing goods and services in the quantities and of the quality required. This includes suppliers at all levels of the value chain. This requires, from the outset, an in-depth understanding of the potential supplier base and market opportunities, as well as a commitment by corporate management to pursue gender-responsive procurement.

The process of understanding and finding women-owned businesses begins by defining what it means to be a “women-owned business enterprise” for the purposes of corporate procurement. This definition is foundational to understanding market capabilities, establishing baselines against which to measure progress, targeting technical and sometimes financial assistance, and determining which businesses are eligible for preferential procurement programmes (ITC, 2014).

This definition is also important because:

- Policymakers and service providers need to know which target groups should be assisted so that they can develop better policies and services for small businesses.
- Small business owners need to know into which target group they fall so that they can determine the support measures for which they qualify.
- Researchers need a common understanding of what small business is so that they can measure and compare its performance in different regions and sectors, and with other countries. (Linarelli, *et al.*, 1998, p.34.)

## I. Certifying Women-Owned Business Enterprises

### A. Defining “Women-Owned Business Enterprises”

There is no universally agreed definition of what it means to be a women-owned business enterprise. Corporations that are members of WBENC and WEConnect International apply a common definition they developed for members in all target markets. Other definitions vary between and even within procurement systems.

In South Africa, for example, a recent study found that the lack of a uniform definition of women-owned business across public sector departments and agencies made it difficult to assess the effectiveness of affirmative procurement policies. Some procuring entities had defined a women-owned business to mean a business having at least 50 per cent black women ownership, others defined it as a business having 100 per cent women ownership, and still others had no discernible definitions, despite purportedly tracking procurement spending on women-owned businesses (ITC, 2014).

Yet, carefully constructed definitions and eligibility criteria are important, most notably because they reduce the likelihood of tokenism and fraud, both of



which undermine the goals of inclusive and diverse sourcing. Tokenism is “the practice of making only a perfunctory or symbolic effort to do a particular thing, especially by recruiting a small number of people from underrepresented groups in order to give the appearance of sexual or racial equality within a workforce.”<sup>8</sup> Within the current context, tokenism occurs when companies place women in key management positions, but do not simultaneously grant them duties, responsibilities and authority

commensurate with those positions. Tokenism can also occur when women are given an equity stake in a company, but no real say as to how the company is run. In South Africa, this practice, known as “fronting”, became so widespread that the government passed legislation specifically prohibiting it (IFC, 2014). When it is done solely to gain preferential status as a women-owned business, these practices can amount to criminal or civil fraud.

#### BOX 8

### Aerospace Firm Misrepresents Itself as Women-Owned

In October 2015, an aerospace company agreed to pay a \$20 million fine to the United States government for misrepresenting itself as a women-owned small business in violation of the civil False Claims Act, 31 U.S.C. §§ 3729-3733. The company had certified to government contractors that it was a women-owned small business to gain a competitive advantage in obtaining subcontracts. The contractors in turn made representations to the government regarding the status of the aerospace company as a women-owned small business. Government agencies and the U.S. Small Business Administration track this information to ensure small businesses, including those owned and operated by women, are participating to the maximum extent practicable in the government supply chain.

However, the aerospace company did not meet and never did meet the requirements of a women-owned small business under the U.S. Small Business Act. Specifically, women did not own a majority of the company, nor did any women manage or control the company’s management and daily business operations.

Upon reaching the settlement, the U.S. Attorney for the Southern District of New York remarked: “The Small Business Act serves the important purpose of increasing legitimate participation by woman-owned businesses, and when business owners engage in fraud that undermines this purpose, they need to be held to account.”

Source: <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-files-and-settles-civil-fraud-lawsuit-against-ufc-aerospace-and>

To avoid these potential pitfalls, the definition and eligibility criteria for a women-owned business should address the following elements:

#### 1. Ownership

To qualify as a women-owned business, a business must be owned in whole, or at least more than half, by one or more women. On its face, this would appear to be a relatively straightforward proposition; but in practice, it is not. Ownership structures and ownership interests can vary considerably from

enterprise to enterprise and from country to country. Moreover, ownership records do not always tell the whole story. Ownership interests may be subject to conditions, executory agreements, voting trusts, shareholder agreements, and other arrangements that can cause or potentially cause the transfer of ownership rights to other individuals or entities, or restrict or dilute the ownership rights of the majority (women) shareholders.

8 Online Oxford English Dictionary, <https://en.oxforddictionaries.com/definition/tokenism>

The following examples illustrate the types of arrangements that would encumber ownership rights:

- An operating agreement provides that the company may be terminated in the event of any of four conditions: (1) the sale of all the company's assets; (2) the unanimous agreement of the members; (3) the entry of a decree of judicial dissolution; and (4) at the direction of one of the male members. Thus, only the male member possesses the unilateral ability to terminate the company. The fact that he may do so without the woman owner's consent is a restriction on the woman's ownership rights (SBA, 2010, p. 18).
- The by-laws state that if the majority (woman) shareholder wants to sell her shares in the business concern, she must find a buyer for the minority (male) shareholder and the minority shareholder must approve the buyer. This places a condition on the ownership of the business concern (SBA, 2010, p. 19).
- A transfer of ownership agreement shows that the 51 per cent woman owner of a company must give right of first refusal to a male if she decides to sell

her shares. The agreement also requires that the sale price to the male cannot exceed the amount she paid for the shares initially. This is not unconditional ownership; instead, her rights are conditional and encumbered (SBA, 2010, p. 19).

- An investment agreement grants a minority (male) shareholder stock options or the right to convert preferred stock or bonds into common (voting) stock. The minority owners can potentially dilute the ownership interests of the majority (women) shareholder by exercising stock options or converting preferred stock or bonds into common (*i.e.*, voting) stock.

Arrangements like the ones described above have the potential to undermine corporate procurement programmes designed to empower women and support women-owned businesses. For this reason, it is incumbent upon corporations to look beyond the pro forma ownership of a business to ensure that women have real, substantial, and continuing ownership of the concern. Ideally, their ownership should be both unconditional and direct.

#### BOX 9

### Scaling Up: The Potential Impact of Restricted Stock Agreements and Stock Options on Ownership Rights

Ownership interests are not static. They can change over time, both in terms of quantity and quality. Consider, for example, a technology startup company founded by two women. When the company is first incorporated, the company will typically issue shares to each of the women based on their respective capital contributions and/or services to the company. At that point in time, the women unconditionally own 100 per cent of the company stock. As with most startups, the company will eventually reach a point where it needs additional funding to grow. The company can obtain this funding through either debt financing (*i.e.* a loan) or equity financing (*i.e.* outside investors).

If the company chooses the latter option, the nature of the founders' ownership interests may change. Venture capital firms or angel investors, for example, often insist upon a restricted stock agreement in order to protect their investments. Restricted stock is generally common stock that is subject to repurchase or forfeiture upon the occurrence of certain contractual conditions. Most often, vesting of the stock is conditioned upon the founders' continued employment at the company, but this is not always the case. At the point the women agree to the restrictive stock arrangements, their interests in the company are no longer unconditional, and they can no longer exercise the customary incidents of ownerships.

## 2. Control

Unconditional ownership by itself is insufficient to avoid tokenism. Women must also exercise control over both the long-term decision-making and the day-to-day management and administration of the business operations. Typically, a woman should hold the highest officer position in the company and should have the managerial experience needed to run the concern. Each type of ownership or business structure (*i.e.*, sole proprietorship, partnership, limited liability company, corporations) will present unique issues related to control.

It is important to note that articles of incorporation, operating agreements, bylaws and the like can limit the actual control or independence of the women who are purportedly managing and running companies. If, for example, the female President and Managing Member of an LLC cannot purchase supplies, borrow money, sign contracts, hire and fire employees, or make other management decisions without the consent of the other (male) members, then she does not have effective control of the company. As with ownership, corporations must look beyond *pro forma* titles to determine whether women actually exercise control over the management decisions and daily business operations of the company.

## 3. Independence

Oftentimes, whether or not a business concern qualifies as a women-owned business will rest solely on the issues of ownership and/or control.

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For example, to qualify as a women-owned small business under the US Small Business Act, a business concern that otherwise meets the applicable size standards must be at least 51 per cent unconditionally and directly owned and controlled by one or more women.

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WBENC and WEConnect International use similar eligibility criteria to determine whether a business concern qualifies as a “women business enterprise” (WBE). However, WBENC and WEConnect International also require that the firm be independent.

An independent business concern is one in which:

- a) The woman or women owner(s)’s expertise must be indispensable to the business’s potential success; and,
- b) The woman or women owner(s) have the ability to perform in its area of specialty/ expertise without substantial reliance upon finances and resources (*e.g.*, equipment, automobiles, facilities, etc.) of males or non-woman business enterprises.

Thus, for example, a women-owned business would not be considered independent if it could not operate without the licenses, permits and/or insurance held by another business. When a women-owned business is too closely affiliated with or reliant on a non-woman business enterprise, there is a substantial risk that the latter will have the power to control the former. This too could undermine a corporation’s efforts to promote supplier diversity and empower women.

## B. The Significance of Certifying

Certification is the process by which a business concern’s eligibility as a women-owned business is determined. An effective certification process is important to both corporations and women-owned businesses. Certification provides corporations with an easy and effective way to assess whether a business purporting to be women-owned is in fact women-owned.

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For women-owned businesses, certification maximizes their market opportunities with corporations, public sector agencies, and other certified women-owned businesses (Vazquez & Sherman, 2013).

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Certification also benefits socially conscious consumers, who are looking for products and services from companies that align with their values. This includes firms that have been certified as women-owned and corporations that procure products from them (see ‘Reputation and Branding’ in Chapter 1, p.28).

### C. Leveraging Existing Certifications and Certification Mechanisms

Several options exist for certification: self-certification, third-party certification, government certification, or certification using in-house resources. Of these, self-certification is the simplest and least costly option, but it suffers from a number of drawbacks. Self-certification relies on individual businesses to determine whether or not they meet each of the eligibility requirements. The effectiveness of this process is predicated on the ability of individual companies to understand what unconditional ownership means, what control means, and what types of arrangements might be disqualifying. It also relies on the ability of each company to conduct a critical and honest self-assessment.

In the United States, the federal procurement system relies to a large extent on self-certification. Small businesses, in particular, must complete annual representations and certifications regarding their size status and whether they qualify as women-owned or other category of small business (such as veteran-owned or service-disabled). In addition, each time a small business responds to a solicitation for goods or services, it must either verify that its representations and certifications are current, or update them accordingly.

However, although the federal government relies heavily on self-certification, there are mechanisms in place to check potential abuses. For example, under the Women Owned Small Business (WOSB) Program, contracting officers are allowed to restrict competition for certain contracts to small business concerns owned and controlled by women. Women-owned small businesses that participate in the Program may self-certify, so long as they deposit supporting documentation in a central online repository. This documentation is subject to examination by the Small Business Administration, and review by contracting officers before the award of contracts. One commentator described this process as “trust, but verify”.<sup>9</sup>

Notably, in 2015, Congress deleted the self-certification option from the WOSB Program, although it has not yet been implemented. Deletion of the self-certification option may have been in response to a recent government report in which contracting officers complained that the WOSB self-certification process was unduly “burdensome or complex” relative to other small business programmes with set asides (Government Accountability Office, 2014). As amended, the law now requires certification “by a Federal agency, a State government, the [SBA] Administrator, or a national certifying entity approved by the Administrator.”<sup>10</sup> If the past is any indication, neither the SBA nor any federal agency is likely to commit the resources needed to develop and implement its own certification process.

Third-party certifications offer an effective and, in many respects, superior alternative to either self-certification or certifications using in-house resources. Organizations, such as WBENC and WEConnect International (see Box 10 below), have been certifying businesses owned, controlled and operated by women for years. As a consequence, they already have in place the experience, expertise and procedures necessary to vet and certify women business enterprises. Perhaps more importantly, they have compiled databases of certified women business enterprises that corporations can leverage to develop more diverse and inclusive global supply chains.

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9 There are also procedures in place allowing one firm to challenge another firm’s WOSB eligibility during a competitive procurement. The federal government has other means of encouraging compliance as well. In particular, it can impose administrative, civil and/or criminal penalties on firms that falsely or fraudulently certify as women-owned small businesses. These remedies, of course, are not available to corporations or private citizens.

10 Pub.L. No. 113-291, 2015 National Defense Authorization Act, Sec. 825.

## BOX 10

### Connecting Corporate Buyers with Women Business Enterprises in Over 100 Countries

Internationally, WEConnect International has been at the forefront of efforts to help women business enterprises access and succeed in global value chains. To accomplish this, WEConnect International identifies, educates, registers and certifies women business enterprises and then connects them to multinational corporate buyers. WEConnect International summarized its approach as follows:

**Educate.** We educate women business owners on how to access new markets and grow their companies.

**Train.** We train corporations on how to source from women business owners and we train women business owners on how to sell to corporations.

**Assess.** We identify women-owned businesses, assess their readiness to access new markets, and deliver a certification for Women's Business Enterprise (WBE) wanting to do business with corporations committed to global supplier diversity and inclusion.

**Connect.** We break down the barriers that prevent women business owners from connecting to each other and to new market opportunities, including connections to local and multinational corporate buyers.<sup>11</sup>

Currently, WEConnect International educates and certifies women business enterprises in 21 countries and provides general support to women entrepreneurs in more than 100 countries. New target markets in developing countries are always under consideration based on member sourcing activity, women business owner readiness, government support and available funding.

Since its founding in 2009, more than 6,000 certified and self-registered women business enterprises and more than 75 corporations with over US\$1 trillion in total annual purchasing power

have joined WEConnect International's network. Members use WEConnect International as a peer network for sharing global best practices and lessons learned in supplier diversity and inclusive sourcing. Their multilingual global eNetwork is a unique digital platform that connects women suppliers with members based on needs, collects valuable data, provides easy access to online training, and tracks certification and use of the "Women Owned" logo to build consumer awareness. With thousands of businesses already in the eNetwork, the goal is to maximize impact by expanding this sustainable market driven model and invest in the capacity of various local and global partners and stakeholders to collaborate.

The corporations that have demonstrated their written commitment to sourcing more from women-owned businesses by joining WEConnect International as a local or global member represent all major industry sectors, and most source products and services from over 100 countries. This growing list of industry leaders includes: Accenture, Act 1, Adient, AIG, American Express, Anthem, Apple, AvisBudget Group, Barclays, Biogen, BMW, BNY Mellon, Boeing Company, Bristol-Myers Squibb, Cargill, Chevron, Citi, Coca-Cola Company, Cox Automotive, Cummins, Inc., Dell, Delta, Disney, Dun & Bradstreet, ECOLAB, EDF Energy, Enterprise Rent a Car, Estee Lauder, ExxonMobil Corporation, EY, Ford, Garanti Bank, Goldman-Sachs, Google, GSK, Hilton, IBM Corporation, Inter-American Development Bank, Ingersoll Rand, Intel, Interpublic Group, ISS, Johnson & Johnson, Johnson Controls, JP Morgan, Knoll, KPMG, Marriott International, MasterCard, Merck, MetLife, Microsoft, Monsanto, Morgan Stanley, Nokia, P&G, Pacific Gas and Electric, PepsiCo, Pfizer, Inc., Roche, Royal Bank of Scotland, SAP, Sodexo, Superior SDI Limited, TD Bank, TransCanada, Turkish Economy Bank, UPS, Verizon, Wal-Mart Stores, Inc., Wells Fargo, Westpac and Wyndham.

Sources: WEConnect International (2015); <https://weconnectinternational.org/en/>

<sup>11</sup> <https://weconnectinternational.org/en/about-us/who-we-are>

## II. Connecting with Women-Owned Businesses

To better understand the capabilities of women-owned suppliers in new markets and identify potential engagement opportunities in those markets, many corporations rely on established business associations and networks that focus on connecting diverse suppliers with corporate buyers. These business associations provide an important platform for corporations to exchange valuable information (such as below) about diverse suppliers with whom they have worked:

- ✓ Who are a corporation's top suppliers?
- ✓ How long has a supplier worked with a corporation or in the industry?
- ✓ How large is the supplier?
- ✓ How many contracts has a corporation placed with a supplier?
- ✓ What are the sizes of the contracts?

Business associations that provide opportunities for understanding and connecting with women-owned businesses or other underutilized businesses include:

- Canadian Aboriginal and Minority Supplier Development Council (CAMSC)
- Minority Supplier Development Council China (MSD-China)
- Minority Supplier Development Council UK (MSDUK)
- National Gay and Lesbian Chamber of Commerce (NGLCC)
- South Africa Supplier Development Council (SASDC)
- Supply Nation in Australia
- U.S. Business Leadership Network (USBLN)
- U.S. Pan-Asian American Chamber of Commerce (USPAACC)
- U.S. Small Business Administration (SBA)
- WEConnect International
- Women's Business Enterprise National Council (WBENC)

OVERCOMING  
THE CHALLENGES  
FACING WOMEN-  
OWNED BUSINESS  
ENTERPRISES



# 3. OVERCOMING THE CHALLENGES FACING WOMEN-OWNED BUSINESS ENTERPRISES

For small businesses, becoming a corporate supplier is a catalyst to growth. It provides them with increased revenue and financial stability, it opens doors to other large clients, and it lends instant credibility (Foggin, 2009). Today, however, breaking into the corporate supply chain can be difficult, as evidenced by the relatively small number of companies that have managed to do so. This is particularly true for businesses owned by women.

Women business owners who are seeking to access the corporate supply chain face a number of significant challenges, from simply knowing where to find procurement opportunities to meeting the technical and financial requirements of corporations. This section presents some commonly cited challenges faced by women business owners and techniques for addressing them.

The challenges cited below are not necessarily exclusive to women-owned businesses. Many affect other small businesses as well, irrespective of ownership. Consequently, reforms addressing these

challenges may have collateral benefits for other small businesses.

It is important to note, however, that women-owned businesses are disproportionately impacted by these challenges. Women-owned businesses are starting from a less advantageous position than their male counterparts in terms of access to financial, human and social capital. They also must contend with additional obstacles above and beyond those encountered by men because of persistent social, economic, cultural, and/or legal inequities.

Strategic Sourcing
A. Increasing Access to Information and Social Networks
B. Streamlining the Application Process
C. Streamlining the Contracting Process
D. Limiting Contract Sizes
E. Establishing Appropriate Award Criteria
F. Providing Feedback
G. Paying Promptly



## I. Strategic Sourcing

Over the past few decades, corporations have developed complex, fully integrated global supply chain structures that are difficult for women-owned and other small businesses to penetrate. A number of factors contributed to the growth of these global supply networks, including the information and communications technology (ICT) revolution in the mid-1980s, which enabled corporations to coordinate complex tasks at a distance and at a relatively low cost, and the proliferation of international standards, which allowed companies to export the production of parts and components to more low cost locations (Park, Nayyar & Low, 2013).

At the same time, corporations grew larger and more global, especially through mergers and acquisitions. As part of this consolidation process, corporations have taken advantage of their global scale by combining and standardizing operations to increase efficiency, while buying goods and services globally and in greater bulk. Corporations have simultaneously reduced the number of suppliers they use to a select few who have proven track records and can provide goods and services in large quantities and at lower prices. These changes have disadvantaged small and medium businesses (Center for a Urban Future, 2010).

The challenge for corporations is to always have access to the best suppliers, which often includes small growth-oriented businesses delivering much needed innovation. Rethinking today's supply chain model to be more inclusive is also an important risk mitigation strategy to decrease dependence on one major supplier. By encouraging more women-owned and other small businesses to compete for their business, corporations gain access to a wider pool of supplier options. Reforming corporate procurement policies and practices to be more inclusive is a good place to start.

At the outset, it is important to note that there was universal consensus among the corporations and women-owned businesses, which were consulted during the preparation of this Guide, that corporations should not lower their standards to accommodate women-owned businesses. Rather, the emphasis

should be on removing barriers and developing the capacity of these suppliers to compete with other businesses.

### A. Increasing Access to Information and Social Networks

For suppliers, developing a relationship with potential customers is critical. It helps them understand the customer's needs and provides them with an opportunity to pitch their goods and services. In recent studies of corporate supply chains, small businesses cited the lack of information about corporations as one of the major impediments to becoming a supplier (Foggin, 2011 & 2010). Corporate procurement processes are often opaque and many small business owners do not know where to start or whom to contact. One IBM procurement executive remarked, "It can be a challenge to find the right business unit, the right person to call, and to understand what a large enterprise like IBM buys on a regular basis." (Foggin, 2010, p. 14).

The prospect of having to develop relationships with corporate buyers is even more daunting for women business owners. Women lack the formal business networks through which they can obtain information about potential corporate customers or get an introduction to the right person in the company. Indeed, the National Women's Business Council (2015) recently reported that the number one impediment facing women business owners was the lack of contact with corporate decision makers, followed closely by the lack of relationships with buyers. According to the report: "Women felt that accessing an individual who could actually execute a contract and hire them was a major impediment and barrier yet to be removed." (NWBC, 2015, p. ii).

Women business owners reported that the lack of notification about contract opportunities was also a hindrance. In some cases, this is a direct consequence of not having strong relationships with corporate buyers, who are responsible for sourcing supplies and services and making purchasing decisions. For women business owners who are participating in a supplier diversity and inclusion programme, the supplier diversity and inclusion programme manager is the one who typically alerts suppliers to upcoming

opportunities. This works so long as there is close cooperation and coordination between the supplier diversity and inclusion program manager and the corporate buyers. If, however, this cooperation and coordination breaks down then the likelihood that the women business owners will learn of upcoming contract opportunities diminishes (NWBC, 2015). This, of course, underscores the importance of empowering supplier diversity and inclusion program managers to work closely with buyers and other parts of the business.

Notably, the lack of information about procurement processes and opportunities is not confined to the private sector. A common complaint among micro, small and medium-sized businesses doing business with governments is that they are not aware of and do not know where to look for public procurement opportunities (ITC, 2014).

Some techniques for making the procurement process more accessible to suppliers include:

- ✓ Hosting and/or participating in supplier conferences (e.g. WBENC, WEConnect International, or International Trade Centre conferences and vendor forums) to educate small businesses on the corporate purchasing process and to connect them with buyers.
- ✓ Publishing procurement policies, procedures and points of contact on the corporate website.
- ✓ Establishing a single web portal, or electronic clearinghouse, through which corporate tenders are published.<sup>12</sup>

## B. Streamlining the Application Process

To become a corporate supplier, small businesses must first contend with a lengthy and burdensome application process. This typically involves completing a lengthy questionnaire and submitting reams of documentation on their companies. Corporations believe this information is essential because it allows them to evaluate product quality as well as the capabilities and reliability of the suppliers themselves. Small businesses, on the other hand, find this process time-consuming and challenging.

<sup>12</sup> The appropriateness and effectiveness of web-based solutions depends upon the level of electronic penetration in a given country. International Trade Centre (2014). Empowering Women through Public Procurement. Geneva.

To vet potential suppliers, corporations evaluate them against a broad range of criteria, which may include the following:

- Supplier capabilities, past performance, management, and expertise
- Quality standards
- Competitive pricing
- Delivery schedules
- Technology capabilities and infrastructure
- Financial stability and tax status
- Insurance requirements
- Region(s) of operation (scale)
- IT Security Procedures
- Sustainability Efforts

The application process can dissuade many women-owned and other small businesses from applying to become corporate suppliers, especially when every corporation has its own application process and there are no guarantees it will result in contracts. Successfully navigating the application process only means that a supplier is eligible to compete for future procurement opportunities.

Small businesses have limited time and resources, which means that whatever is spent filling out applications is that which cannot be spent elsewhere. This is particularly true for women-owned businesses, which tend to be smaller than businesses owned by men, have less business experience, and are time poor due to competing family and childcare responsibilities. Consequently, the more onerous the application process is, the less likely that women business owners will apply.

Several large companies have attempted to address this problem by creating a single, standardized online application called the Supplier Connection that allows small businesses to market themselves to multiple U.S. companies at the same time.<sup>13</sup> These companies, among others, include Citi, Dell, Facebook, IBM, Kellogg's, Office Depot, Pfizer, Siemens, and UPS.

<sup>13</sup> <https://www.supplier-connection.net/SupplierConnection/index.html>; see also, <https://www.sba.gov/blogs/how-move-and-become-part-supply-chain-larger-companies>.

There are other steps corporations can take to streamline the application process short of creating a single, consolidated registration system, like the Supplier Connection. For starters, corporations should, to the maximum extent practicable, standardize the type of information requested across business units, so that suppliers only have to input the information once into a centralized database.

Corporations should also review the technical and financial qualifications requirements for suppliers to ensure they make sense. Small businesses frequently complain that procuring agencies set technical qualification criteria too high and/or establish financial requirements that are too onerous. To be sure, corporations have a duty to ensure suppliers have the technical and financial capabilities necessary to perform the contracts, but care must be taken to ensure that the qualification requirements are appropriately tailored to the circumstances. A one-size-fits-all approach will unnecessarily exclude many women-owned businesses.

This is particularly true for financial requirements—many women-owned businesses often do not know how to meet these requirements, nor have the financial resources necessary (NWBC, 2015). For example, in the public procurement context, a number of African women business owners and organizations consulted by the ITC (2014) repeatedly commented that the requirement for audited financial accounts is a major stumbling block to doing business with the government. Many women entrepreneurs, particularly in developing economies, simply do not have the financial literacy to properly maintain their books and records, nor can they afford to have their accounts audited every year. Other financial requirements, such as performance bonds, bid guarantees, and even fees for tender documents, are also beyond the reach of some women-owned businesses. Like all qualification criteria, financial requirements need to be reviewed and appropriately tailored to the size, scope and complexity of the procurement.

### C. Streamlining the Contracting Process

Women-owned businesses that successfully navigate the application process to become corporate suppliers are not guaranteed business. It simply means they are eligible to compete for upcoming

contract opportunities. For many women-owned businesses, the corporate contracting process can be just as daunting as the application process, if not more so. Indeed, over half of the 836 women business owners surveyed by NWBC in 2015 indicated that the corporate contracting process was too complex and overly bureaucratic.

Because of this, corporations should make every effort to simplify, clarify, and standardize the contracting process and documentation. As Lineralli, *et al.* (2008) explained:

**Standardization has the potential to lower the transaction costs of contracting. Standardization also tends to produce a positive network externality. As frequency of their use increases, courts and parties become more familiar with the standardized terms and conditions, and certainty increases. Standardized terms also solve certain asymmetric information problems. Clauses become known in the field and parties are in a better position to know the risks and benefits associated with the clauses.**

### D. Limiting Contract Sizes

As corporations have grown larger and vastly more global, they have reduced the number of suppliers they use to a select few who can provide goods and services in large quantities and at lower prices. This has placed women-owned businesses at a distinct disadvantage. The practice of bundling multiple requirements into one large contract can effectively preclude many women-owned businesses from competing for the work because they do not have the scope or depth of other firms.

Hadary (2010) reports that large prime contractors include women-owned businesses as subcontractors in their bids to satisfy the diversity requirements of corporations, but after winning the contract, the corporations do not provide any work to them. She suggests that the same “bait-and-switch” technique is used by corporations in the government procurement context, as well.

To be sure, there are benefits to bundling multiple requirements into one large contract or purchasing in bulk from a select group of suppliers, but there are also costs. Corporations that follow this model are more

vulnerable to disruptions in the supply chain and they miss out on the many other potential benefits associated with supplier diversity and inclusion. For many women-owned and other small businesses, small contracts serve as an entry-point into the corporate

supply chain. Whenever practical, corporations should look for opportunities to unbundle requirements, or limit the size of their contracts, particularly at the local level.

#### BOX 11

### Whirlpool Latin America: Identifying “Bite-Size” Opportunities For Micro-Businesses

Since 2002, Whirlpool Latin America has been working through its Social Responsibility Institute (Consulado da Mulher) to empower women entrepreneurs who live in poor communities surrounding its production facilities and administrative units. This was primarily being done through capacity building programmes and capital investment.

In 2007, Whirlpool decided to include these women in its supplier list. Since then, women have operated the snack bars in all of Whirlpool’s business units with the assistance of the Institute. The company has also incentivized its administrative areas to purchase coffee breaks, lunch and food for events from these women suppliers.

This innovative initiative has generated positive results for both the company and women vendors:

- To date, approximately 110 women have benefited from the programme.
- In 2016, there were more than ten women-owned micro businesses that supplied goods and services to Whirlpool.
- The snack bars alone generated gross revenue of one million Brazilian reals between January and October 2016.
- Two other companies decided to include these women on their supply chains, one in the insurance business and one in the medical business.

## E. Establishing Appropriate Award Criteria

Every year, corporations purchase trillions of dollars worth of products globally, from raw materials to finished products to services. The methods they use to acquire those goods and services vary depending upon the particular needs, objectives, and policies of the company. A multinational retailer’s approach to buying products for its summer catalogue will be different from a manufacturer’s approach to buying capital equipment. Generally, however, large corporations tend to use competitive procurements where the award is typically made to the bidder who submitted the lowest priced, technically acceptable tender.

In general, women-owned businesses cannot successfully compete against other businesses when price is the most predominant selection criteria. Indeed, a recent evaluation of SME access to public procurement markets in the European Union noted that

the most frequent problem faced by SMEs—which includes the majority of women-owned businesses—was the procuring entities’ over-emphasis on price (DG Enterprise, 2007).

By emphasizing price rather than “value for money”, the procuring entities not only ignore the life-cycle costs associated with the purchases, but also forego the many innovative solutions offered by small firms. Accordingly, the research suggests that procuring entities wishing to level the playing field for small businesses, including those owned by women, should consider awarding contracts to those firms whose offers represent the best overall value to the procuring entities, rather than simply the lowest price. Best value determinations (also known as “economically most advantageous” determinations) take into account non-price factors such as technical merit, quality, cost-effectiveness, and after-sales service in addition to price (ITC, 2014).

## F. Providing Feedback

The importance of providing feedback to unsuccessful bidders after a competitive procurement cannot be overstated. Post-award feedback provides suppliers with invaluable information about the strengths and weaknesses of their tenders so that they are better able to compete for contract opportunities in the future. In short, feedback is an important tool for supplier development.

Within the government marketplace, feedback is seen as an essential component of the procurement process and is viewed as international best practice. More and more countries are mandating that procuring agencies provide unsuccessful bidders with an opportunity for feedback. The recently revised World Trade Organization Government Procurement Agreement (WTO GPA) also obliges procuring entities to provide an unsuccessful supplier, upon request, with an explanation of the reasons why their tender was not selected, and the relative advantages of the successful supplier's tender.<sup>14</sup>

## G. Paying Promptly

In a survey of small businesses in New York City, almost half of the respondents reported that the biggest challenge they encountered with corporate customers was the slow payment of invoices (Foggin, 2011). This is a problem echoed by small businesses around the world.

Delayed payments can have a devastating effect on women-owned small businesses. Because their financial resources tend to be limited in the first place, women-owned businesses are less able than larger firms to absorb the impact of delayed payments. Such payments reduce the working capital available to women-owned businesses and negatively affect their production capacity and profitability (Linarelli, *et al.*, 1998). The effects of delayed payments are particularly acute where the women entrepreneurs are servicing loans that enabled them to compete for and perform the contracts in the first place. This means that these women-owned businesses end up financing the public or private entity they performed contracts for instead. And in extreme cases, the women are forced

to wind up their businesses because the debt becomes unsustainable or they lack sufficient working capital to continue operating.

To alleviate the financial distress caused by delayed payments, it is incumbent upon corporations to establish efficient and effective systems for processing invoices and remitting payments. Corporations should also consider more favorable payment terms for women-owned and other small businesses, especially if the corporation's standard payment terms exceed 30 days (i.e., net 30).

Notably, delayed payments are also an issue for second and lower-tier suppliers. Just because corporations may pay their first-tier suppliers promptly does not mean these suppliers will reciprocate by paying their subcontractors in a timely fashion. In fact, there are plenty of anecdotes of first-tier suppliers who fail to pay their second or lower-tier suppliers at all. As corporations continue to consolidate their supply chains and reduce the number of first-tier suppliers, it is increasingly more likely that the point of entry for women-owned businesses will be at the lower tiers of the corporate supply chain. Corporations should therefore make every effort to encourage, contractually or otherwise, their first-tier suppliers to promptly pay subcontractors.

## II. Supplier Development

The discussion thus far has focused on identifying and eliminating structural impediments on the buy side that prevent women business owners from accessing and fully participating in the corporate supply chain. To be successful, however, gender-responsive procurement programmes must do more than simply open the doors to women-owned businesses. They must also develop the capacity of women-owned businesses to compete and succeed as suppliers (NWBC, 2015).

Supplier development is defined as "the process of working with certain suppliers on a one-to-one basis to improve their performance and expand capabilities for the benefit of the buying organization". (CVM Solutions, 2016, Sept. 1). However, supplier development yields benefits for both the buying organization and

<sup>14</sup> See Article XVI:1 of the revised Agreement.

its suppliers. From a corporate perspective, these include:

- ✓ Expanding the competitive landscape (pricing, service levels, and offerings) between the organization's existing and potential vendors.
- ✓ Promoting innovation and "out-of-the-box" thought-leadership through the entrance of new products, services, and solutions in the business.
- ✓ Growing the sources and channels from which to procure products and services.
- ✓ Creating a collaborative environment between suppliers that may see themselves as competitors, when in fact their solutions may be complementary, allowing them to team up on business opportunities on which they could not normally bid.
- ✓ Showcasing the organization's commitment to the economic growth of the communities in which they operate.
- ✓ Driving job creation.
- ✓ Building the capacity of diverse businesses not only to serve the organization more effectively but also to increase their sustainability in the entire marketplace.
- ✓ Increasing the organization's customer satisfaction, whether it be B2B or B2C.
- ✓ Increasing visibility and awareness of executive management to key diverse suppliers.
- ✓ Fostering engagement of management executives across all parts of the organization, not just Procurement.

*(Ibid.)*

Corporations currently use a variety of activities to improve supplier performance and enhance their capabilities. The following are a few capacity-building activities that are particularly relevant to women-owned businesses.

### A. Establishing Outreach Programmes

As mentioned earlier, two major impediments preventing women business owners from accessing corporate supply chains is their lack of contact with corporate decision makers, and lack of relationships with buyers. Women business owners tend to lack the social networks necessary to generate new business or get introductions to corporate decision makers and buyers. They also lack sufficient information about potential corporate customers. Outreach programmes can address these issues.

Outreach programmes often include one or more of the following activities:

- Attendance and/or sponsorship of trade fairs.
- Participation in local, state, and national women-owned business councils.
- Sponsorship of networking events and educational workshops for women-owned and first-tier suppliers.
- Public recognition of outstanding women-owned suppliers.
- Dissemination of information about gender-responsive procurement programmes on corporate websites with points of contact and links to resources for suppliers.
- Capacity-building and supplier mentorship.

#### BOX 12

#### Government of Karnataka in India

In 2014, the Government of Karnataka in India developed an Industrial Policy to drive sustainable inclusive economic growth from 2014 to 2019. At the heart of the policy is supporting micro, small and medium enterprises (MSMEs), and economic opportunity to reduce poverty, with a specific focus on women's enterprises, as set forth in the following provision:

#### 5.6.12 Encouragement to Women Entrepreneurs:

With a view to encourage and give a special thrust to women entrepreneurship and to improve the contribution of women entrepreneurs and facilitate creation of more women enterprises in the State in the next five years, enterprises promoted either as a proprietary concern or a partnership firm / private limited company where all



the partners or directors are women, following initiatives are proposed:

- i. It is proposed to promote two industrial areas in the State at potential locations such as Hubli-Dharwad and Harohally in Kanakapura taluk for women.
- ii. Reservation of 5% of plots/sheds in the Industrial Areas/Estates developed by KIADB/KSSIDC for women entrepreneurs in all the future Industrial areas/estates.
- iii. Exclusive cluster for women in Textile, Gem & Jewellery.
- iv. Trained entrepreneurs by CEDOK or recognized training institutions will be provided with low interest start up loans (with interest subsidy) and flexible repayment schedule.
- v. State to introduce Entrepreneurship Development Programmes exclusively for prospective women entrepreneurs.

vi. MSMEs promoted by women entrepreneurs will be encouraged with attractive incentives and concessions.

The Government is turning policy into action by partnering with WEConnect International. In 2016, the Government provided \$400,000 in in-kind support to WEConnect International in India to certify women's business enterprises and to support the 2016 ThinkBig Summit which offered over 3,000 women-owned businesses, corporations, buyers, and investors the opportunity to connect.

This is a meaningful policy that incorporates women entrepreneurs as a core component of the economic growth plan and ensures that policy is connected to action by supporting initiatives that put money into the hands of women and provides real market opportunity for women-owned businesses.

Source: [http://www.bangaloreitbt.in/docs/2014-new/industrial\\_policy.pdf](http://www.bangaloreitbt.in/docs/2014-new/industrial_policy.pdf).

## B. Technical Assistance

Women-owned businesses tend to have less access to human capital than businesses led by men. While women have made tremendous gains over the past few decades on the educational front, they still lag behind men in terms of business and managerial experience. This directly impacts their potential to succeed in business.

These obstacles can be mitigated to some extent through technical assistance. A 2009 review of SBA's Women's Business Center Programme found that education has been one of the best options for closing the gap between women and men entrepreneurs. Specifically, the review found: "Entrepreneurial education is successful in serving women if, in addition to academic learning, it provides training in practical skills, support services and experiential learning aimed at increasing women's understanding and access to human, financial, and social capital." (NWBC, 2009). The review also notes that learning environments designed specifically for women are more successful.

Technical assistance can be delivered through a variety of channels, including but not limited to, corporate outreach, government agencies, educational institutions, and Trade Support Institutions—including most notably, women's business associations and organizations.

The potential variety of technical assistance activities is limitless. For example:

- As part of Ford Motor Company's technical assistance programme, retired automotive industry employees are placed with minority, women and veteran-owned suppliers to assist them with improving their business processes and solving short-term problems.<sup>15</sup>
- Toyota annually provides performance feedback to each of its first-tier suppliers, including an assessment of key supplier diversity factors (NWBC, 2015).

<sup>15</sup> [http://www.fordsdd.com/sdd\\_program/init\\_ftap.htm](http://www.fordsdd.com/sdd_program/init_ftap.htm).

- Coca Cola, in partnership with the Gates Foundation, provided a grant to TechnoServe to work with mango and passion fruit farmers in Uganda and Kenya to increase their productivity, improve quality, organize themselves and gain access to credit.
- Ernst & Young, Count Me In, Vital Voices Global Partnership and other organizations have collaborated with the U.S. State Department to promote access to markets, and finance and train women throughout the Western Hemisphere (Ernst & Young, 2009).
- The Tuck-WBENC Executive Program sponsored by IBM is an intensive, five-day executive development programme for WBENC-certified Women Business Enterprises (WBE). It is an intensive learning experience that focuses primarily on increasing the competitive advantage and robustness of the participant's own business. Up to 60 WBE attendees form a learning community that will continue to provide a source of support, expertise, opportunities, and strategic alliances long after graduation.<sup>16</sup>

### C. Financial Assistance

One of the major factors limiting the size and growth of women-owned businesses and preventing

them from reaching their full potential is the lack of financing. It is a barrier faced by women-owned businesses around the globe. Indeed, the IFC estimates the credit gap for women-owned SMEs in the formal sector alone is approximately \$287 billion across all regions (IFC, 2014).

There are a number of legal, institutional, and socio-cultural factors that contribute to this gender credit gap and an equal, if not greater, number of potential solutions and funding sources. Whatever form financial assistance takes, the evidence strongly suggests that the assistance must be specifically tailored for women business owners (IFC, 2014). In Botswana, for example, a study conducted by the Southern Africa Gender Protocol Alliance found that commercial banks as well as government financing sources tended to exclude women. By contrast, programmes specifically designed for women, such as the Women's Finance House Botswana and Women in Business Association, made a real difference to women's business involvement and empowerment (Southern Africa Gender Protocol Alliance, 2012).

#### BOX 13

#### Benetton Group's Commitment to Support Women Starts in Bangladesh and Pakistan

The Benetton Group is putting forth a two-year calendar of concrete initiatives aimed at female empowerment and legitimization in Pakistan and Bangladesh.

Over the next two years Benetton will support the activities of UN Women (the United Nations organization for gender equality and the empowerment of women), specifically to improve the conditions of female garment workers and

reduce their vulnerability, both at home and in the workplace.

In Bangladesh, Benetton will support some 5,000-6,000 women currently employed in the RMG (Ready Made Garments) sector; in Pakistan Benetton will aid around 1,500 women living in the manufacturing district of Sialkot, giving priority to the unemployed, those working at home or in the fields and those belonging to ethnic and religious minorities.

Source: <https://us.benetton.com/news-events/benetton-groups-commitment-support-women-starts-bangladesh-pakistan/>

Niethammer (2013) points out that the impact of increasing women's access to financing is greater if it is part of a broader capacity-building programme targeted at women business owners. This is the

approach commonly used by institutions, such as the IFC. For example, as part of its Banking on Women strategy, IFC provides customized training to women entrepreneurs in business planning, management,

<sup>16</sup> <http://www.wbenc.org/tuck-wbenc-executive-program/>.



financial literacy and demystifying banks and credit applications (IFC, 2013).

Two global organizations working with private sector and multilateral institutions to increase access to finance by women business owners are Women's World Banking and the Global Banking Alliance for Women. Women's World Banking is a nonprofit devoted to giving more low-income women access to the financial tools and resources required to build security and prosperity through a global network of 40 financial institutions from 29 countries.<sup>17</sup> The Global Banking Alliance for Women is a consortium of financial institutions dedicated to supporting member banks seeking to capture the women's market in over 135 countries by sharing best practice and offering women the financial tools needed for success.<sup>18</sup>

#### D. Business Mentoring

Mentoring is a critical component of supplier development programmes for women-owned businesses, in part because women tend to have weaker business backgrounds than men. Generally speaking, mentorship is "the personal developmental relationship in which a more experienced or more knowledgeable person helps a less experienced or less knowledgeable person. It is a process for sharing knowledge relevant to work, career, or professional development. The intent is to develop another's capabilities through a one-on-one relationship that is outside a formal organizational structure."<sup>19</sup>

According to NWBC (2009), women prefer relationship-oriented approaches to supplier development. Research shows that women business owners are more likely to have success starting and growing their businesses if they have experienced entrepreneurs as mentors.

Among other things, mentorship can help women develop confidence about their business skills and prospects. In general, women are less confident than men about whether they have the knowledge, skills and experience required to start and run a new business. Not surprisingly therefore, there is a direct

correlation between capability perceptions and the rates of early-stage entrepreneurship—in those economies where women have less confidence in their ability to start and run a new business, they are, in fact, starting and running fewer businesses (GEM, 2016, p. 43).

In 2008, based on a growing body of research to support the economic opportunity of investing in women, Goldman Sachs launched *10,000 Women* to provide women entrepreneurs around the world with business management education, mentoring and networking, and access to capital. To date, the initiative has reached over 10,000 women from across 56 countries and resulted in immediate and sustained business growth for graduates of the programme. In addition, since women entrepreneurs described a lack of access to capital as one of the biggest hurdles to growing their businesses, in 2014, Goldman Sachs partnered with the IFC to create a loan facility for women-owned small-and-medium enterprises to enable 100,000 women around the world to access capital.<sup>20</sup>

Since 2008, the EY Entrepreneurial Winning Women Program has offered a competition and executive leadership programme for a select group of high-potential women entrepreneurs whose businesses show real potential to scale, and then helps them do it. Launched in the United States, the programme now serves women entrepreneurs based in the Asia-Pacific, Brazil, European Union, New Zealand, Russia, Southern Africa and Turkey.<sup>21</sup>

### III. Infrastructure Development

In many regions of the world, the effectiveness of the supplier development and sourcing reforms discussed above may be limited by the lack of technological infrastructure. Studies have shown that the use of information and communications technologies (ICTs), such as mobile phones, computers, and the internet, by micro and small businesses has led to better business performance and improved living conditions (ADB, 2014). Goldman Sachs estimates that if lags in

17 <https://www.womensworldbanking.org/about-us/what-we-do/>.

18 <http://www.gbaforwomen.org/about/>.

19 <http://www.thementra.com/about-the-mentra/mentorship/>.

20 <http://www.goldmansachs.com/citizenship/10000women/#about-the-program>.

21 <http://www.ey.com/us/en/services/strategic-growth-markets/entrepreneurial-winning-women--about-the-program>

technology were addressed in the Persian Gulf, along with low levels of investment and human resource development, the region could close its income gap with the G-7 countries by 2050 (Gill *et al.*, 2010).

While ICT has the potential to help women entrepreneurs overcome many of the constraints they face, unfortunately, the research suggests an existing gender divide in digital technology in both developed

and developing countries (although most pronounced in low- and middle-income countries). For example, women are estimated to comprise less than 25 per cent of Internet users in Africa, 22 per cent in Asia, 38 per cent in Latin America, and only 6 per cent in the Middle East (Gill *et al.*, 2010).

#### BOX 14

### Mahila E-haat Online Marketing Platform

Marketing has proven to be a challenge for many women entrepreneurs in India because they lack access to marketing platforms and technological infrastructure. To address this challenge, the Ministry of Women & Child Development established an online marketing platform, known as Mahila E-haat. Here, women entrepreneurs can advertise their products or services—providing

a photograph, description, cost and contact details—enabling direct contact between buyers and vendors or service providers. Importantly, the entire business transaction can be handled through mobile phones. Mahila E-haat is expected to result in a paradigm shift enabling women to exercise greater control over their finances by leveraging technology.

Source: <http://mahilaehaat-rmk.gov.in>

Access to basic infrastructure can be challenging for many women. In India, where women often lack access to basic equipment and floor space where they can manufacture their products, cooperatives are formed to pool resources. According to the Government of India, the cooperative movement started in the agricultural sector towards the end of the 19th century, when farmers discovered that cooperatives were an attractive mechanism for pooling their meager resources to solve problems relating to credit, supplies, and marketing.


Today, many agricultural and informal sector workers around the world—home-based workers and waste pickers in particular—organize into collective enterprises to pool resources, achieve economies of scale, secure markets and increase their visibility and bargaining power. Collective enterprises provide a key pathway to formalization and to increased income security for previously isolated workers. They can also play a significant role in fighting stigmatization.

#### BOX 15

### Self-Employed Women's Association (SEWA)

In India, the Self-Employed Women's Association (SEWA), WEConnect International and Accenture worked together to develop the skills of SEWA waste-pickers, most of whom were vulnerable female laborers in the informal sector. With seed funding from the World Bank, the partners helped to incorporate the SEWA Gitanjali co-operative, which trained members on the production and marketing

of office products made from recycled paper. Today, Gitanjali supplies stationery items to Accenture, IBM, Gift Links, Goldman Sachs, Mindtree, Staples, Walmart, etc. Gitanjali plans to engage 5,000 waste recyclers as stationery producers by 2020, providing sustainable livelihoods and incomes for individuals, families and communities.



SECURING CORPORATE  
COMMITMENT  
THROUGH DATA

# 4. SECURING CORPORATE COMMITMENT THROUGH DATA

Securing management-level support is a necessary prerequisite to successfully developing and implementing a gender-responsive procurement strategy. Without this support, the strategy is unlikely to succeed.

The first step toward gaining corporate support is developing a compelling business case. In general terms, the business case is clear. Gender-responsive procurement increases profitability, provides access to new markets, increases supplier availability, and enhances corporate reputation and customer loyalty (See Business Case, Chapter 1, pp. 24-27). The immediate challenge rather, is to develop a viable strategy for a gender-responsive procurement programme that aligns with the corporation's mission and supports its core business drivers. This requires an understanding of the capabilities and capacity of women-owned businesses to supply the corporation's requirements, and how the corporation might be able to unlock and leverage those capabilities. This requires gender-disaggregated data.

Researchers who study women entrepreneurs often lament the dearth of gender-disaggregated data. Less than one-third of countries disaggregate statistics by sex on informal employment, entrepreneurship (ownership and management of a firm or business) and unpaid work (World Bank, 2016). This lack of reliable data poses a significant challenge for governments, corporations and other institutions seeking to improve the economic and social well-being of women around the globe. The OECD (2012) observed: "One of the main challenges when considering how to boost female entrepreneurship is the lack of solid, reliable data." (p. 17).

By way of example, the IFC found that the lack of reliable gender-disaggregated data has impeded

its ability to make the business case to financial institutions on supporting women-owned business enterprises (IFC, 2014). Commercial banks need more reliable data to better understand the potential of this market segment and to develop strategies and financial products that cater to the unmet needs of women entrepreneurs, while simultaneously allowing the banks to earn a profit.

Globally, efforts are fortunately underway to fill the gender data gap. Indeed, over the past couple of decades, many public and private institutions have devoted and continue to devote considerable time and effort to the study of the gender data gap and how to solve it. For instance, in 2012, the United States, in partnership with the United Nations, OECD and others, launched the Evidence and Data for Gender Equality (EDGE) Initiative, which seeks to push existing efforts to have comparable gender indicators on education, employment, entrepreneurship and assets across countries. The first phase of this three-year initiative included: (1) development of a database for international data and metadata compilation covering basic education and employment indicators; (2) development of standards and guidelines for entrepreneurship and assets indicators; and (3) piloting data-collection in several countries.<sup>22</sup> The ultimate goal of programmes like EDGE is to provide policymakers with the data they need to more fully understand the challenges facing women (and girls) and to develop evidence-based policies and programmes addressing those challenges.

<sup>22</sup> [https://unstats.un.org/unsd/gender/Jordan\\_Mar2012/EDGE%20summary%204th%20GFGS.pdf](https://unstats.un.org/unsd/gender/Jordan_Mar2012/EDGE%20summary%204th%20GFGS.pdf).

Piacentini (2013) argues that the development of internationally-comparable statistics on women's entrepreneurship is essential for the following reasons:

**First, the statistics will allow monitoring trends in the contribution of women to the creation of new businesses, beyond what is currently possible using data on self-employment. Solid numbers proving the potential of women's entrepreneurship for job creation are important to keep the policy momentum high. Second, the data can help understand how the characteristics of women and men entrepreneurs, such as their human capital and management experience, affect the returns from entrepreneurship and thus the relationship between entrepreneurial investments and women's economic empowerment. Third, the statistics can provide insights on policy levers of entrepreneurship and on specific policy instruments that can help women start and develop their businesses (pp. 1-2).**

Like other private and public sector institutions, corporations often lack the data they need to understand and effectively leverage the capabilities of women entrepreneurs. This chapter explores steps corporations and other stakeholders can take to bridge the gender data gap. These broadly include: collecting data on women entrepreneurs; consolidating data in a central database; comparing and analysing data on multiple levels; and then communicating the results to relevant stakeholders and decision makers.

At the outset, it is important to note that this chapter is not intended to be a comprehensive research or data-collection manual. Rather, the objective is to introduce the reader to data-collection generally and to highlight some of the challenges and opportunities for corporations and others in this area.

## A. Defining Objectives

Before data-collection begins, corporations must clearly define the objectives of their research. All other aspects of the research, including data-collection and analysis, will flow from this.

Research objectives will undoubtedly vary by corporation, depending upon the particular

industry, business strategy, corporate structure and level of corporate engagement, among other things. With this caveat, the following are generic examples of objectives based on the immediate focus of this chapter, which is to better understand the capabilities and potential of women-owned businesses in the market and how to increase their participation in corporate value chains:

- ✓ What is the current level of participation of women-owned businesses as suppliers in their corporate value chain?
- ✓ What are the capabilities and capacity of women-owned businesses to participate in their corporate value chain?
- ✓ How will the corporation benefit from increased participation by women-owned businesses in their value chain?
- ✓ What barriers are preventing women-owned businesses from fully participating in their corporate value chain?
- ✓ What can be done to eliminate the barriers preventing women-owned businesses from fully participating in their corporate value chain?
- ✓ What goals should be set to increase the level of participation of women-owned businesses as suppliers in their corporate value chain over time?

Bear in mind, the immediate goal of this research and data-collection effort is to gain buy-in from "C-level" executives and shareholders.

## B. Collecting and Standardizing Data

### 1. Population of Interest

The first step in any data-collection effort is to define the target population. In this case, it is women-owned businesses. WBENC and WEConnect International and their corporate members define a women's business enterprise as a company that is at least 51 per cent owned, managed, and controlled by one or more women.

Since some countries apply a slightly different definition, the following formulation appears to be useful and widely accepted:

*A woman-owned business is an independent business that is at least 51 per cent unconditionally owned and controlled by one or more women.*

This definition strikes an appropriate balance between being too broad and too narrow. It is broad enough to encompass firms that are structured and operated in a manner that promotes women's economic empowerment, and narrow enough to exclude those firms where there is a higher likelihood of tokenism and fraud, both of which undermine the goals of inclusive and diverse sourcing (See *Defining Women-Owned Business Enterprises*, Chapter 2, pp.40-41). The definition is also designed to exclude firms that are owned

by women but managed and controlled by men; firms that are headed by women, but owned by others; and firms that are reliant on non-women-owned businesses to operate.

For data-collection purposes, the definition of women-owned business must be operationalized. Operational definitions or rules provide precise descriptions of the characteristics that are being measured so that everyone involved has the same understanding of what is being measured. This ensures data-collection efforts are standardized and consistent, thereby allowing for meaningful comparisons across datasets.

### Women Owned Business Definition

In this case, the proposed definition of a women-owned business contains several criteria that a business must meet in order to qualify as women-owned:

- One or more women must unconditionally own at least 51 per cent of the business.
- One or more women must exercise control over both the long-term decision-making and the day-to-day management and administration of the business operations.
- The business must be operated independently from other non-women-owned businesses.

Each of these criteria must be further operationalized so that data collectors can consistently and reliably assess which businesses qualify as women-owned and therefore should be included in their datasets. This is especially important in the current context given

## 2. Indicators

The next step in the data-collection process is to identify the types of information or indicators that would help corporations better understand and leverage the capabilities of women-own businesses. These should flow naturally from the

the number and variety of potential ownership and management structures. Fortunately, organizations such as the US Small Business Administration, WBENC and WEConnect International have developed extensive guidance on each of these criteria.

corporation's research objectives. Here, there are potential (descriptive) indicators on both the supply side and buy side. The following are sample indicators for each.

TABLE 1

Sample indicators

Category	Sample Indicators
Supply Side	<ul style="list-style-type: none"> <li>• Number of women-owned businesses generally</li> <li>• Number of women-owned businesses by industry</li> <li>• Number of women-owned businesses by size</li> <li>• Per cent of businesses that are women-owned generally</li> <li>• Per cent of businesses that are women-owned by industry</li> <li>• Per cent of businesses that are women-owned by size</li> <li>• Per cent of suppliers formally committed to the Women Empowerment Principles or gender-responsive procurement</li> </ul>
Buy Side	<ul style="list-style-type: none"> <li>• Number of women-owned businesses participating in corporate supply chains generally</li> <li>• Number of women-owned businesses participating in corporate supply chains by industry</li> <li>• Number of women-owned businesses participating in corporate supply chains by size</li> <li>• Total amount of corporate procurement spend going to women-owned businesses</li> <li>• Percentage of corporate procurement spend going to women-owned businesses</li> </ul>

It is very likely that different corporations will have different data requirements depending upon their industries and business strategies. For example, a commercial bank might require more detailed information on the financing needs of women-owned businesses, while a retailer might require more detailed information on the number and capacity of women-owned businesses in certain retail sectors.

Notably, the UN Statistical Commission has identified a minimum set of gender indicators as a guide for the national production and international compilation of gender statistics. The primary criterion for the selection of these indicators is that they address key policy concerns of the Beijing Platform for Action and other international commitments. The agreed indicators include, *inter alia*: (1) percentage of firms owned by women, by size; (2) proportion of population with access to credit, by sex; and (3) proportion of adult population owning land, by sex. However, the Commission points out that as of yet there are no international standards for these indicators, nor are they regularly produced by countries. Consequently, they have limited utility at the moment.

C. Data Sources and Collection Mechanisms

For corporations that have defined their data requirements, the process of actually finding or collecting the required data could be challenging. As alluded to earlier, the number of existing sources with gender-disaggregated data on women entrepreneurs is limited, and types of data from those sources may be inadequate for general use. The alternative is for corporations and other stakeholders to collect, consolidate, and share their own data on women-owned businesses.

According to the President of the International Development and Research Centre (IDRC), Jean Lebel, “Putting an end to inequality hinges on, in part, access to employment or business opportunities for the world’s poorest, but achieving this goal is one of the biggest policy challenges facing governments, corporations and civil society leaders.” One of Lebel’s top recommendations is to help women register their businesses with organizations like WEConnect International to improve their market access. Since 2015, IDRC has been working with WEConnect International in support of growing women-owned



businesses by building on private sector initiatives to collect and share data on women business owners. WEConnect International currently collects annual data from women business owners on their products and services, annual revenue, employment, markets served, etc. The aggregate research findings are clear: businesses owned by women with a WEConnect International certification in India and Latin America and the Caribbean are growth-oriented, generally have access to finance, generate millions of dollars in revenue, and employ thousands of people.<sup>23</sup>

## 1. Existing (Secondary) Data Sources

As part of the EDGE Initiative, Piacentini (2013) recently conducted a review of existing data sources to ascertain whether and to what extent those sources provide useful and internationally comparable data on women entrepreneurs. At the outset, Piacentini acknowledges that the definition of women entrepreneurs adopted by EDGE—or indeed any organization—will have critical implications for the content and utility of the collected data: “Different operational rules in the definition, in particular in relation to employment size and legal type of businesses considered, will have non-marginal effects on the measure of gender gaps.” (2013, p. 4).

With this caveat in mind, the following is a brief discussion of some of the existing data sources reviewed by Piacentini:

### a) Labor Force Surveys

Statistics on self-employment are commonly used to measure entrepreneurial activity and are very relevant to studying gender differences in entrepreneurship. Labor force surveys include fairly standardized questions on the characteristics of the working population that can be used to develop descriptive evidence on age, tenure in business ownership, education and hours worked. For firms owned by the self-employed, the surveys also capture information regarding the size and industry of the business unit.

It is important to note that there are significant limitations to the types of data captured by labor force surveys. Most notably, the term “self-employment”

encompasses at least three distinct categories of workers: enterprise owners; “free professionals” (e.g., lawyers, doctors, pharmacists, etc.); and craft workers, traders and farmers. Entrepreneurs are well represented in the first category but not in the others. Consequently, there is only a partial overlap between entrepreneurs and self-employed. Because of this, Piacentini warns that self-employment data should be interpreted with caution.

Piacentini also points out problems with cross-national comparisons of self-employment data. Some countries, such as Japan, New Zealand, Norway and the United States, do not include “self-employed” owners of incorporated businesses in their official reports, while other countries do.

### b) Surveys of Micro-Business Owners

Like labor force surveys, surveys of micro-business owners capture household-level data. These surveys yield relevant information regarding gender differences in entrepreneurship, but they have limited utility for corporations seeking to engage women-owned businesses in the formal sector. This is because they have typically been used in emerging and developing economies to produce estimates of the size and economic performance of micro-businesses that operate primarily in the informal sector.

### c) Surveys of Entrepreneurial Activity

A number of research consortia and private research companies conduct surveys of entrepreneurship attitudes and activities. These population-based surveys generally use randomized telephone interviews, augmented by expert assessments on the entrepreneurial framework conditions. The best known and most often cited of these are the Gender Entrepreneurship Monitor (GEM) and the Eurobarometer.

GEM, for example, provides important national and regional-level information on female entrepreneurship rates and gender gaps in the following key areas:

- ✓ Participation at multiple phases of activity
- ✓ Characteristics and motivations of women entrepreneurs
- ✓ Societal attitudes about entrepreneurship
- ✓ Impact indicators among entrepreneurs

23 <https://www.weforum.org/agenda/2017/01/women-worldwide-are-missing-out-this-is-how-we-can-make-economic-growth-equal-for-all>.



According to Piacentini (2013, p. 10), “both [GEM and the Eurobarometer] are a relevant source of contextual information on determinants of gender differences in entrepreneurship, providing information on hard-to-measure topics such as subject perceptions

on the feasibility of entrepreneurship and risk tolerance, cultural attitudes towards entrepreneurship and availability of formal and informal support institutions.”

#### BOX 16

### Rede Mulher Empreendedora

Rede Mulher Empreendedora is a network of Brazilian female entrepreneurs founded in 2010. The goal of RME, as it is known, is to empower female entrepreneurs to gain financial independence and decision-making skills for their own businesses and lives. Today, more than 260,000 entrepreneurs have registered with RME.

In 2016, RME conducted a first-of-its-kind national survey of women entrepreneurs in Brazil in order to better understand and collaborate more effectively with its constituency. The national survey, which comprised 1,376 respondents, covered a wide range of topics, including social support networks, business profiles, finances, entrepreneurship, skills and attitudes, and training, information and networking. It resulted in the following findings, among others:

- While women were generally responsible for most or all of the chores at home, those from the lower middle class had less help with chores than those from the middle class.
- Women entrepreneurs were concentrated in services (59%) and trade (31%) – but the higher the class, the more focus there was on services.

Source: RME (2016).

- A majority of women (55%) did not have business partners.
- Most entrepreneurs (73%) posted information and content about their services or products on Facebook, and to a lesser degree on Instagram.
- About half of the women entrepreneurs worked out of their homes while slightly over a third worked out of a company office.
- Most women (60%) stated they would invest more in their companies if they had access to better credit with lower rates.
- Half of the women stated they needed additional financing for their companies but were afraid of incurring debt.
- Two-thirds of the women surveyed attended networking events, lectures and meetings for entrepreneurs with the primary goal of gaining knowledge for business.
- Respondents indicated they would like to further develop their business skills and knowledge primarily in the areas of planning, pricing, sales, negotiations, marketing and communications.
- The majority of women surveyed had high expectations for their businesses over the next three years.

### d) Firm-level Surveys

Firm-level data are more suited to the analysis of differences in the performance of businesses owned by men and women, than are population-based data. To that end, firm-level surveys collect data on indicators of significant interest to corporations, such as productivity rates, access and use of credit, export and

participation in value chains. Unfortunately, very few firm-level surveys capture demographic information on the owners of the firms (Piacentini, 2013). As a result, there is a lack of gender-disaggregated data on firms.

Firm-level data has other drawbacks as well. Most notably, Piacentini found that there is not a common

international framework for the design of business surveys, which makes meaningful comparisons of datasets more difficult. Among other things, these surveys often focus on small and medium sized enterprises, but use different size standards. In addition, they often focus on disparate categories of enterprises.

This is not to say that firm-level surveys should be ignored. It simply means that policymakers and researchers should be aware of their limitations. In many cases, these surveys do produce data that allow for the analysis of gender differences in business ownership and performance.

According to Piacentini, for example, the Enterprise Surveys of the World Bank represent a promising framework for the collection of firm-level data on characteristics and performance of businesses owned by men and women at the global level. At the national level, several OECD countries regularly conduct surveys that produce gender-disaggregated data. They include the Survey of Business Owners in the United States and the French Information System on New Enterprises (SINE) survey in France.

### e) Business Registers

Business registers represent a potentially important source of gender indicators on businesses, but there are significant obstacles to overcome first. Most notably, these registers do not generally include information on the individuals who own or manage the businesses. It is possible, in some circumstances, to link the information in business registers to data on individuals in other registers (e.g. tax register), but this poses its own practical and technological challenges. In addition, business registers do not exist or are still under development in many countries (Piacentini, 2013).

Dun & Bradstreet (D&B) offers Supplier Diversity Data Services—the largest supplier diversity database in the United States and increasingly global—to help corporations identify diverse suppliers and manage the data on those suppliers. Corporations use the information to determine how diverse a portfolio is, review spend with diverse suppliers, find other diverse suppliers that meet requirements, and ensure that

corporations are meeting corporate, federal, state and Tier 2 requirements.<sup>24</sup>

## 2. Corporate Data-Collection

While there are many existing sources of gender-disaggregated business data, the quality, availability and utility of that data may not meet the immediate needs of corporations seeking to understand and leverage women-owned businesses in their value chains. Corporations, both individually and collectively, are well positioned to collect information on business ownership and performance through their supplier databases. As with official business registers, “[t]he incorporation of basic ownership information in [corporate] registers would generate a sustainable information base to monitor the level and economic value of women’s participation in entrepreneurship.” (Piacentini, 2013, p.15).

Corporations, of course, are not limited to gathering secondary research or relying on the information in their own supplier databases. Depending on the availability of resources, they can conduct or have others conduct primary research related to their defined objectives. One of the primary benefits of this approach is that it gives corporations greater control over the research methodology and types of data collected, which in turn affects the external validity of the research results. For example, results from randomized surveys have greater external validity than results from non-randomized surveys, meaning the former results can be used to make predictions about the target population (*i.e.* generalization).

### D. Capturing and Providing Access to Data in a Central Database

Ideally, gender indicators collected by corporations or through existing data sources would be consolidated in a central database and made available to all stakeholders. Achieving this will require, in the first instance, a standardized or common framework for the collection and reporting of gender-sensitive data on business ownership and performance, addressing

<sup>24</sup> [http://www.dnb.com/content/dam/english/dnb-solutions/supplier-management/supplier\\_diversity\\_data\\_services.pdf](http://www.dnb.com/content/dam/english/dnb-solutions/supplier-management/supplier_diversity_data_services.pdf).

many of the issues raised in the previous discussions. For example:

- ✓ What is the definition of a women-owned business?
- ✓ What are the size standards applicable to small, medium and large businesses?
- ✓ What are the applicable industrial classifications?
- ✓ Which gender indicators should be measured, and how are they defined?

While standardization appears to be a daunting task, particularly at the international level, there are concrete steps that corporations and business organizations are taking towards achieving that goal. Individually, corporations can include basic ownership information into their own supplier databases and encourage their subsidiaries, suppliers, and customers to do the same. At the same time, business organizations and industry groups can continue to advocate for the use of a standardized data-collection framework among their members.<sup>25</sup>

Several corporate networks, including those represented by WEConnect International and WBENC, have adopted comparable definitions and criteria for women-owned businesses, and have collected and compiled valuable information on them and made this available as searchable online databases of women suppliers. These networks are also well positioned to advocate for standardization and consolidation of data among their members, which include hundreds of large domestic and multinational corporations, representing trillions of dollars in purchasing power, as well as thousands of certified and self-registered women-owned businesses.

## E. Comparing and Analyzing Data across Countries, Industries, and Companies

Analysis of the primary and/or secondary research information should, of course, be focused on answering the defined research objectives. This may entail a simple desktop review of population-based or firm-level surveys (*e.g.* Gender Entrepreneurship Monitor or the World Bank Enterprise Survey) or a statistical analysis of randomized survey data. The

<sup>25</sup> Domestic law may limit the types of data that may be collected.

scope, depth and method of analysis will largely depend on the research methodology used and the objectives of the organization.

It is important to note that comparisons of data across countries, industries and companies will likely be imperfect due to the lack of standardized collection frameworks.

For example, the World Bank Enterprise Surveys, the US Survey of Business Owners, and the French Information System on New Enterprises (SINE) each collect gender data on business ownership, but they do not have a common definition of what constitutes a women-owned business. Indeed, only the US Survey of Business Owners actually incorporates criteria for women-owned businesses. For the other firm-level surveys, ownership must be inferred from other data in the surveys. As a result, care must be taken when analyzing and interpreting this type of data.

## F. Communicating the Results of Data Analyses

The ultimate goal of the data-collection effort is to secure support from corporate management and other key stakeholders for a gender-responsive procurement programme. To that end, the communication strategy should address the objectives of the programme, describe how the programme aligns with core business drivers, identify potential business opportunities with women-owned suppliers in relevant markets, and highlight other potential benefits to the company from engaging women-owned businesses in the supply chain.

In 2014, for example, Sodexo headquartered in France committed to purchasing globally \$1 billion in products and services over three years from micro, small, and medium sized enterprises, especially those owned and operated by women. By 2017, the commitment is expected to benefit as many as 5,000 small businesses in 40 countries, including 1,500 women-owned and operated businesses and more than a million people.<sup>26</sup>

<sup>26</sup> [http://sodexoinsights.com/wp-content/uploads/2016/04/CGICaseStudy\\_web.pdf](http://sodexoinsights.com/wp-content/uploads/2016/04/CGICaseStudy_web.pdf).





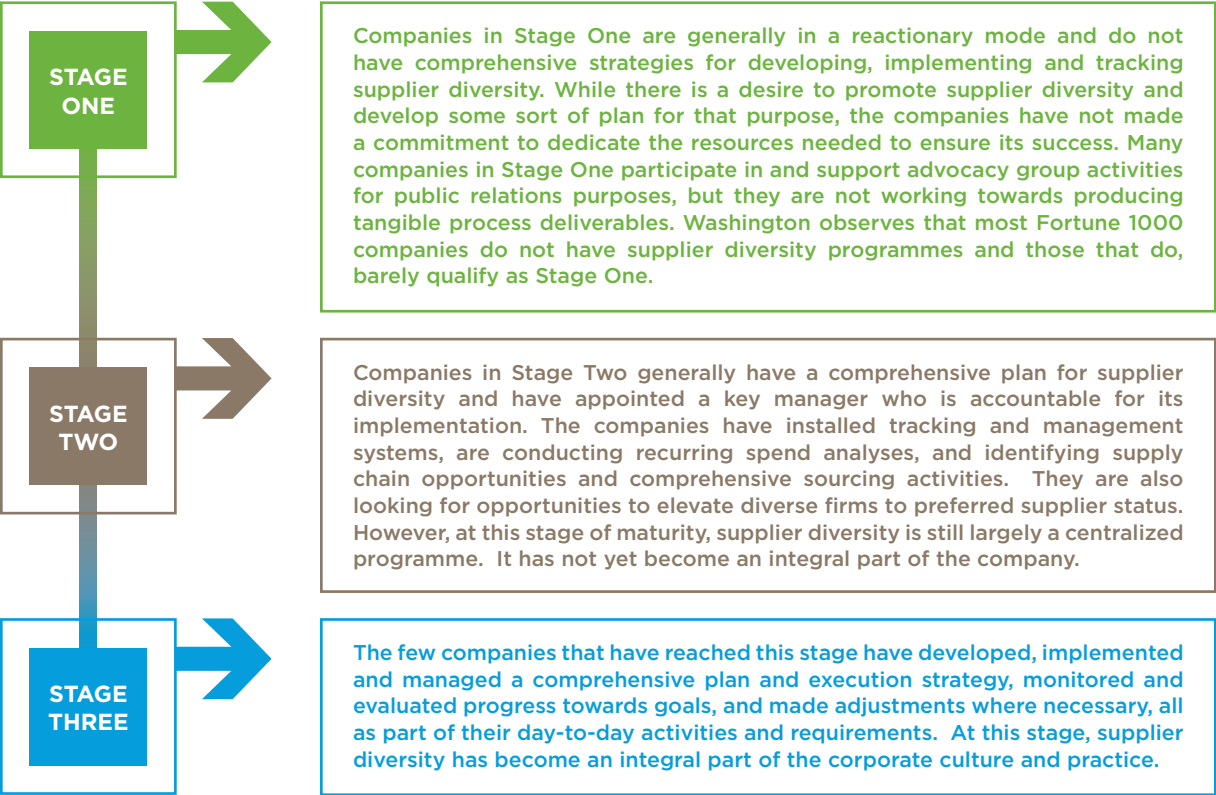
# BUILDING CORPORATE CAPACITY AND COMMITMENT

# 5. BUILDING CORPORATE CAPACITY AND COMMITMENT

This chapter outlines the components of a successful strategy for developing, implementing and tracking gender-responsive procurement programmes. These programmes will draw upon the corporation’s understanding of the barriers facing women-owned businesses in its industry (Chapter 1); the capabilities and capacity of those businesses to participate in the corporate supply chain (Chapter 2); techniques for making the supply chain more accessible to women-owned businesses (Chapter 3); and the business case for their inclusion (Chapter 4). The end game is to reach a stage where gender-responsive procurement has become an integral part of the corporate culture and practice.

## I. Programme Maturity Levels

Washington (2004) proposed a three-stage model for evaluating the maturity of supplier diversity initiatives and developing future strategies for them:



The three-stage model proposed by Washington not only provides a useful means of gauging the maturity of supplier diversity programmes, it also provides companies with valuable insights as to why their own programmes may not be delivering the expected returns on investment and what adjustments need to be made going forward.<sup>27</sup>

Supplier diversity and inclusion strategies and plans will vary by corporation depending on a

number of factors, including the maturity level of current programmes, industries, business models and strategies. Each must be tailored to the needs and goals of the company. To that end, it is important for corporations to empower their supplier diversity and inclusion program managers to fully engage with corporate leadership, front-line managers, buyers, and other stakeholders to ensure gender-responsive procurement becomes an integral part of the corporation’s business activities and mindset.

Best Practice Guidelines
Goal 1: Establish Corporate Policy and Top Corporate Management Support
Goal 2: Develop a Corporate Supplier Development Plan for Women-Owned Businesses
Goal 3: Establish Comprehensive Internal and External Communications
Goal 4: Identify Opportunities for Women-Owned Businesses in Strategic Sourcing and Supply Chain Management
Goal 5: Establish Comprehensive Supplier Development Process
Goal 6: Establish Tracking, Reporting and Goal Setting Mechanisms
Goal 7: Establish a Continuous Improvement Plan
Goal 8: Establish a Second-Tier Programme

Adapted from NSMDC standards

## II. Best Practice Guidelines

A number of leading business associations in supplier diversity and inclusion programmes have developed best practice guidelines and tools to assist corporations to establish and/or mature their own programmes. Globally, WEConnect International has developed the “Gold Standard Checklist,” a self-assessment tool to help multinational corporations and multilateral organizations assess their global supplier diversity and inclusion programmes and identify potential areas for improvement.<sup>28</sup> The checklist covers five areas:

(a) policy assessment; (b) planning; (c) processes and standards; (d) measurement, tracking, and reporting; and (e) accountability. Each item on the checklist is scored.<sup>29</sup> The goal for any multinational corporation or multilateral organization dedicated to supplier diversity and inclusion is to reach 100 points: the Gold Standard.

- Level Zero: No programme
- Level 1: Beginning programme
- Level 2: Basic programme
- Level 3: Traditional programme
- Level 4: Advanced programme
- Level 5: World class programme

National Women’s Business Council (2015). Research on Women’s Participation in Corporate Supplier Diversity Programs.

<sup>27</sup> See also, the RGMA Five Levels of Corporate Supplier Diversity Development for benchmarking the maturity of supplier diversity programmes. The Five Levels include:

<sup>28</sup> [https://weconnectinternational.org/images/supplier-inclusion/GoldStandard\\_Checklist\\_v1.pdf](https://weconnectinternational.org/images/supplier-inclusion/GoldStandard_Checklist_v1.pdf).

<sup>29</sup> <http://www.ifc.org/wps/wcm/connect/3dbbf98a-f919-408e-bcao-700e4c5efecd/SheWorks+Final+Report.pdf?MOD=AJPERES..>

Within the United States, the National Minority Supplier Development Council (NMSDC), in collaboration with its corporate partners, also has a common set of standards to guide corporations in the development and assessment of supplier diversity programmes. They comprise building blocks, tasks, practices and processes that NMSDC's corporate partners have identified as necessary to an effective programme. With the permission of NMSDC, those standards have been adapted to gender-responsive procurement.

### A. Goal 1: Establish Corporate Policy and Top Corporate Management Support

**Rationale:** Corporate executive management defines and documents its gender-responsive policy, including annual performance goals, accountability and reporting of women-owned business participation, and its commitment to increasing women-owned business participation.

#### Measures of Success:

1. The corporate governance body has established a gender-responsive procurement programme as a policy of the corporation.
2. There is a written corporate policy that clearly defines executive management commitment to

gender-responsive procurement and measures success.

3. The CEO has issued a gender-responsive procurement policy that articulates the rationale supporting the initiative. The CEO ensures that this policy is communicated to staff and implemented.
4. The policy belongs in procurement for most companies and business models, but in all cases it should be a part of the corporation's umbrella Diversity Strategy.
5. The CEO has appointed appropriate full-time staff and resources to ensure a successful gender-procurement programme.
6. There is an executive advisory council/committee composed of key stakeholders to drive the programme's progress.
7. Management directs that gender-responsive procurement be incorporated into the business planning cycle.
8. All levels of management are accountable for gender-responsive procurement.
9. Women-owned business utilization/metrics are included in annual performance goals for the corporation and for each business unit/division of the firm.

#### BOX 17

### Gender-responsive Procurement Must be an Essential Component of the Business Strategy

To be effective, the gender-responsive procurement policy must be supported by a clearly articulated business case based on the company's core business drivers. It must provide resources for the procurement programme, and it must enforce

accountability. Front-line managers will only buy into a gender-responsive procurement programme if it is seen as an essential part of the corporation's mission and business strategy (Foster School of Business, 2009).

### B. Goal 2: Develop a Corporate Supplier Development Plan for Women-Owned Businesses

**Rationale:** The corporate gender-responsive procurement plan acts as a means of ensuring that there is a corporate-wide commitment to supplier diversity. This includes establishing supplier diversity

improvement plans with internal customers and cross-functional organizations.

#### Measures of Success:

1. The plan is supported by a clearly-stated business case based on value to the corporation.
2. The corporate plan is reviewed by senior executive management on a regular basis.



3. The corporation has an effective, active cross-functional steering committee for gender-responsive procurement.
4. The plan includes methodology to identify and develop women-owned suppliers.
5. Input from women-owned supplier groups is included in the supplier development process.
6. The procurement programme promotes the inclusion of certified women-owned suppliers in all aspects of corporate procurement.
7. Controls, processes, materials, personnel and resources needed to achieve programme performance are identified and/or acquired.
8. The plan includes implementation of roles and responsibilities in supplier development in business units other than procurement.
9. A tool kit/language regarding gender-responsive procurement is developed for salespeople to use in creating and negotiating contracts.
10. Employee reviews (of stakeholders, budget holders, etc.) are tied to performance in developing gender-responsive procurement cross-functionally.
11. Gender-responsive procurement is integrated into all aspects of corporate business planning and is part of the “corporate DNA”.
12. Supplier diversity management has a good understanding of the company’s core operations.

### C. Goal 3: Establish Comprehensive Internal and External Communications

**Rationale:** The procurement staff has established and maintains methods for communications about supplier development planning, execution and accomplishments.

#### **Measures of Success:**

1. Company-wide awareness of initiative is promoted via multiple vehicles, for example, annual report, brochures, newsletters, prominent website placements, etc.

2. Gender-responsive procurement information is disseminated to internal stakeholders on a regular basis.
3. Gender-responsive procurement information is included in new employee orientation.
4. On-going and specialized gender-responsive procurement education is provided to all procurement personnel.
5. On-going and specialized gender-responsive procurement training is provided to other business units.
6. The company encourages women-owned businesses to seek certification and external training.
7. Supplier selection criteria and procurement processes are explained to suppliers.
8. Suppliers who are not successful in winning bids are provided feedback so that they can understand how to be more competitive.
9. The largest women business enterprise suppliers are well versed on corporate procurement goals and objectives.
10. The corporation has an effective process to respond to prospective suppliers.
11. Company representatives actively participate in relevant certification organizations or comparable networks.
12. Articles and advertisements are placed in business media to help identify potential women-owned suppliers.
13. Company representatives participate in trade fairs, etc., including regional level participation and support, with objectives and a method to measure outcomes.
14. Gender-responsive procurement results are published in the corporate annual report and/or corporate sustainability report.

## BOX 18

### Communicating with Potential Suppliers

Walmart is at the forefront of global supplier diversity and inclusion efforts, having developed and implemented a world-class supplier diversity programme. As part of this programme, Walmart has established a comprehensive internal and external communication strategy to promote its commitment to and progress toward supplier diversity goals, and to encourage diverse businesses to register with the company. By way of example, the following is an excerpt from the Walmart's Supplier Diversity Portal:

#### Become a Diverse Supplier

As the world's largest retailer, Walmart strives to save people money so they can live better. This mantra is at the core of every decision we make. One way we fulfill this commitment is to embrace diversity in all aspects of our organization; from our talented associates to the supplier partners we work with to deliver the products and services our customers want and need.

An important aspect of meeting these needs across Walmart is our Supplier Diversity Programme. This programme provides companies owned and operated by minorities, women, veterans and people with disabilities equal footing to effectively work with us while at the same time, growing their own business.

Source: <http://corporate.walmart.com/suppliers/supplier-diversity>.

- In FYE16, we spent approximately \$14.7 billion with women and minority-owned businesses. This includes \$12.1 billion in direct spending and \$2.6 billion in second-tier spending.
- Walmart has pledged to use its global size and scale to empower women across our supply chain. Read more about our Women's Economic Empowerment Initiative.
- We partner with leading organizations in business diversity to continually identify and reach potential suppliers. These partnerships include the National Minority Supplier Development Council (NMSDC), Women's Business Enterprise National Council (WBENC), U.S. Pan Asian American Chamber of Commerce (USPAACC), and USLBN Disability Supplier Diversity Program (DSDP), and WEConnect International.

By working with diverse suppliers, we provide opportunities for significant growth and development to diverse businesses. We offer a broader assortment of products to our customers at prices they can afford, and we contribute to the economic well-being of the communities we serve.

We're always looking for diverse suppliers that can help us bring our customers products relevant to them, at prices they can afford.

### D. Goal 4: Identify Opportunities for Women-Owned Businesses in Strategic Sourcing and Supply Chain Management

**Rationale:** Analysis of total corporate spend (by business unit/department) to determine opportunities is critical to the success of the corporate gender-responsive procurement process. Supplier diversity staff has established and maintains methods for soliciting women-owned businesses, and considering business units and first-tier suppliers. Supplier diversity staff has established and maintains

methods for identifying, recruiting and developing women-owned businesses.

#### Measures of Success:

1. Gender-responsive procurement is formally integrated into the corporation's strategic sourcing process.
2. Gender-responsive procurement is incorporated into the corporation's formal procurement policy with accountability.

3. Supplier diversity has targeted long-term, “big hit” opportunity areas.
4. There are one or more strategic “big hits” with a women-owned business currently in place in each planning cycle.
5. Women-owned businesses are significantly integrated in all product/service/commodity areas of spend, including nontraditional areas of spend.
6. A process is in place to review the expiration dates of all existing contracts:
  - a. With suppliers to maintain continuity.
  - b. To find new opportunities for suppliers.
7. The corporation has a process in place, which the supplier diversity team is aware of, for setting minimum targets as well as tracking new RFPs/RFIs/RFQs, to ensure the inclusion of women-owned businesses in the development process.
8. RFPs/RFIs/RFQs have standard language in place to identify women-owned businesses and the supplier selection process sets minimum targets for women-owned business supplier inclusion and selection.
9. A process exists that will review the outcomes of the RFP /RFI /RFQ process, for monitoring inclusion and utilization of women-owned businesses.
10. There is cooperation with other corporations to share top performing suppliers via relevant certification networks, industry groups, centers of excellence, and the like.
11. Women-owned businesses are developed for potential utilization in underutilized product/service commodity areas.
12. The supplier development team ensures the screening process is fair and within acceptable guidelines.
13. The supplier development team will clearly define and communicate the registration process throughout all corporate business units, as well as with women-owned supplier groups.
14. The corporation reviews procurement policies and practices to eliminate barriers impeding participation by women-owned businesses.

#### BOX 19

### Citi – Innovative Ideas for Promoting Supplier Diversity in the Supply Chain

Citi has implemented a number of innovative ideas to help ensure professional service opportunities continue to expand for diverse suppliers, and to increase its visibility to those suppliers. They include, but are not limited to, the following:

- **Non-Traditional Purchasing or Sourcing** - Citi seeks areas within the company that may have opportunities to increase diversity and education participation (i.e., accounting, legal, professional consulting, financial management) and pursues proactive methods of inclusion.
- **Capacity Building** - Citi hosts an annual “Doing Business” workshop to review with suppliers and potential suppliers what is required to be considered for business opportunities with Citi.
- **Collaboration** - Each year, Citi holds a joint breakfast and information session for diverse Broker Dealers. The intent of the event is to ensure educational advancement, provide intellectual insight to those supporting Citi in the Broker Dealer space or interested in doing so, and where possible, to identify new business opportunities. The breakfast is hosted by Citi’s Enterprise Supply Chain (ESC) and Capital Markets Origination (CMO) and attended by representatives from both those groups as well as municipalities, Treasury and others.
- **Second-Tier Purchasing/Contracting** - Citi strongly encourages or requires its prime suppliers to develop a programme to award a percentage of Citi’s subcontracting opportunities to diverse business enterprises.
- **Champions’ Network/Goal Development** - Champions meet monthly with Citi’s Supplier Diversity and Sustainability team to review and evaluate progress based on the goals submitted, the “line of sight” developed by each category, and

the potential for utilization of qualified suppliers. Global Plans follow a similar format. Regional champions in Asia, Latin America, Canada, and Europe, the Middle East and Africa (EMEA) must identify reasonable goals that can be met by the

category managers. The goals, however, focus not only on supplier diversity and inclusion, but also on development and sustainability.

## E. Goal 5: Establish Comprehensive Supplier Development Process

**Rationale:** Procurement has established, maintains, and continuously improves methods for preparing women-owned businesses for global competitiveness and sourcing trends such as supplier rationalization, through assistance in all aspects of capacity building.

### Measures of Success:

1. Mentor programme established and active, including:
  - a. Relationship building for sustainability and strengthening of mutual trust.
  - b. One-to-one coaching – executive relationships with similar functions, finance-to-finance, etc.
  - c. Assistance with business process improvement and redesign, using lean thinking and lean manufacturing processes.

2. Training of all types provided to women-owned businesses such as:
  - a. Supplier training on corporate objectives, culture and supply chain trends.
  - b. “Universities” or formal learning programmes.
  - c. Internal training for all suppliers (Six Sigma, quality, safety, effective communications, negotiations, etc.).
  - d. Support of women-owned business training at all levels.
  - e. Provide scholarships to women-owned businesses.
3. Capacity building initiatives such as:
  - a. Establishing joint ventures, and valid strategic partnerships.
  - b. Facilitating mergers and acquisitions.
  - c. Providing technical assistance, e.g., marketing, management, accounting, international trade operations, production, financial, and the like.

### BOX 20

#### Best Practice in Supplier Development

##### **Accelerate 20/20: Small Business Accelerator Program.**

The New York and New Jersey Minority Supplier Development Council, in conjunction with sponsors like Prudential, Time Warner, and Citi, has established a 7-month programme in the New York/New Jersey area where corporations serve as executive coaches for women-owned and other small businesses. The programme uses an award winning executive training curriculum designed for existing small business owners who are ready to grow their business, increase profitability and strengthen their impact in the local economy. Accelerate 20/20 is a truly collaborative effort—corporations work with one another to get

feedback from each other and share best practice. (<http://nynjmsdc.org/programs/>)

##### **WPEO Brown Bag Lunch Development Series.**

The Women Presidents’ Educational Organization (WPEO) is a U.S. non-profit community of women-owned businesses. The group sponsors a series of brown bag lunches for women business owners wherein corporate leaders provide talks on various topics of interest. For example, a representative from Citi’s sourcing team recently presented a workshop on sustainability, while representatives from Morgan Stanley provided a workshop on how to navigate its procurement process. (<http://wpeo.us/about-us/overview/>)

## F. Goal 6: Establish Tracking, Reporting and Goal-Setting Mechanisms

**Rationale:** The establishment of aggressive goals for gender-responsive procurement spending, tracking those goals, and communicating results and goal achievement provides accountability and recognition. These payment dollars flow from Accounts Payable.

### Measures of Success:

1. There is an established minority supplier tracking system to enable results reporting (ability to track women-owned business spend by business unit/department, buyer, commodity, geographical area, cost reduction dollars, etc).
2. Women-owned cost savings/cost reduction contributions are tracked.
3. Supplier utilization records are prepared to identify current women-owned businesses in the supply chain.
4. There are clearly stated goals for participation by women-owned businesses; for example, year over

year percentage increase, dollar amount and percentage of spend and utilization, etc. Performance results are measured against these established goals, which are reviewed and recalibrated on a regular basis. There is a person responsible for reporting the results.

5. Key metrics for gender-responsive procurement are reviewed regularly by the senior corporate management team, chief executive officer, chief financial officer, etc.
6. Scorecards are created to measure performance.
7. Achievement of goals is tied to performance reviews.
8. Quality reporting systems provide accurate spending on at least a quarterly basis.
9. Gender-responsive procurement spending and goal achievement are tied to market access, revenue generation and customer and consumer satisfaction. This ensures continued support for the programme horizontally and vertically throughout the organization.

### BOX 21

#### Setting SMART Goals

One of the more important elements of an effective gender-responsive procurement programme is goal setting. This is important for encouraging implementation of the corporate strategy, tracking progress, and ensuring accountability. Corporate strategies should contain SMART – Specific, Measurable, Actionable, Realistic, and Time-bound – goals to increase the likelihood of sustained success and usage throughout the organization (Foster School of Business, 2009). For example, SMART goals for a gender-responsive procurement programme that applies to all suppliers, regardless of their country of origin, might include:

- Increasing the percentage of corporate procurement spend received by women-owned businesses by ten per cent per annum over the next five years.
- Establishing a goal for participation by women-owned businesses in the supply chain of at least five per cent of the value of all prime and subcontracts awarded for each fiscal year.
- Identifying at least five new opportunities to engage women-owned businesses each fiscal quarter, and engaging at least one.

## G. Goal 7: Establish a Continuous Improvement Plan

**Rationale:** The corporate gender-responsive procurement programme needs to be fine-tuned on a regular basis to follow changes in corporate objectives

and growth (including growth by acquisition managers).

### Measure of Success:

1. The corporation has established and maintains documented procedures for planning and implementing internal gender-responsive procurement audits to verify whether activities and related results comply with the programme.
2. Surveys are conducted with key stakeholders internally to ensure the programme is exceeding customer expectations.
3. A process exists for ongoing communication between the corporation and women-owned businesses to assist and fine-tune the performance of contracts, through vehicles such as surveys conducted with women-owned businesses to determine areas for continuous improvement.
4. The corporation participates in benchmarking with other corporations to identify best practices and then plan for their systematic adoption.
5. An overall gender-responsive procurement strategy is developed, including multi-year plans tied to corporation values and aligned with overall corporate strategy and functional department strategies, especially procurement strategies.
6. The corporation participates in “next practices” exercises to envision innovative strategies well in advance of the need for those practices.

### BOX 22

#### Benchmarking

Increasingly, organizations are turning to self-assessments and other benchmarking tools to gauge the effectiveness of their business operations and programmes. Benchmarking is the process of comparing key metrics or business practices for one’s own company to those of industry leaders or industry best practices. The objectives of benchmarking are (1) to determine what and where improvements are called for; (2) to analyze how other organizations achieve their high performance levels; and (3) to use this information to improve performance.<sup>30</sup>

Benchmarking is an important tool for assessing the effectiveness of supplier diversity programmes, including those geared toward women-owned businesses. For example, WEConnect International offers the Gold Standard Checklist, a self-assessment tool to help corporations and multilateral organizations assess their global supplier diversity and inclusion programmes and identify potential areas for improvement, especially as it relates to sourcing from women-owned businesses globally.<sup>31</sup>

Likewise, the Minority Supplier Development Council UK (MSDUK) is in the process of developing an online Supplier Diversity Benchmarking

Tool, which will enable organizations to assess the effectiveness of their supplier diversity programmes and measure ROI. This is being done in partnership with Accenture and CVM Solutions. Other organizations, such as Calvert Investments, use benchmarking tools to evaluate and rank companies against international best practice. Calvert assigns scores to companies in the Standards & Poor 100 based on their performance on ten diversity indicators or benchmarks. This allows Calvert to quantify the degree to which each company demonstrates best practices across all ten indicators (Calvert, 2015).

In South America, Itaipu Binacional has developed a similar benchmarking tool for evaluating the degree to which its suppliers and other companies demonstrate best practices under the Women’s Empowerment Principles (WEPs). Itaipu Binacional, which is a joint venture between Brazil and Paraguay, is the largest generator of hydropower in the world. In 2003, sustainability became a formal part of the company’s mission, incorporating the concept of social and environmental responsibility into its overarching mission of power generation. Since that time, Itaipu has started the Gender Equality Incentive Programme in hopes of encouraging its suppliers, institutions, and other

<sup>30</sup> <http://www.businessdictionary.com/definition/benchmarking.html>.

<sup>31</sup> [https://weconnectinternational.org/images/supplier-inclusion/GoldStandard\\_Checklist\\_v1.pdf](https://weconnectinternational.org/images/supplier-inclusion/GoldStandard_Checklist_v1.pdf).

Brazilian organizations to apply gender equality in their management. Itaipu's CEO also signed a declaration of support for the WEPs. In 2012, Itaipu was recognized by UN Women and the UN Global Compact as a benchmark company for WEPs (Itaipu Binacional, n.d.).

As part of its commitment to gender equality and women's empowerment, Itaipu developed a benchmarking tool for evaluating the degree to which their suppliers demonstrate best practices across the seven WEPs. Each year, Itaipu publicly recognizes those companies that perform the best across those principles.

## H. Goal 8: Establish a Second-Tier Programme

**Rationale:** A comprehensive second-tier programme creates a significant multiplier effect, by encouraging the continual establishment of new gender-sensitive procurement programmes, which in turn create incremental opportunities for women-owned businesses.

### Measures of Success:

1. The corporation has established a second-tier programme that includes leadership commitment, resources, contract language, goal setting, selection of initial group of first-tier suppliers and commodities, training, reporting and audit, consequences for not meeting goals, incentives for goal attainment and recognition.

2. The goals are reviewed with the first-tier suppliers.
3. There is a formal system in place to measure the performance of these suppliers against goals.
4. There are sanctions and/or remedial action plans if first-tier suppliers fall short of expectations.
5. Goals should be reasonable, challenging, tailored by industry and subject to continuous improvement.
6. There are alternative activities, such as implementing business development programmes for women-owned businesses, for departments and individuals who do not meet their goals.
7. Corporate processes mirror certification organization guidelines.

### BOX 23

#### Encouraging Participation at all Levels of the Supply Chain

Corporations should encourage or even require first-tier and lower level suppliers to adopt gender-responsive procurement programmes. Indeed, women-owned businesses are far more likely to access the corporate supply chain at a lower tier because the size and complexity of the opportunities at those levels are better suited to micro and small businesses. They are also more numerous.

Corporations with well-developed supplier diversity programmes use a variety of techniques to encourage participation at lower tiers of the supply chain. Citigroup Inc. ("Citi"), for example, has promulgated a Statement of Supplier Principles, which it shares with its suppliers. The Statement sets forth the ethical, social and environmental

principles that guide Citi's global procurement practices and encourages suppliers to adopt their own codes or statements of best practices that incorporate similar principles. To complement its Statement of Supplier Principles, Citi has begun using a Corporate Responsibility Questionnaire (CRQ) to assess how well current and potential suppliers manage governance, environmental sustainability and supplier diversity. If a supplier's CRQ score is low, Citi communicates its concerns to the supplier and works with them over the ensuing year to improve their policies and practices (Citi, 2015).

Citi piloted the CRQ in Malaysia, Australia, and Ireland, and as of August 2015, the CRQ became



a mandatory part of all electronic requests for proposals or quotations in North America and Latin America. Citi expects to deploy the CRQ to all geographical regions by 2018.

Governments too have sought to leverage their procurement spend by pushing preferential procurement policies down the supply chain. In the United States, for example, federal prime contractors and subcontractors are required to submit small business subcontracting plans when the expected value of a contract or subcontract exceeds \$650,000 and there are further opportunities for subcontracting. These plans establish the contractor's goals or targets for participation by various small businesses – including women-owned small businesses – in the federal contract, or alternatively across the contractor's entire business. They also set out the contractor's strategy for achieving these goals and targets. Contractors are subject to penalties if they do not make a 'good faith effort' to achieve the agreed goals (48 C.F.R. Subpart 19.7 (United States)).

Subcontracting plans can also be used as an evaluation factor in competitive procurements where award is based on best value. In this situation, firms are required to submit small business subcontracting plans as part of their overall proposals. These plans are evaluated together with other non-price factors, and the award is made to the firm whose proposal represents the best overall value to the government, taking into account both the price and non-price factors.

South Africa encourages inclusive sourcing through its Broad-Based Black Economic Empowerment (B-BBEE) policies.<sup>32</sup> Companies that compete for

business with government departments or public entities or enterprises are awarded preference points based on their certified B-BBEE status levels. Under this system, the maximum number of points that can be awarded to contractors during source selection is 100 points, of which 80 points (or 90 points for larger procurements) are awarded based on price and the remaining 20 'preference' points (or 10 points for larger procurements) are awarded based on the firm's certified B-BBEE status level. Thus, firms are incentivized to maximize their status levels.

A firm's status level is based on its compliance with the B-BBEE Codes of Good Practice, which are intended to advance economic transformation and promote economic participation by black people and other previously disadvantaged communities. The B-BBEE Codes of Good Practice use a generic scorecard comprised of seven core elements: ownership, management control, employment equity, skills development, preferential procurement, enterprise and supplier development, and socioeconomic development. Thus, for example, one company might receive the maximum points under the ownership element because it is owned by black people while another company might receive maximum points under the skills development element because it has put in place initiatives designed to develop the competencies of black employees and black people, both internally and externally. In other words, the system encourages firms to pursue initiatives under these elements to increase their compliance scores and status levels, and hence the number of preference points they receive during source selection (Taylor and Roga, 2009; Quinot, 2013).

### III. Leveraging Social Investments

Several corporations around the world are making very specific social investments in women business owners and their ability to access new markets. Many of these investments are measurable, verifiable and

trackable over time. They are also often being made in partnership with other corporations, governments and NGOs through very high profile global platforms.

In 2013, at the Clinton Global Initiative (CGI) conference, a coalition of corporations and non-profits came together to make a mega commitment - "Advancing Women-Owned Businesses in New

<sup>32</sup> Broad-Based Black Economic Empowerment Amendment Act, Act No. 46 of 2013: " 'Broad-based black economic empowerment' means the viable economic empowerment of all black people [including], in particular women, workers, youth, people with disabilities and people living in 10 rural areas."



Markets". The first objective was to track and measure at least US\$1.5 billion in combined total new money spent by commitment-makers on women-owned businesses based outside the U.S. between 2013 and 2018. The actual total spend at the end of 2014 already exceeded US\$3 billion. The second objective was to implement Supplier Readiness initiatives, including mentoring, that targeted at least 15,000 women-owned businesses based outside the U.S. between 2013 and 2018. The actual total number of women trained at the end of 2014 has already exceeded 40,000. These results would not have been possible without the coordinated collaboration of a diverse set of stakeholders including Accenture, The Boeing Company, Cherie Blair Foundation, The Coca-Cola Company, DLA Piper, EY, ExxonMobil, Freeport, Goldman Sachs, IBM, ICRW, IDB, Intel, Johnson Controls, Marriott International, McLarty Global Fellows, Pfizer Inc., RBS, Rockefeller Foundation, TechnoServe, Thunderbird School, U.S. Department of State, Vital Voices Global Partnership, Walmart and WEConnect International.

In September 2016, over 30 partners joined CGI's "No Ceilings: The Full Participation Project", Vital Voices Global Partnership, and WEConnect International to announce a new series of commitments that address significant gender gaps and advance the gender equality targets of the UN SDGs. Over the next five years, the coalition's collective CGI Commitments to Action will advance women's economic participation, address violence against girls and women, and

promote women's leadership in the public and private sectors. It includes a specific commitment by select partners to spend more than US\$15 billion with women-owned businesses. Other coalition partners include Airbnb, American Jewish World Service, Avon, CARE, Catalyst, Cherie Blair Foundation, Dermalogica, EY, East-West Center, Foundation Center, Freeport-McMoRan, Global Fund for Women, IBM, International Center for Research on Women, Ingersoll Rand, McLarty Global Fellows, NEST, Procter & Gamble, Pfizer, Sodexo, Together for Girls, UN Trust Fund to End Violence Against Women, Unilever, Upaya Social Ventures, WAKE International, Walmart, Women Deliver, Women for Women International, and Women's Funding Network.

Global Citizen is a community of people who want to learn about and take action on the world's biggest challenges, including ending extreme poverty. In September 2016, UPS, Walmart and Johnson & Johnson each committed to purchase \$100 million from women-owned businesses over the next three years. This total \$300 million commitment which is set to affect 240,000 lives by 2019, follows 30,000 actions by Global Citizens, and will be delivered through Global Citizen's partner, WEConnect International.<sup>33</sup>

There should be no doubt that corporations can and must leverage their expertise and global purchasing power in support of women's economic empowerment because it is good business and because of the urgent and immense positive impact it is having on society.

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<sup>33</sup> <https://www.globalcitizen.org/en/content/global-citizen-festival-2016-impact/>.



# CONCLUSIONS

# CONCLUSIONS

Gender-responsive procurement is quickly becoming a business imperative. Today, women own over a third of all businesses worldwide, generating millions of employment opportunities and spurring local development. They also control about \$20 trillion in annual consumer spending, and by 2028, they are likely to control nearly 75 per cent of consumer discretionary spending globally. Yet, despite these stunning statistics, the economic potential of women-owned businesses remains largely untapped. Indeed, they receive only about one per cent of corporate procurement spend each year.

By ignoring the potential role of women-owned businesses in the supply chain, corporations are missing an opportunity to expand their markets, diversify their supply chains, solidify brand loyalty

and enhance their reputations, while simultaneously improving the lives of women and girls around the globe. Corporations can leverage this market segment by adopting gender-responsive procurement programmes.

Gender-responsive procurement begins with understanding the barriers and challenges preventing women-owned businesses from accessing and fully participating in the corporate supply chain, and a commitment from top-level management to make gender-responsive procurement an integral part of the firm's business practices and culture. The purpose of this Guide has been to provide corporations and their suppliers with a deeper understanding of these issues, and the tools and techniques for translating corporate commitment into a successful strategy.

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220 East 42nd Street  
New York, New York 10017, USA  
Tel: 212-906-6400  
Fax: 212-906-6705

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