

## Supplier Diversity – Key Definitions

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Supplier diversity is an emerging discipline with its own terminology. Below are some key definitions of terms used in the supplier diversity area. The definitions are provided as a reference and also a starting point for developing a M/WBE Mentoring Program.

**Mentoring.** According to The Oxford Dictionary, a mentor is defined as: “An experienced and trusted adviser or guide; a teacher, a tutor.”

**Supplier Mentoring.** A supplier diversity-specific definition is provided in the 2002 edition of the SBA Mentor-Protégé Program - Glossary of Terms, which defines a mentor as: “A business, usually large, or other organization that has created a specialized program to advance strategic relationships with small businesses”.

**Women Business Enterprise (WBE).** A women-owned business is at least 51 percent or more owned by a woman (or women), who is a U.S. citizen, and who controls the firm by exercising the power to make policy decisions and operates the business by being actively involved in day-to-day management.

**Certification.** A minority- or women-owned firm whose ownership, control and operation has been verified by a qualified, independent third party. Examples are 8(a) certification by the U.S. Small Business Administration and MBE certification by the National Minority Supplier Development Council. (See “MBE” and “WBE” definitions for more information)

**Contract Bundling.** Combining two or more previously separate contracts into one contract. A bundled contract is more likely to be out of reach to a small business due to greater capacity requirements, bonding levels, financial needs, etc.

**Digital Divide.** Describes the gap between members of society who do not have access to modern information technology such as the Internet. The digital divide occurs in many forms such as between rural & urban, rich & poor, and majority & minority businesses. The digital divide also concerns the under-representation of minorities and women in technology.

**Disadvantaged Business Enterprise (DBE).** Means a for-profit small business concern (1) that is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged or, in the case of a corporation, in which 51 percent of the stock is owned by one or more such individuals; and (2) Whose management and daily business operations are controlled by one or more of the socially and economically disadvantaged individuals who own it.

**Federal Acquisition Regulation.** The Federal Acquisition Regulation (FAR) which is the primary document used by all federal executive agencies for purchasing goods and services. The FAR establishes uniform policies and procedures for procurement by all executive agencies. The FAR can be supplemented by regulations issued by each federal executive agency. (See [www.arnet.gov](http://www.arnet.gov) for additional information)

**First-Tier Supplier.** A first-tier (prime) supplier invoices the buying organization directly for goods and services rendered.

**Front Company.** Occurs when a minority company acts a “pass through” for work done on a contract and/or when the company claims MBE and/or WBE status but is actually is owned by a non-minority or male. M/WBE certifications are used as a filter to screen for front companies. To qualify as an MBE, the business owner must demonstrate that he or she is a minority person and provide documentation establishing at least 51 % ownership of the company. The owner(s) should also provide proof they have the appropriate technical and management experience. To qualify as a WBE, the owner(s) must demonstrate provide documentation establishing she has at least 51 % ownership and control of the company.

**Globalization.** Describes the increased mobility of goods, services, labor, technology and capital throughout the world. Technology such as telecommunications has been a key force behind the accelerating pace of globalization.

**HUBZone Small Business.** Means a small business that appears on the list of Qualified HUBZone Small Business maintained by the US Small Business Administration.

**Minority Business Enterprise (MBE).** An MBE is a for-profit enterprise, regardless of size, physically located in the United States or its trust territories, which is owned, operated and controlled by minority group members. “Minority group members” are United States citizens who are African-Americans, Hispanics, Native Americans, Asian-Pacific Americans and Asian-Indian Americans. Ownership by minority individuals means the business is at least 51 percent owned by such individuals or, in the case of a publicly-owned business, at least 51 percent of the stock is owned by one or more such individuals. Furthermore, the management and daily business operations are controlled by those minority group members. “Controlled” means the primary power to make policy decisions, and “Operated” means active involvement in day-to-day management related to business performance. In the case of publicly-owned businesses, the racial minority group members must own at least 51 percent of the stock.

**MBE Classifications.** Below is a summary of the types of minority-owned businesses.

- African-Americans. U.S. citizens having origins in any of the black racial groups of Africa.
- Asian-Indian Americans. U.S. citizens whose origins are in India, Pakistan and Bangladesh.
- Asian-Pacific Americans. U.S. citizens whose origins are from Japan, China, Taiwan, Korea, Vietnam, Laos, Cambodia, the Philippines, Samoa, Guam, the U.S. Trust Territories of the Pacific or the Northern Marianas.
- Hispanics. U.S. citizens of Hispanic heritage from any of the Spanish-speaking areas of Latin America or the following regions: Mexico, Central America, South America and the Caribbean basin.
- Native Americans. Persons who are American Indian, Eskimo, Aleut or Native Hawaiian, and regarded as such by the community of which the person claims to be a part. Native Americans must be documented members of a North American tribe, band or otherwise organized group of native people who are indigenous to the United States.

**NAICS Code**. North American Industry Classification System (NAICS) Size Standards. Used by the U.S. Small Business Administration to determine if the company is a large or small business. In 1997, the NAICS codes replaced the Standard Industrial Classification (SIC) codes. The SIC codes had been used for several decades.

**OSDBU**. Office of Small and Disadvantaged Business Utilization (OSDBU). Per Public Law 95-507, each federal executive agency is required to have an OSDBU Director (See [www.OSDBU.gov](http://www.OSDBU.gov) for additional information). Also referred to as the SADB – Small and Disadvantaged Business Utilization.

**PRO-Net**. A database of diversity suppliers maintained by the U.S. Small Business Administration. The Web address for PRO-Net is [www.ccr.gov](http://www.ccr.gov)

**Protégé**. A person (or company) who receives support from an more established person (or organization) that furthers the protégé's career or business development. Also referred to as a mentee.

**Second-Tier Supplier**. A second-tier supplier (subcontractor) invoices the buying organization's first-tier suppliers for goods and services rendered.

**Service-Disabled Veteran-Owned Small Business**. Means a small business that: (i) is at least 51% unconditionally owned by one or more service-disabled veterans (as defined at 38 U.S.C. 101(2), with a disability that is service connected, as defined in 38 U.S.C. 101(16)); or in the case of any publicly owned business, at least 51% of the stock of which is unconditionally owned by one or more service-disabled veterans; and (ii) whose management and daily business operations are controlled by one or more service-disabled veterans or, in the case of a veteran with permanent and severe disability, the spouse or permanent caregiver of such veteran.

**Small Business**. Means a business, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on government contracts, and qualified as a small business under the criteria and size standards as established by the US Government.

**Small Disadvantaged Business**. Means a small business that: (i) has received certification as a small disadvantaged business consistent with 13 CFR part 124, Subpart B; (ii) no material change in disadvantaged ownership and control has occurred since its certification; (iii) where the is owned by one or more individuals, the net worth of each individual upon whom the certification is based does not exceed \$750,000, after taking into account the applicable exclusions set forth at 13 CFR 124.104©(2); and (iv) is identified, on the date of its representation, as a certified small disadvantaged business in the database maintained by the Small Business Administration.

**Strategic Sourcing**. Re-engineering of purchasing from a transaction-orientated process, (i.e., three bids and a buy) to an integrated supply chain management process.) Strategic sourcing stresses integrated procurement planning, sourcing, and management. Cross-functional sourcing teams are used to select suppliers for key products and services who determine the optimal supply chain structure that provides the lowest total cost of ownership. Supplier diversity is part of the strategic sourcing process.

**Strategic Supplier.** A supplier that provides key supplies and/or services in a particular commodity area. Strategic suppliers add a high degree of value to the supply chain management process by reducing costs, aggregating demand, etc.

**Supplier Development.** Any effort by a buying firm with a supplier to increase the performance and/or capabilities of a supplier and to meet the buying firm's short- and/or long-term supply needs. Supplier development activities may range from an informal supplier evaluation and a request for improved performance to extensive efforts.

**Supplier Diversity.** A proactive business process that seeks to provide suppliers equal access to purchasing opportunities. It promotes supplier participation reflective of the diverse business community and encourages economic development.

**Technology Transfer.** The sharing of knowledge and facilities among: Federal laboratories; Industry; Universities; Federal, state, and local governments; and third-party intermediaries. By one estimate, from one-third to one-half of all U.S. growth has come from new technologies.

**Veteran-Owned Small Business.** Means a small business that: (i) is at least 51% unconditionally owned by one or more veterans (as defined at 38 U.S.C. 101(2)); or in the case of any publicly owned business, at least 51% of the stock of which is unconditionally owned by one or more veterans; and (ii) whose management and daily business operations are controlled by one or more veterans.

**Virtual Trade Mission.** A Virtual Trade Mission uses the Internet to provide text and visual information between supplier groups in one location that wish to do business in other locations, either domestically or globally. Virtual trade missions features online display booths, interactive discussion forums, etc.

Source: [www.e-mbe.net](http://www.e-mbe.net)

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