This is a guide only and should be adapted to your industry and circumstances.

How to Evaluate Supplier Diversity in Your Organisation: A Guide for Small and Medium Businesses

Introduction

Supplier diversity is a key strategy for fostering innovation, social impact, and economic growth. For small and medium businesses (SMEs), leveraging a diverse supply chain can enhance brand reputation, access new markets, and contribute to community development. Social enterprises provide an excellent best-practice model, as they combine business and social impact objectives to create sustainable economic ecosystems.

Step 1: Define Supplier Diversity Goals

Start by establishing clear goals for supplier diversity. These may include:

- Increasing procurement from underrepresented groups (e.g., women-owned, minority-owned, disability-led businesses)

- Supporting social enterprises that reinvest profits into community development

- Enhancing sustainability through ethical and local sourcing

Step 2: Identify and Categorise Diverse Suppliers

To assess supplier diversity, classify vendors based on key criteria:

- Social enterprises (businesses that prioritise social impact)

- Minority, women, LGBTQ+, and disability-owned businesses

- Local and small-scale suppliers contributing to community welfare

Step 3: Assess Supplier Impact and Performance

Evaluate the effectiveness of diverse suppliers using key performance indicators (KPIs):

- Social impact: Measured by job creation, reinvestment in communities, or sustainability initiatives

- Financial viability: Assess revenue growth, profitability, and ability to scale

- Product/service quality: Ensure consistency and reliability in delivery

- Compliance and certifications: Verify necessary licenses and diversity certifications

Step 4: Integrate Supplier Diversity into Procurement Policies

Embed supplier diversity into procurement policies and procedures by:

- Setting percentage targets for diverse supplier spending

- Establishing a preferred supplier list that includes social enterprises

- Training procurement teams on inclusive sourcing practices

- Engaging in partnerships with organisations supporting diverse businesses

Step 5: Measure and Report Progress

Regular assessment and reporting help maintain accountability. Consider the following:

- Tracking the proportion of spending on diverse suppliers

- Collecting supplier feedback on engagement processes

- Publishing an annual supplier diversity report to showcase impact

Step 6: Foster Long-term Relationships

Beyond transactions, build meaningful partnerships with diverse suppliers through:

- Mentorship and capacity-building initiatives

- Long-term contracts and commitments

- Joint marketing efforts to highlight social impact collaborations

Summary

Evaluating supplier diversity in your organisation is a strategic move that fosters inclusivity, sustainability, and social impact. By using social enterprises as a best-practice model, SMEs can create a more resilient and responsible supply chain while driving economic empowerment in their communities.