



New Growth
Innovation Network
POWERING INCLUSIVE ECONOMIES

Inclusive Procurement Practices for Small *and* Midsize Cities: Advocacy Brief

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About NGIN

New Growth Innovation Network (NGIN) is a knowledge, insight, and innovation hub, supporting economic development practitioners advance inclusive economic growth in their region. Established in 2018, NGIN works to close structural opportunity gaps to ensure that economically disenfranchised people of color, women, and neglected geographies are a core part of regional economic growth and prosperity.

Created with the support of the Robert Wood Johnson Foundation, the Small and Mid-Size City (SMC) Hub is a community with dedicated resources to drive inclusive economic development, advance racial equity, and reduce health inequities in cities with populations from 50,000 to 500,000 across the United States.

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BIPOC (Black, Indigenous, and People of Color) Businesses in Context

It is well recognized that BIPOC businesses have historically suffered from systemic barriers such as lack of access to capital, social networks, segregation, and other biases that have kept them from the benefits of wealth generation that comes from entrepreneurship and business ownership. The National Minority Supplier Diversity Council (NMSDC), a national umbrella organization committed to growing and advocating for the minority-owned business supplier base, annually tracks the size and scope of the impact of minority-owned business on the economy, showing that in 2022, NMSDC certified businesses accounted for \$316.2 billion in total annual revenues (up 21% from 2021) and 1.8M jobs.¹ But even as the impact of BIPOC-owned businesses grows, disparities persist.

BIPOC-owned businesses are underrepresented in the American economy - nationally, 6% of employer firms are owned by Latinos, and 2% by African Americans, despite comprising 19%, and 13% of the population, respectively.² BIPOC-owned businesses are also disproportionally smaller in size. For example, 96% of black-owned firms are sole-proprietorships, not employer firms, compared to 81% of all U.S. firms in 2017.³ These small businesses face additional operational challenges, like staff capacity and access to capital. A 2017 report by the Atlanta and Cleveland Federal Reserve Banks focused on small, minority owned businesses and found that Black-owned firms reported more credit availability challenges or difficulties obtaining funds for expansion than nonminority-owned firms. 40% percent black-owned firms reported not applying for financing because they did not think they would be approved, compared with 14% of white-owned firms and 21% of Hispanic- and Asian-owned firms.⁴

Towards Parity through Inclusive Procurement

It is also widely accepted and has been demonstrated that investing in small and diverse businesses is critical to the strength of the American economy due to the impact that BIPOC business parity could have on job and wage growth and wealth generation.⁵ Inclusive procurement is an important and intentional approach to achieving parity by increasing BIPOC-owned business access to contracting opportunities with large purchasing organizations, directly helping to build their capacity to expand, create more jobs, and be part of a sustainable pipeline of local and diverse suppliers that can meet the demand for goods and services. Economist Bruce Katz refers to a Procurement Economy in which federal and local governments, agencies and special districts accounted for \$1 trillion in spending in 2019, with major corporations, utilities, hospitals, and universities contributing

billions more.⁶ This significant and consistent demand provides opportunity for all vendors, but, as public disparity studies demonstrate, BIPOC businesses tend to be underutilized compared with their majority-owned peers and stand to better benefit from this spending power. But Katz warns that the mere presence of purchasing dollars does not ensure “unlocking the procurement economy” for all businesses, citing challenges such as: differences in the areas of spending versus the concentration of diverse suppliers in certain sectors, complicated and bureaucratic rules resulting from years of legal challenges to race-based set asides, and the disconnect between entrepreneurial support and financing from the procurement and supply chain systems. He advises a “market making” approach that is a longer-term collaborative and comprehensive strategy to sustainably build regional markets of firms with the capacity to respond to current and future institutional demand that relies on participation and cooperation between buyers and entire entrepreneurial ecosystems (e.g., lenders, business support organizations, chambers of commerce).

The NGIN Roundtable: Perspectives on Inclusive Procurement in Small and Mid-Size Cities

In December 2023, NGIN conducted a national virtual roundtable with leaders and practitioners from small and mid-size cities (SMCs) to better understand how local and regional procurement practices can become more inclusive and provide robust pathways for local businesses – especially BIPOC-owned businesses – to grow, generate jobs and wealth, and ultimately address the racial wealth gap. The roundtable gathered 21 professionals from over 10 cities from Tacoma, WA, to Shreveport, LA and Roanoke, VA. Four experts from the Federal Reserve of Philadelphia, the City of Tacoma and U3 Advisors provided their insights on inclusive procurement practices and resources, and NGIN facilitated a discussion to share first-hand experiences with the opportunities and challenges of inclusive procurement.

This brief is not meant to be an exhaustive survey of the history and breadth of inclusive procurement and supplier diversity programs but rather to be: 1) an overview of the range of structures and solutions being implemented to support inclusive procurement, 2) to reflect the current experiences, sentiments, trends and recommendations raised by on-the-ground practitioners working to implement change in small and mid-size cities across the country, and 3) to answer practitioners’ challenges with recommendations drawn from best practices in the field.

Inclusive Procurement Models

Public agencies, anchor institutions and private corporations – given their mission, regulatory, and organizational contexts – vary in how they can increase spending with BIPOC businesses. The following models represent the range of inclusive procurement programs, tools and structures being implemented across the country.

Local Government Procurement Programs

City / county government programs typically tie specific utilization targets (e.g., % of contract value being delivered by a minority-owned firm) to bidding / RFP requirements. Agencies may require business certification (e.g., Minority Business Enterprise or “MBE”) that the locality, or another entity, provides to identify and affirm the status of business ownership, and may conduct deliberate outreach and education to help navigate the procurement or bidding process, as well as provide certification support.

Small and Midsize City Example: City of Tacoma Equity in Contracting (EIC) Program⁷

The EIC’s mission is “to create and sustain a competitive and fair business environment for contracting, procurement and consulting opportunities that include small businesses owned by minority, women, and socially and economically disadvantaged people.” The City of Tacoma created and officially adopted the program in 2019 in response to a 2018 disparity study that demonstrated underutilization of women and minority-owned businesses. The program is currently focused on contract-specific utilization requirements for construction and public works projects, ensuring equitable participation, removing barriers to participation, expanding community education and outreach, improving processes, communicating program progress and successes, and supporting workforce development. The City periodically conducts analyses to understand progress in the utilization of underrepresented businesses using B2GNow as the software tracking tool. EIC includes an enforcement mechanism – fines for vendors not complying with contract utilization requirements. Their targeted outreach strategy includes monthly workshops to educate vendors on the City’s procurement process and intentional advertising of contract opportunities to underutilized businesses.

Corporate Supplier Diversity Programs

Corporate supplier diversity programs trace their roots back to the civil rights era where both the public and private sectors began the effort to intentionally integrate minority-owned businesses into their supply chains. General Motors was one of the first such programs launched in 1968⁸. The Nixon administration followed with the

creation of the Office of Minority Business Enterprise in 1969 which would go on to tie federal funding opportunities to supplier diversity requirements as well as create an infrastructure for technical assistance for minority-owned businesses.⁹

Small and Midsize City Example: Prudential Financial¹⁰

Prudential's supplier diversity program is a part of its Diversity and Inclusion commitments and can connect the program directly to business benefits, communicating that the program:

- Enhances reputation and brand.
- Supports aspiration to be a most admired company.
- Supports long-standing commitment to the communities where we live and work.
- Expands the pool of vendor talent, capabilities and perspectives.
- Addresses the interests of a variety of Prudential constituencies including institutional and individual clients as well as Board and senior leadership.

Prudential recognizes a range of diversity certifications and uses those certifications to authenticate business ownership and track the company's spending changes across a range of demographics. Other core components of its program include intentional outreach to meet diverse vendors in collaboration with business networking organizations, summits that educate vendors about Prudential's procurement processes, and a vendor-facing portal that allows interested vendors the opportunity to share their capabilities, get information about goods and services needs of the corporation, and ensures that suppliers are recognized within the procurement system as having diverse ownership. Prudential is an advocate for Newark, and since 2014 has been a leading voice in the movement for local investment in the city, connecting its supplier diversity program to a set of strategies behind the Newark Anchor Collaborative¹¹ working to incentivize people to live and work in Newark. Prudential's efforts demonstrate the ability of corporations to not only change purchasing practices but have broader economic development impact through building the capacity of the local businesses and workforce.

Corporate supplier diversity program definitions, structures, goals and degree of public reporting vary. The private sector generally has a greater degree of freedom to shape programs in support of broader corporate agendas and DEI efforts when compared to public agencies with regulated procurement guidelines (e.g., may not require business certification). Publicly traded corporations may tie supplier diversity agendas to environmental, social and governance (ESG) efforts and reporting, and approaches can range from suggested practices for inclusion to strict goals and contractual requirements for their own purchases and their prime vendors' practices. For example, Target reported that in 2019 the company directly

spent \$1.4 billion on goods and services provided by first-tier diverse suppliers but was able to influence its first-tier suppliers to spend over \$800,000 from second-tier diverse suppliers (or sub-contractors).¹²

Anchor Purchasing Collaboratives

Initiatives that bring together anchor institutions – from educational, healthcare and even corporate organizations – to focus on local and inclusive purchasing are on the rise and formally exist in cities such as Buffalo, Detroit, Memphis, Philadelphia, Pittsburgh, Milwaukee, Newark, and Rochester, among others. These efforts signal the interest from a range of employers amplify their impact on regional economic development impact through collaboration. According to the Federal Reserve Bank of Philadelphia’s Anchor Economy Initiative, hospitals and universities alone contribute \$1.7 trillion in goods and services to the American economy¹³, providing contracting opportunity for suppliers, especially in regional economies dependent on those anchors, as well as opportunity for anchors to work to intentionally elevate entire communities. These collaboratives are less about collective purchasing but are instead focused on a set of shared commitments that a diverse cohort of organizations can make to inclusive procurement, the co-development and coordination of strategies to increase access for BIPOC vendors, and the development of tools and resources to deepen the impact of those anchors.

SMC Example: The Buffalo Purchasing Initiative (BPI)¹⁴

The mission of the BPI is to create a convening resource for Buffalo’s large employers to explore strategies and share resources to expand purchasing opportunities with local businesses owned by people of color. The initiative’s members include 15 organizations from across sectors that have committed to funding the work, engaging executive leadership and purchasing / procurement staff in carrying out the work, and to work to uncover and remove potential barriers to entry for local small and BIPOC businesses trying to work with the anchors. Launched in 2019, this “demand-facing” initiative relies on the regular contribution of anchor spending data (i.e., their demand for and purchase of goods and services) to be able to set both individual and collective spending goals and track progress. The members of the initiative come together on a regular basis to share knowledge and experiences, to meet local vendors, to learn about ways to support inclusion in their day-to-day procurement and outreach practices, and to understand the ecosystem of business supports that can help to develop the local vendor pipeline. BPI relies on partnerships with business support organizations to help build the capacity of those vendors and has worked directly with them to create programs such as the Buffalo State Small Business Development Center Contract Readiness series and the Buffalo Niagara Partnership Minority-Owned Business Initiative¹⁵ to specifically meet the needs of BIPOC businesses. Over the

first three pilot years, BPI members collectively reported a 100% increase in average annual spend with businesses of color in Western New York and nearly tripled the number of business relationships with local businesses owned by people of color.

Purchasing collaboratives vary in geography, scope, sector, and structure / governance depending on the needs and interests of each locality (see examples such as SupplyRI¹⁶, Philadelphia Anchors for Growth and Equity¹⁷, and Healthcare Anchor Network¹⁸). However, a common set of benefits of these anchor collaboratives can be seen across these efforts including:

- Efficiencies through sharing the cost of resources (e.g., data analytics, supplier engagement)
- Minimizing risk by exchanging market information and vendor referrals
- Scale of impact
- Transparency of corporate / institutional practices and trust-building
- Putting dollars directly in the hands of businesses to support expansion and job creation

Practitioner Challenges

Practitioners from across cities and sectors found the following subset of common challenges particularly critical to the ability to increase the participation of BIPOC businesses in institutional and corporate procurement as well as broadening the pool of diverse vendors with the capacity to work with large organizations. While there are a host of known systemic challenges to small and BIPOC businesses in particular, the following challenges provide the opportunity to be removed with intentional changes in the procurement ecosystem:

Lack of transparency. Information for vendors about procurement opportunities, processes, submissions, especially within the private sector, is opaque and often confusing at best. Systems, especially in the public sector, seem bureaucratic and archaic, making it even more difficult for vendors to comprehend. Opportunities, when made public, are often done so shortly before deadlines for submission, leaving small businesses scrambling to respond in a timely manner.



PRACTITIONER PERSPECTIVE

“We have a highly developed and yet harsh environment, especially to those who do not have a guide in navigating... kind of like a very busy highway with lots of fast-moving traffic.”

Disconnect between what buyers want and what small businesses need. Large organizations, because of lack of interest or capacity, are not sufficiently engaging businesses to learn about their experiences, needs and challenges navigating procurement systems or finding support for their own business development. Submissions requirements (e.g., insurance, lowest-bid requirements) are generally standardized and can be excessive and risky for small, BIPOC businesses that are inadvertently excluded.



PRACTITIONER PERSPECTIVE

“Policy makers don't understand business owners (they have never been in their shoes)”. “Are policy makers going to actually listen to me (‘the expert’)?”

Systems benefit larger businesses with existing relationships. Vendors with existing experience and knowledge of a purchasing organization continue to have competitive advantage, thereby reinforcing the inability for new vendors to enter the market. BIPOC businesses owners continue to live with systemic segregation that limits their exposure to business leadership and ability to build the social networks critical to business success.

Recommendations

The research on existing models and input from practitioners working in small and mid-size cities trying to create more inclusive procurement programs, policies and procedures together suggest the following characteristics are important to the success of inclusive procurement efforts:

Design programs that are “vendor-centric” and incorporate a realistic understanding of the challenges facing small, BIPOC businesses. For example, a common application to streamline the bidding / procurement submission process can help to minimize the cumbersome nature of applications and the time and energy needed to compete. Or, providing a vendor with information about resources that might help them build capacity (e.g., funding opportunities) can make them better prepared for the next opportunity. Or right sizing a contract to meet the abilities of the existing, small business vendor base can increase local response and participation.



PRACTITIONER PERSPECTIVE

“Regarding engagement, I find quarterly roundtables effective. It provides a structure for ongoing engagement and regular participation.”

Be realistic about the capacity of the entire procurement ecosystem. Buying entities, business support organizations and vendors may all be under stress. Building a collective understanding and increasing transparency about what is possible and what the ecosystem needs will ensure participation by all needed players in the ecosystem. Programs that provide capacity building on all sides of this “equation” are more likely to be successful.



PRACTITIONER PERSPECTIVE

“Agencies are understaffed and often not fully prepared and informed themselves, so they avoid providing feedback.”

Embody reciprocity and the value business owners’ time. The disproportionate scope and value of time that small and BIPOC businesses put into responding to complicated bids / RFPs should be understood and compensated for (i.e., financially or with the provision of resources). Changing the expectation that small businesses can and should participate in these cumbersome efforts for free is critical to an equity-based approach.

Understand institutional barriers to inclusion. Purchasing organizations should look inward regularly to understand their existing purchasing infrastructure and the policies and procedures that might be leading to the exclusion of certain vendors. A racial equity lens for such an analysis¹⁹ is particularly important for increasing BIPOC participation.



PRACTITIONER PERSPECTIVE

“Translation services should be a standard part of business development services.”

Conduct intentional outreach and provide feedback. Outreach strategies that include getting to know businesses and introducing them to policies and procedures, well in advance of an opportunity, will increase their success. Creating a feedback loop that builds transparency and allows vendors to understand why

their bid / proposal was not successful supports their learning and business development, as well as build trust between the purchasing entities and vendor community. In addition, identifying and promoting BIPOC businesses in the community helps to combat assumptions about the existence and strength of the diverse supplier base.



PRACTITIONER PERSPECTIVE

“Meet with community groups in a variety of forums to share the technical support available through APEX Accelerators and the no-cost, confidential assistance, workshops.”

Use equitable data and metrics to inform policy. Regularly collecting data to reflect real demand for goods and services, institutional spending, outreach, and vendors that can be disaggregated to demonstrate who participates and how, will help to set well-informed and realistic goals for increasing the participation and success of BIPOC businesses.

Increasing procurement access, information, and support for BIPOC businesses to compete are critical. These practices will be applied differently by different organizations (e.g., public vs. private, individual vs. collaborative). Nevertheless, moving toward more inclusive purchasing practices, when intentional and encompassing of the entire ecosystem of actors needed to support buyers and vendors alike, promises to have a real and lasting impact on the growth of BIPOC businesses, and the creation of jobs and wealth in our most underrepresented communities.

Additional Readings

- [A Procurement Path to Equity: Strategies for Government and the Business Ecosystem](#)
- [Buy Local: Shifting Institutional Spending for Transformative Impact](#)
- [Inclusive Contracting Toolkit](#)
- [Unlocking the Procurement Economy: Lessons from San Antonio and El Paso](#)

Endnotes

- ¹ <https://nmsdc.org/news/nmsdc-releases-its-yearly-minority-businesses-economic-impact-report/>
- ² <https://www.thenewlocalism.com/newsletter/unlocking-the-procurement-economy-lessons-from-san-antonio-and-el-paso/>
- ³ <https://aeoworks.org/wp-content/uploads/2019/03/AEO-Black-Owned-Business-Report-02-16-17-FOR-WEB-1.pdf>
- ⁴ <https://www.clevelandfed.org/collections/press-releases/2017/pr-20171108-atlanta-and-cleveland-feds>
- ⁵ <https://www.brookings.edu/articles/black-owned-businesses-in-u-s-cities-the-challenges-solutions-and-opportunities-for-prosperity/>
- ⁶ <https://www.thenewlocalism.com/newsletter/unlocking-the-procurement-economy/>
- ⁷ https://www.cityoftacoma.org/government/city_departments/community_and_economic_development/equity_in_contracting#:~:text=The%20Equity%20in%20Contracting%20Program,t o%20the%20City%20of%20Tacoma
- ⁸ <https://www.gmsupplierdiversity.com/about-us/>
- ⁹ <https://www.mbda.gov/about/history>
- ¹⁰ <https://www.prudential.com/links/about/supplier-diversity-program>
- ¹¹ <https://www.prudential.com/links/about/corporate-social-responsibility/newark/anchor-institutions>
- ¹² <https://hbr.org/2020/08/why-you-need-a-supplier-diversity-program>
- ¹³ <https://www.philadelphiafed.org/community-development/workforce-and-economic-development/anchor-economy-initiative>

¹⁴ <https://racialequitybuffalo.org/initiative/business-leaders-task-force/buffalo-purchasing-initiative/>

¹⁵ <https://www.thepartnership.org/minority-business-initiative/>

¹⁶ <https://www.supplyrhodeisland.com/>

¹⁷ <https://www.economyleague.org/page>

¹⁸ <https://healthcareanchor.network/2021/06/impact-purchasing-commitment-ipc/>

¹⁹ <https://www.aecf.org/resources/race-matters-racial-equity-impact-analysis>