

## OVERVIEW: Supply Chains, Local Procurement, and Women-Owned Businesses in the Infrastructure and Natural Resources (INR) Sector

Infrastructure companies and urban service providers typically work closely with a range of subcontractors, from small local firms to larger national or international partners. These subcontractors represent many jobs tied to the infrastructure and urban sectors and are important partners in ensuring that these sectors create economic benefit for both men and women. Many already prioritize local hiring in their procurement plans and policies because they recognize the significant benefits that can come from working with local suppliers<sup>1</sup>—not only does doing so support local economic development and demonstrate commitment to local growth and partnership, it also fosters local innovation, entrepreneurship, and competition. While companies that want to hire locally can be limited by the existing local capacity, those that go further to cultivate a more diverse supply chain that includes women-owned businesses can reap the benefits of strengthened supply chains, reduced procurement costs, and lower overall costs. For some companies, developing a diverse supply chain requires additional investment or modification to procurement procedures, but evidence shows this investment pays off in terms of local relationships as well as business benefits.

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### Reasons for the Lack of Diversity in Infrastructure and Urban Supply Chains

Representation of women-owned businesses in the corporate infrastructure supply chain remains limited, mirroring similar gaps in public procurement. Several factors contribute to these gaps. Starting with the demand side of the equation, companies may have trouble identifying women-owned businesses that are locally owned and meet their procurement needs. Companies may not see a business case for making the extra effort to reach out to women-owned businesses. And companies might not know how to go about incorporating women into supply chains in a meaningful and cost-effective way.

On the supply side, one reason for the lack of engagement with women-owned businesses could be that local women-owned businesses are typically small and often

<sup>1</sup> Jackie VanderBrug, [“The Global Rise of Female Entrepreneurs,”](#) Harvard Business Review, September 4, 2013.

concentrated in just a few industry sectors. In many contexts, particularly where women have more limited access to finance, women-owned businesses struggle to find the capital to scale up sufficiently to meet procurement requirements for major companies. For example, smaller companies might struggle to provide all the services requested when the larger firm that is issuing bids bundles contracts together. Smaller companies also might not want to accept a job when the contract terms involve delays between completion of work and time of payment. And local women-owned businesses often lack access to the same business and community networks that male-owned businesses do, meaning that they might not know about upcoming tender opportunities and might also have a harder time competing against more networked competitors.

Just as **TOOL SUITE 1** addressed how companies can improve representation of women in their own workforce, this tool suite outlines the benefits that can come with a gender-diverse supply chain and the reasons that a proactive gender-diverse supply chain policy can yield positive results. It offers strategies for companies that want to build stronger connections with women-owned businesses and increase the number of women-owned contractors in their supply chain. It also highlights ways that companies can support the development of local women-led businesses so they are procurement-ready for integration into the supply chain. (For additional information on developing local women-owned businesses through community engagement strategies, please see **TOOL SUITE 3: Tools to Address Gender Equality in Community Engagement**, **TOOL 3.13: Create Local Economic Development and Empowerment Opportunities for Women** and **TOOL 3.14: Guidance Note for Building a Women’s Entrepreneurship Community**.)

### The Business Advantages of Supplier Diversification

Supplier diversification—promoting the use of women-, local-, and minority-owned suppliers in the supply chain—is becoming an increasingly important trend in procurement because of the potential for positive bottom-line impacts and local community development. Studies have shown that companies that prioritize supplier diversity have a 133 percent greater return on procurement investments, spend 20 percent less on buying operations, and have considerably smaller procurement teams than those with lower supplier diversity.

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operations, and have considerably smaller procurement teams than those with lower supplier diversity.<sup>2</sup> According to the United Nations, supply chain diversity can:

- Increase competition between vendors and thus drive down costs
- Facilitate innovation and collaboration with smaller suppliers on more customized products
- Improve corporate reputation and relationships with the community<sup>3</sup>

A recent IFC study notes that women-led businesses in the supply chain “result in stronger and larger supplier networks that contribute to higher input quality and more competitive prices over time.”<sup>4</sup> And for consumer-facing companies, suppliers that reflect the diversity of the customer base can help to more quickly anticipate, innovate, and adapt to changing user needs.<sup>5</sup>

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One reason for such convincing data is that globally, women-owned businesses are growing faster than male-led businesses. The number of women-owned firms in the United States grew twice as fast as all privately owned U.S. firms between 1997 and 2006. Growth in women-owned businesses increases options for companies looking for suppliers, which can help keep bottom line costs down. Thus, companies that proactively encourage and support women-led businesses to compete for contracts have the opportunity to profit from this entrepreneurship and innovation boom.<sup>6</sup>

## Benefits for Broader Economic Development

In addition to reduced procurement costs, supporting locally owned (or as close as possible to the host community) women-led businesses produces broader benefits: community stability, growth, and economic development, all of which can yield positive dividends for company-community relationships.

Research shows that for every additional **1 percent** of women’s share in household wages, family savings can grow by approximately **25 percent.**

<sup>2</sup> IFC, [“Women Entrepreneurs are Essential for Private Sector Development in Emerging Markets.”](#) Washington DC: IFC, 2015, 1.

<sup>3</sup> UN Women, [The Power of Procurement: How to Source from Women-Owned Businesses](#), New York: UN Women, 2017, 29.

<sup>4</sup> IFC, [“Putting Gender Smart Commitments into Practice: SheWorks One Year Progress Report.”](#) Washington, DC: IFC, 2015, 4.

<sup>5</sup> Supply Chain Dive, [“Walmart’s Sourcing from Women-Owned Suppliers Drives Business.”](#) March 8, 2018.

<sup>6</sup> Deloitte and BIAC, [Putting All Our Ideas to Work: Women and Entrepreneurship](#), Paris: BIAC, 2015, 11; EY, [“Scaling Up: Why Women-Owned Businesses Can Recharge the Global Economy.”](#) New York: EY, 2009; IFC, [“Putting Gender Smart Commitments into Practice.”](#) 4.

Women are key community actors. Evidence shows that when women control the community's money, funds are more likely to be reinvested in families and to the benefit of the community. Some research shows that for every additional 1 percent of women's share in household wages, family savings can grow by approximately 25 percent. Women-led businesses and businesses that benefit women through employment represent an important community development driver.<sup>7</sup> One report from Deloitte and BIAC cites Goldman Sachs estimates that closing the financing gap between male-led and female-led businesses in emerging economies would lead to 12 percent growth in per capita income in these countries by 2030.<sup>8</sup>

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## Challenges in Identifying and Supporting Women-Owned Businesses

Many companies have robust local procurement plans in place, some of which go to great lengths to work with local women-owned businesses. Still, many companies face challenges finding and engaging with these businesses. Some of these issues are detailed below.

## Women-Owned Businesses and Employers of Choice for Women

It would be inaccurate to suggest that women cannot benefit from businesses owned by men, or that women-owned businesses necessarily benefit communities more than male-owned companies that employ substantial numbers of women. Still, the focus of this tool suite is on maximizing the business benefits of working with women-owned suppliers and helping companies identify and develop such suppliers. Of note for corporate users of this tool suite, these efforts should be directed at increasing engagement with local women-owned businesses, not merely women-owned businesses that may have little or no connection to host communities.

This tool suite complements **TOOL SUITE 1**, which makes a clear case that companies with significant numbers of female employees may be more profitable and efficient, even if women are not the owners. Combined, the two tool suites provide the full range of guidance to ensure a gender-diverse supply chain, including the use of women-owned contractors and suppliers with significant numbers of female employees.

<sup>7</sup> IFC, [“Putting Gender Smart Commitments into Practice:”](#) EY, [“Scaling Up: Why Women-Owned Businesses Can Recharge the Global Economy”](#); Carmen Niethammer, [“Women, Entrepreneurship and the Opportunity to Promote Development and Business.”](#) Washington, DC: Brookings, 2013, 31.

<sup>8</sup> Deloitte and BIAC, [Putting All Our Ideas to Work: Women and Entrepreneurship](#), 11.

## Identifying Women-Owned Businesses

Women-owned businesses can be defined with a number of different criteria; see **TOOL 2.3** for more details. Leaving aside definitional issues, many companies report difficulties in identifying compliance-ready local women-owned businesses. Research suggests that women-owned firms tend to be smaller and not as capital intensive. They also typically employ fewer people, all of which can make them harder to identify. The size differential is due to a variety of reasons, including different attitudes towards debt and risk, fewer business networks, and limited access to finance. Initiatives like SheTrades (see Box 2A) aim to increase the visibility of women-owned businesses.

### BOX 2A | SheTrades: Bringing Together Supply and Demand

SheTrades is an initiative of the International Trade Center that brings together female entrepreneurs and suppliers, with the aim of connecting 1 million women entrepreneurs with markets by 2020. It was created in response to concerns that corporations were having a hard time identifying suitable suppliers—and that this was getting in the way of increasing gender diversity in their supply chains.

Through the use of the SheTrades app, female entrepreneurs can connect with others, expand their networks, and internationalize their businesses, giving them increased visibility.

The app itself is the result of a global tech challenge sponsored by SheTrades in partnership with Google and Brazilian tech firm CI&T. Greenbell Communications, a woman-owned Kenyan technology firm, won the competition and created the SheTrades platform.

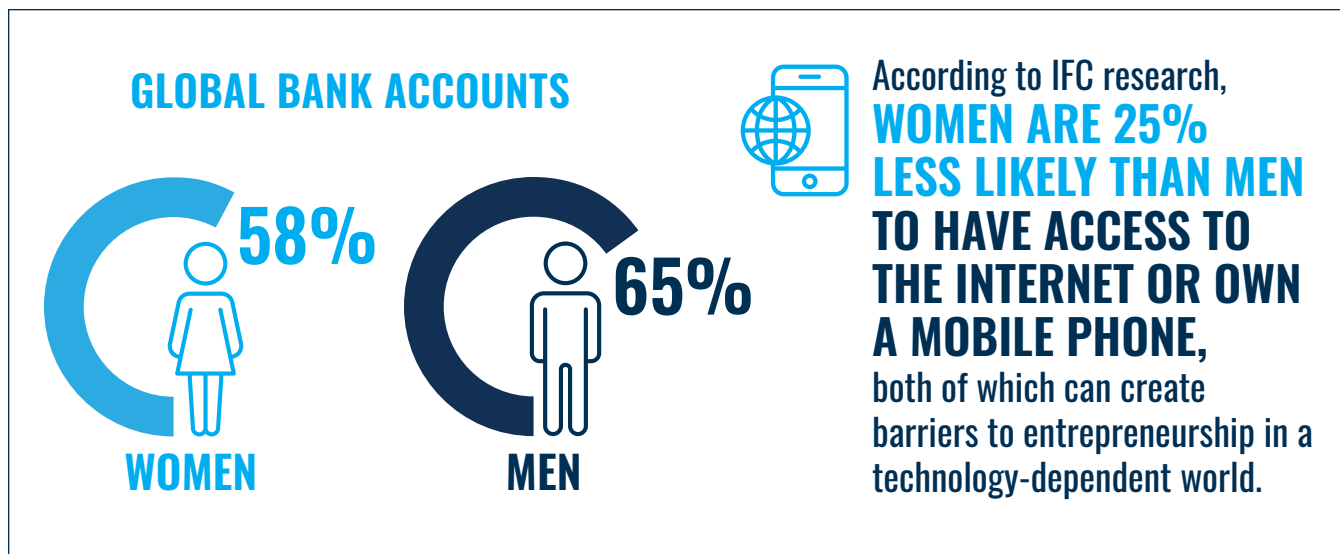
For more information: [shetrades.com](http://shetrades.com)

## Limited Numbers of Women-Owned Firms

In some markets, one reason for the difficulty in finding women-own businesses is that there might not be many such businesses, particularly in certain sectors. While women-owned businesses face many of the same challenges as any other business, they also often encounter added difficulties, particularly in certain countries where women still face regulatory and legal barriers. In Kuwait, for instance, women are not permitted to work past 8 p.m. Women in Swaziland need the permission of a male relative for a range of tasks, including opening a bank account, getting a passport, or enforcing a contract. And women in Tanzania are sometimes prohibited from using land as collateral.<sup>9</sup>

<sup>9</sup> EY, “Scaling Up: Why Women-Owned Businesses Can Recharge the Global Economy,” 10. Also see World Bank Group, “Women, Business and the Law: Getting to Equal,” Washington, DC: World Bank 2015.





Even where these restrictions do not apply, women often have a harder time accessing finance, which can limit entrepreneurship and business growth. Globally, 58 percent of women have bank accounts, compared to 65 percent of men.<sup>10</sup> They typically have lower levels of financial literacy. Women can be more debt-averse than men, which inhibits business startups.<sup>11</sup>

Women also face more subtle barriers. For instance, situations requiring social contacts and informal channels to access finance put women at a disadvantage, because in many contexts they may lack such networks.

In addition, women who live in certain places may be less mobile than men and may not have the same access to technology. According to IFC research, women are 25 percent less likely than men to have access to the Internet or own a mobile phone, both of which can create barriers to entrepreneurship in a technology-dependent world.<sup>12</sup>

Another limitation for female business owners is that while they may offer quality products, they may not have as much business experience or the expertise to pursue business opportunities in optimal ways. This inexperience can compound their challenges in securing investors<sup>13</sup>.

<sup>10</sup> World Bank, [“The Global Findex Database 2014,”](#) Washington, DC: World Bank, 2015, 15.

<sup>11</sup> Niethammer, [“Women, Entrepreneurship and the Opportunity to Promote Development and Business,”](#) 31.

<sup>12</sup> IFC, [“Women Entrepreneurs are Essential for Private Sector Development in Emerging Markets,”](#) Washington, DC: IFC, 2017, 1.

<sup>13</sup> IFC, [“Women-Owned SMEs: A Business Opportunity for Financial Institutions,”](#) Washington, DC: IFC, 2014, 1 and 6. Also, Deloitte and BIAC, [Putting All Our Ideas to Work: Women and Entrepreneurship](#), 3.

## INITIATIVES TO IDENTIFY AND FOSTER WOMEN-OWNED BUSINESSES

IFC supports a number of initiatives to support the growth and capacity-building of local women-owned businesses,<sup>14</sup> including:



**BANKING ON WOMEN PROGRAM:** Through this program, IFC works to increase access to finance for women entrepreneurs. IFC uses its capital investment to help financial institutions support women entrepreneurs, works with non-traditional financial access mechanisms, supports women’s engagement in value chains, and provides training and advisory services to support women-owned businesses. Banking on Women has \$2.5 billion committed to women-owned small and medium enterprises (SMEs) through financial intermediaries.<sup>15</sup>



**WOMEN ENTREPRENEURS OPPORTUNITY FACILITY:** IFC partners with Goldman Sachs on this program, which improves female entrepreneurs’ access to capital, provides entrepreneurship training, and offers a global forum to promote best practices for women-owned SMEs. The facility also supports investment climate programs that promote partnerships between government and the private sector to make it easier to start and grow small businesses.<sup>16</sup>



**WOMEN’S ENTREPRENEURSHIP TRAINING:** IFC research has found that many women’s entrepreneurship training programs have limited results because they lack programs that build confidence, leadership, and presentation skills in addition to business skills development. The study also found that too few of these programs include mentorship, sponsorship, and coaching or post-training support, and that many failed to make a connection between training programs and access to financial products. To address these gaps, IFC has developed a customizable women’s entrepreneurship training program, which was successfully piloted in Turkey and Palestine.<sup>17</sup>



**SME FINANCE FORUM:** IFC manages the Group of 20’s SME Finance Forum, an initiative of its Global Partnership for Financial Inclusion. The forum is a platform for knowledge sharing to help increase access to finance for SMEs.



**INSURANCE:** IFC is spearheading an initiative to partner with private insurers and development donors to increase women’s access to insurance as a way to enhance their financial stability and entrepreneurship.

In addition to IFC, other organizations such as the International Trade Center with its SheTrades initiative (see Box 2A) and WEConnect (see Box 2B) are working to make it easier for companies to identify businesses that are verified as women-owned and that meet certain capacity and scalability standards. By creating platforms and developing certifications, they are helping women-owned businesses and companies connect.<sup>18</sup>

<sup>14</sup> For more information, see the [IFC Gender Business Group website](#).

<sup>15</sup> IFC, “[Banking on Women: Changing the Face of the Global Economy](#).”

<sup>16</sup> For more details, see [IFC’s Entrepreneurship and Gender website](#).

<sup>17</sup> IFC, “[Women Entrepreneurs are Essential for Private Sector Development in Emerging Markets](#),” 3.

<sup>18</sup> Kara Valikai, “[Why Bringing Women Owned Business into the Supply Chain Makes Business Sense](#),” Devex, 2013.

**BOX 2B | WEConnect: A Global Network for Women-Owned Businesses**

WEConnect International is a global network that connects women-owned businesses with supplier opportunities. Through the network, businesses that are majority-owned (minimum 51 percent) or managed and controlled by women are identified, trained, registered, and certified. The platform targets women-led businesses outside the U.S. and connects these businesses with corporate buyers, including major multinational corporations. Corporations can register on the WEConnect website to become corporate members, and women-owned businesses can sign up to become certified suppliers.

For more information: [weconnectinternational.org](https://weconnectinternational.org)

**Engaging with Women-Owned Suppliers**

Given the benefits and challenges of working with women-owned companies outlined above, what additional steps can companies take to identify and help develop women-led suppliers?

This tool suite offers a set of effective actions, starting with a self-assessment on supply chain diversity. Additional actions include:

- Developing a gender-inclusive procurement policy to improve the identification of and contracting with women-owned businesses
- Hosting workshops or collaborating with partners like IFC to train local communities on starting businesses and applying for contracts, which will help cultivate more women-owned businesses
- Creating mentorship and development programs to help women-owned firms scale up to meet corporate needs

*“Women usually reinvest a much higher part of their earnings in their families and communities than men, spreading wealth and creating a positive impact on future development.”*

—OTAVIANO CANUTO, Vice President of the World Bank’s Poverty Reduction and Economic Management Network



## TOOL SUITE 2: Tools to Integrate Women-Owned and Gender-Diverse Businesses into the Supply Chain

Tool Suite 2 features ten tools to help companies identify and develop local women-owned suppliers and local suppliers with significant numbers of female employees. Tool 2.1 introduces how all the tools in this Tool Suite work together, and the remaining tools provide detailed guidance for assessing the current state of diversity within the supply chain and ways to address the gaps with an approach that also supports the development of local women-owned businesses.

TOOL	TARGET UNIT	GOAL
↓ <b>TOOL 2.1:</b> Road Map for Using Tools in Tool Suite 2	All Readers	Introduces how all the tools in this Tool Suite work together
↓ <b>ASSESS AND PREPARE:</b> Assess gender gaps in the company supply chain and assess the company's capacity to put in place staff, structures, and plans to address these gender issues. Tool 2.2 includes a sample self-assessment to help determine the current degree of engagement with women-owned businesses.		
↓ <b>TOOL 2.2:</b> Self-Assessment of Supply Chain Gender Diversity and Inclusion	Procurement	Assess current degree of engagement with women-owned businesses
↓ <b>ADDRESS:</b> Take specific practical actions to increase gender diversity, inclusion, and gender-equitable opportunities in the supply chain. Tools 2.3–2.9 help design an approach for increasing procurement from women-owned businesses.		
↓ <b>TOOL 2.3:</b> Considerations in Defining Criteria for 'Women-Owned Businesses'	Procurement	Establish clear criteria for suppliers to qualify as women-owned businesses
↓ <b>TOOL 2.4:</b> Developing the Business Case for Increasing Engagement with Women-Owned Businesses	Human Resources, Senior Management	Identify and present business case arguments for engagement with women-owned businesses
↓ <b>TOOL 2.5:</b> Developing a Code of Conduct for Increasing Engagement with Women-Owned Businesses	Procurement, Community Affairs	Establish a protocol and clear set of guidelines for increasing engagement with women-owned businesses

<p>↓ <b>TOOL 2.6:</b> Developing a Comprehensive Gender Diversity Supply Chain Program</p>	<p>Procurement, Community Affairs</p>	<p>Create a comprehensive program that supports increased supply chain diversity</p>
<p>↓ <b>TOOL 2.7:</b> Support Development of Local Women-Owned Businesses</p>	<p>Procurement, Community Affairs</p>	<p>Cultivate women-owned businesses that can support supply chain needs</p>
<p>↓ <b>TOOL 2.8:</b> Guidance Note on Women-Owned Businesses and Public Procurement in Cities</p>	<p>Municipal Corporations</p>	<p>Establish municipal strategy for increasing engagement with women-owned businesses in procurement</p>
<p>↓ <b>TOOL 2.9:</b> Sample Needs Assessment Questionnaire to Develop a Coaching Program for Women-Owned Businesses</p>	<p>Procurement, Community Affairs</p>	<p>Assess the coaching and soft skills needs of female entrepreneurs</p>
<p>↓ <b>MONITOR AND SUSTAIN:</b> Monitor progress and institutionalize mechanisms to ensure continued improvement in engagement with women-owned businesses. Tool 2.10 proposes indicators that will help to track, monitor, and sustain progress on the company's supply chain diversity goals.</p>		
<p>↓ <b>TOOL 2.10:</b> Indicators to Monitor Progress on Supply Chain Gender Diversity Goals</p>	<p>Human Resources, Procurement, Senior Management</p>	<p>Track, monitor, and sustain progress on increased gender diversity in the supply chain</p>