
Proposed Interagency Policy Statement Establishing Joint Standards For Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies and Request for Comment

Comments by Ralph G Moore, President of RGMA

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Agency Name: Board of Governors of the Federal Reserve System

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Thank you for the opportunity to comment on this proposed ***Interagency Policy Statement Establishing Joint Standards For Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies***. As a leading expert in the field of minority business development and supplier diversity for over 30 years, I am compelled to share my insights on this important program and proposed changes. My firm, RGMA, has worked closely with the Federal Reserve Board and the Federal Reserve Banks in Chicago and Cleveland in the areas of supplier diversity and minority business development. My comments are based on that experience and my research and observations of the other agencies covered by Dodd-Frank.

Overview

Experts agree that there have been three major legislative milestones that changed the trajectory of minority business development in America. They are:

- March 1969: President Richard Nixon's Executive Order 11458 "*Prescribing Arrangements For Developing And Coordinating A National Program For Minority Business Enterprise*"
- October 1978: The passing of PL 95-507 establishing the framework for minority business subcontracting programs for federal contracts (championed by Maryland Congressman, Parren Mitchell);
- July 2010: Dodd-Frank Wall Street Reform and Consumer Protection Act. More specifically Section 342 (championed by Congresswoman Maxine Waters) of the Act which significantly expanded the focus on minority and women inclusion in the financial services industry.

Section 342 of Dodd-Frank has the potential to transform minority and women enterprise (MWBE) development programs from compliance driven social programs to fully integrated components of America's economic competitiveness. This will be accomplished, however, only if we embrace the opportunity before us to lay the groundwork for such a transformation.

The Opportunity

cringe we hear cynics question the “business case” for diversity. My response – “Do the math!” Two of every three Americans are ethnic minorities, women or both! Diversity in America is not about affirmative action, “embracing our differences” or “the right thing to do”. It’s about economic prosperity and winning in a competitive global marketplace! Without the critical contributions that minority and women employees and minority and women-owned businesses, America’s economy would be in shambles and our ability to compete in the global economy would be seriously impaired. Dodd-Frank provides three avenues for positioning these important resources within each agency and accelerating their impact. The three avenues are:

1. Expanding diversity and inclusion (D&I) within the targeted agencies
2. Expanding diversity and inclusion within the regulated entities
3. **Embedding diversity and inclusion within each agency’s strategy, structure and culture**

The first avenue above, expanding D&I within the Agencies, has been the primary focus of the participating agencies and there has been mixed results. The second avenue, expanding D&I within the regulated entities, is the focus of this proposed policy statement and has the potential to deliver significant impact to minority and women employment and MWBE contracting. The third avenue, embedding D&I with each agency represents the game changer and will have a measurable impact on America’s economy and global competitiveness. I will briefly address each avenue below.

1. Expanding Diversity and Inclusion within the Participating Agencies

Overall, the participating agencies have performed fairly well in advancing minority and women employment opportunities and MWBE contracting opportunities within their agency. The reality, however, is that the staffing levels within these agencies are relatively low and their procurement opportunities beyond IT are limited which lessens the impact of this objective.

An extension of the D&I commitment to within the agencies has been providing capacity building seminars to MWBEs. Many of the Federal Reserve Banks have been quite effective in presenting such capacity building seminars and the Federal Reserve Board made a significant statement when Chairman Benjamin Bernanke provided opening remarks for a seminar facilitated by RGMA for 50+ MWBEs at the Board’s headquarters.

2. Expanding Diversity and Inclusion within the Regulated Entities

If properly executed, this avenue will have major impact on America’s business landscape. Over the years I have observed a surprising number of major US financial institutions that have anemic supplier diversity programs. The proposed policy statement has the potential to address that deficiency, but I’m concerned that the proposed joint standards is presenting

a “one size fits all” approach to D& which is not realistic in the complex relationships that exists between the participating agencies and the regulated entities.

In addition, establishing joint standards could create the perception of a “check the box” approach to D& assessments which could empower those who fought against Section 342 to question the need for a D& function within each agency. If not approached with care, joint standards could give policy makers a green light to diminish the CMW role within each agency and fuel the case for outsourcing the D& assessment process for regulated entities.

3. Embedding Diversity and Inclusion within Each Agency’s Strategy, Structure and Culture

Embedding D& within each agency strategy, structure and culture could be the game changer. Please be clear that we are not suggesting that the agencies stop the important work of enhancing D& within their organizations or expanding their focus to the regulated entities. We are suggesting just the opposite. While continuing these two important objectives we are suggesting that the agencies develop the framework for embedding D& within the fabric of each agency. This objective would require establishing an additional goal of integrating the participation of MWBEs into the stated mission of the each agency covered by the Act.

Not only are minority and women-owned enterprises the fastest two segments of the business sector, there are currently thousands of brilliant minority and women CEOs that are running productive companies that are ready to make a measurable contribution to our economy through innovation, productivity and job creation. MWBEs pay taxes, contribute to our civic institutions and enhance the business climate. Section 342 of Dodd-Frank sets the stage for our participating agencies to make this happen.

The Federal Reserve System

As mentioned above, my firm, RGMA, has extensive experience with the Federal Reserve Board and the procurement organization within the Federal Reserve System. There is an exceptional level of talent that resides within the ranks of CMWI officers within each bank and the Board should leverage that talent to position MWBEs to contribute to the attainment of the Federal Reserve System’s mission. Time will not allow a broader presentation of our concepts for embedding Dodd-Frank within the Board’s strategy, structure and culture; however some of our specific recommendations for maximizing the impact of Section 342 are as follows:

- Include the state of MWBEs and their contribution when developing the Bank’s “broad perspective” on the economy and on economic activity
- Incorporate MWBEs in the Bank’s thorough analysis of domestic and international financial and economic developments.
- Establish a Minority and Women Business Enterprise Advisory Committee equal in stature to the other Advisory Committees within the Fed

- Utilize the extensive research capabilities with the Bank to conduct MWBE related research focused on job creation, contribution to GDP and other key economic indicators
- Develop an outreach presentation for banks, local chambers of commerce and other System stakeholders on the “*Economic Impact of Minority and Women Owned Enterprises*”
- Develop a section in the Board’s *Beige Book* focused on MWBEs and the economy
- in the Annual Reports to Congress include a section that addresses the current and potential MWBE contribution to the key indicators that drive the US economy
- Develop a presentation on how MWBEs contribute to the “broad perspective” for presentation to Congressional hearings

Other Agencies

Just as we suggested with the Federal Board of Governors, the DMWI officers from each agency should be empowered to align the D& initiatives with their agencies unique strategy, structure and culture.

Summary

Section 342 of Dodd-Frank has the potential to be the most impactful legislation for advancing the contribution of MWBEs to America’s economy since the enactment of Public Law 95-507. To achieve that goal, however, we must go beyond the important work of expanding D& within regulated entities and embed D& with the agencies strategy, structure and culture. Let’s leverage the unique missions of each of the participating agencies to accomplish this goal and enhance America’s exceptionalism.

Ralph G. Moore, CPA, is president of Ralph G. Moore & Associates (RGMA). Founded in 1979, Mr. Moore leveraged the skills he cultivated at Arthur Andersen & Co. to build one of America’s premier supplier diversity and minority business development consulting firms. RGMA has trained more supplier diversity professionals than any other firm in the world. Major clients have included Major League Baseball, Walmart, Federal Reserve Board, UBS, National Minority Supplier Development Council, Novo Nordisk, SBA and DuPont. The firm has also conducted over 1400 one-on-one consulting engagements with minority and women owned businesses over the years.

Mr. Moore has conducted training seminars throughout the United States as well as South Africa, France, United Kingdom and Canada. He has also been a popular panelist for numerous minority business development workshops and conferences. Mr. Moore is highly respected for his past and current board leadership in numerous business development and civic organizations including the City Colleges of Chicago, the University of Chicago Medical Center and the Chicago History Museum. He is also a member of the P&G Supplier Diversity Advisory Council.

Mr. Moore was a co-founder of the Alliance of Business Leaders and Entrepreneurs (ABLE) and has received numerous awards and recognitions including the prestigious National Minority Supplier Development Council Leadership Award in which is the organization’s highest honor.