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FAIR360

Advancing Supplier Diversity for Sustainable Success

Unlocking the full potential of supplier diversity has become a priority for forward-thinking organizations. Promoting supplier diversity programs helps employers compete, drive down costs and improve product quality.

This Meeting in a Box digs into how to operate an effective supplier diversity program, the top companies for supplier diversity and the ideal metrics to assess success. It also includes an expansive timeline of key supplier diversity events and facts and figures from Fair360's Top 50 Companies for Diversity.

Use this Meeting in a Box as a tool to continue your organization's understanding of the relevance of supplier diversity.

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4 Steps to Unlocking Potential Through Supplier Diversity Initiatives

Supplier diversity is the intentional inclusion to develop, use and support suppliers that are owned by traditionally underrepresented groups like people of color, women and military veterans.

Harvard Business Review notes that supplier diversity programs also promote competition in the supply base and widen the pool of potential suppliers, which can drive down costs and improve product quality. But among the fastest-growing segments of the economy, **research** from McKinsey & Company shows that a supplier diversity representation gap exists.

Supplier diversity initiatives go beyond just meeting quotas or ticking boxes. They are strategic approaches that unlock a company's full potential by promoting inclusion and driving innovation. Here are four steps companies can take to ensure their supplier diversity initiatives are successful.

Define Your Mission

A mission statement serves as a powerful tool for communicating an organization's commitment to supplier diversity both internally and externally.



“Our mission statement is to promote supplier diversity excellence by utilizing communication and outreach to provide access, growth and development opportunities to diverse businesses and contribute positively to the financial performance at Stellantis,” says Bruno Olvera, Head of North America Diversity Supplier Development at Stellantis (**No. 30** on Fair360's 2023 Top Companies for Diversity list and No. 2 on the Top Companies for Supplier Diversity).

“It has always been our mission to ensure that we're spending those dollars from the Tier I and also from the Tier II perspective and providing those opportunities to diverse suppliers,” he adds.

Stellantis has been supporting diverse suppliers for 40 years. Its High Focus Tier I program has generated over \$6 billion in new sourcing opportunities for diverse suppliers in 12 years. The program is aimed at driving supplier diversity accountability across Tier I suppliers, the primary suppliers or vendors that directly provide goods or services to an organization.

What Is Tier I and Tier II Spend?

In the procurement process, Tier I supplier diversity spend is achieved when an organization collaborates directly with an underrepresented organization as its partner.

Tier II supplier diversity spend occurs when an organization works with an underrepresented supplier through its relationship with a subcontractor.

Abbott (**No. 9** on Fair360's 2023 Top Companies for Diversity list and No. 4 on the Top Companies for Supplier Diversity) says supplier diversity is an important part of its work to expand access and equity in health. The healthcare company says a stronger and more inclusive healthcare supply chain allows Abbott to help people live healthier, better lives through its technologies and products.

Track and Measure Progress

A successful supplier diversity program starts with well-defined and measurable goals that align with your company's mission and strategic objectives. These goals should go beyond meeting compliance requirements and focus on fostering inclusion, driving innovation and creating economic opportunities for underrepresented communities.

Establish metrics and key performance indicators (KPIs) to measure the success of your supplier diversity initiatives. Regularly track and report your progress to stakeholders, both internally and externally.

All of Fair360's 2023 Top 10 Companies for Diversity establish specific goals and targets for supplier diversity, such as the percentage of spend with diverse suppliers, the number of vendors with certification for diverse groups and vendor retention.

"Our mission is to reflect the diversity of our more than 9 million customers in the suppliers that help energize our success," says Nikita Trivedi, Director of Supplier Inclusion and Sustainability at Southern Company (**No. 24** on Fair360's 2023 Top Companies for Diversity list and No. 5 on the Top Companies for Supplier Diversity). "At Southern Company, we are committed to mentoring, developing and partnering with diverse suppliers while striving toward our goal of 30% total diverse spending by 2025."

Sanofi U.S. (**No. 29** on Fair360's 2023 Top Companies for Diversity list and No. 15 on the Top Companies for Supplier Diversity) has a supplier diversity spend goal of \$1.6 billion by 2025. A good balance of strategy and tactics is needed for supplier diversity initiatives to be successful, says Rakhi Agarwal, Global Head of Supplier Diversity, Sanofi U.S.

"I made sure that the strategy is divided into three different pillars which are extremely clear so there's no confusion and the projects or programs that we run, they have a clear vision of why we're doing it," she says.

"Our strategy has three pillars: educate, engage and excel. Every program we run, either they have to be educating people, engaging our buyers or suppliers, or excelling in the sense we are recognizing, tracking and metrics-oriented, all of it falls into that."

Create Mentorship and Development Programs

Mentorship and development programs can help support the growth and success of diverse suppliers through resources and training programs.

Stellantis' MentorWE development program offers business development modules taught by Stellantis executives and female entrepreneurs, with support from the U.S. Small Business Administration. The focus of the program is to develop and coach women-owned businesses.



"We had nine suppliers in cohort number one and we're working on cohort number two for this year," says Olvera. "The beauty of this program is that it helps us with the development of our diverse suppliers, but also provides additional business opportunities in the industry. Not only with Stellantis but with other companies that are interested in joining the program."

Eli Lilly and Company (**No. 5** on Fair360's 2023 Top Companies for Diversity list and No. 6 on the Top Companies for Supplier Diversity) launched the Lilly

Executive and Protégé Mentor Program in April 2016. The goal of the program is to develop relationships with small-to-medium diverse suppliers. Participants learn about industry best practices and Eli Lilly's methodologies as well as current and future business needs.

Agarwal says Sanofi U.S. plans to launch a formal mentoring program this year.

"We will have one supplier in each country of our top 10 and then one in each domain. We then pair them with one of the buyers in their space," she says.

"They can help them understand what it means to be a Sanofi supplier. What are the documents, rules, regulations and processes that they have to follow? And depending on when the opportunity arises, they might or might not get the business."

Strive for Continuous Improvement

Supplier diversity is an ongoing journey. Companies should regularly evaluate their program's effectiveness, solicit feedback from diverse suppliers, and implement continuous improvement strategies.

"The primary goal is to stay closely engaged with our suppliers and monitor the outlay and flow of our spend, such that we can more easily identify new opportunities to expand with an existing supplier or

seek out new suppliers to connect with our global network," says Anu Saxena, President and Global Head of Supply Management at Hilton (a **Hall of Fame** company and No. 3 on the Top Companies for Supplier Diversity list).

Hilton's supply management business plan is evaluated monthly, where the company brainstorms additional opportunities to increase its commitment to work with diverse suppliers.

"Additionally, we are embedding growth opportunities and targets within individual lines of business so that each leader is focused on building up their team's supplier engagement opportunities," says Saxena.

Agarwal says the biggest challenge for supplier diversity teams is often resources. She questioned whether her team was able to take Sanofi's strategy to the global level and made some staffing changes.

"Now I have someone focused on data and analysis and she's always looking at the systems to see where the opportunities are and what we can do," says Agarwal. "She does the reporting, so one person is not overwhelmed by everything. Then I have one person who is dedicated to U.S. strategy and that's required by law. Then I hired someone dedicated to international supplier diversity as well."



Fair360's 2023 Top Companies for Supplier Diversity include:

1	AT&T	14	TIAA
2	Stellantis	15	Dow
3	Hilton	16	Wells Fargo
4	Abbott	17	Johnson & Johnson
5	Southern Company	18	Kaiser Permanente
6	Eli Lilly and Company	19	Sanofi U.S.
7	Medtronic	20	Aramark
8	Comcast NBCUniversal	21	PwC
9	Accenture	22	Ameren Corporation
10	EY	23	Mastercard
11	Raytheon Technologies	24	Toyota North America
12	KPMG	25	Novartis
13	U.S. Bank		

Supplier Diversity Timeline

1953

President Dwight D. Eisenhower creates the Small Business Administration to provide support for entrepreneurs and small businesses.

1958

Small Business Act of 1958 requires that all government subcontractors place a “fair portion” of their business with small business enterprises.

1968

President Richard Nixon establishes the Office of Minority Business Enterprise (OMBE) and the Advisory Council for Minority Business Enterprise (MBE) within the Department of Commerce to support minority-owned businesses.

1971

President Nixon expanded the scope of OMBE by authorizing grants to organizations to provide technical and management assistance to MBEs.

1972

The National Minority Purchasing Council (precursor to the National Minority Supplier Development Council) is founded to advance business opportunities for minority-owned businesses and connect them to corporate members.

1979

The OMBE was renamed the Minority Business Development Agency (MBDA).

1981

The Minority Business Development Center program is established. It works with minority-owned businesses to generate increased financing and contract opportunities and to create and retain jobs.

1983

President Ronald Reagan gives the Department of Commerce and the Small Business Administration

authority to oversee the establishment, preservation and strengthening of federal MBE programs.

Reagan declares the first week of October Minority Enterprise Development Week, and MBDA holds the first Minority Enterprise Development Week Conference.



1994

The Business Leadership Network is founded to drive disability inclusion awareness and advance employment for individuals with disabilities.

1997

The Women’s Business Enterprise National Council (WBENC) is founded to provide third-party certification of women-owned businesses.

1999

MBDA Internet Portal is established to offer online business development services.

2000

WBENC held its first Women in Business Conference, now known as the Women in Business National Conference and Business Fair.

2001

Congress creates the Office of Disability Employment Policy within the Department of Labor.

The U.S. Women’s Chamber of Commerce is founded to support women in the economy.

The Billion Dollar Roundtable (BDR) begins to recognize companies that achieved spending of at least \$1 billion with diverse-owned suppliers.

The National Veteran-Owned Business Association was founded to create corporate contracting opportunities for America's veterans and service-disabled veterans' business enterprises.

2002

The Business Leadership Network is renamed the U.S. Business Leadership Network (USBLN).

The National Gay & Lesbian Chamber of Commerce (NGLCC), now the National LGBT Chamber of Commerce – is founded.

2004

The NGLCC launches the first (and only) third-party certification program for LGBT-owned businesses.

2005

MBDA creates the Office of Native American Entrepreneurship and Trade to help indigenous entrepreneurs and business owners.

2008

The WBENC launches a Global Business Initiative to mentor international WBEs and to help U.S. WBEs enter global supply chains.



2009

WEConnect International was founded to certify WBEs based outside of the U.S. and connect them to corporate buyers.

2010

The USBLN launches the first third-party certification program for disability-owned businesses.

2011

MBDA launches a redesigned MBDA Business Center program, combining the Minority Business Enterprise Center and the Minority Business Opportunity Center programs.

2014

The U.S. Women's Chamber of Commerce files a brief in support of Peggy Young, who successfully sued UPS for discriminating against her when she was pregnant. Young ends up winning the case.

2017

The NGLCC publishes its first-ever "America's LGBT Economy Report," which details the impact LGBT-owned businesses have on the U.S. economy.

2018

The U.S. Securities and Exchange Commission (SEC) awards \$451 million in contracts, committed to building a diverse supplier base and utilizing minority-owned and women-owned businesses.

2022

The U.S. General Services Administration (GSA) announces steps to advance equity and supplier diversity in federal procurement, supporting the Biden-Harris Administration's goal of increasing the number of contracts awarded to small businesses by 50% by 2025.

2023

The Institute for Supply Management (ISM) reports that 32 companies are members of the Billion Dollar Roundtable (BDR), meaning each contributes at least \$1 billion a year to supplier diversity.

Facts & Figures

Fair360 2022 Total Supplier Diversity Procurement Spend



Hall of Fame

\$10.858 billion



Top 10 Companies

\$7.820 billion



Top 50 Companies

\$36.216 billion

Fair360 2022 Total Dollar Amount Spent with Diverse Suppliers



Hall of Fame

\$2.152 billion



Top 10 Companies

\$1.090 billion



Top 50 Companies

\$1.334 billion

100% of Fair360's Top 10 Companies for Diversity:

- ✓ Have initiatives that are integrated into their corporate responsibility and social governance strategy
- ✓ Offer incentives/benefits accessible to diverse suppliers
- ✓ Have specific monetary goals for the percentage of spend with diverse suppliers
- ✓ Use metrics/results to assess the quality of their supplier diversity programs

100% of Fair360's Top 10 Companies use the following metrics/results to assess the quality of their supplier diversity program:

- ✓ Year-over-year change in spend with diverse suppliers
- ✓ Percentage of spend with diverse suppliers
- ✓ Number of primary suppliers who report their spend with diverse suppliers
- ✓ Number of vendors with certification for diverse groups
- ✓ Vendor retention

Leveraging MWBEs to Increase Supplier Diversity

Research from **McKinsey & Company** examines the benefits of working with minority- and women-owned business enterprises (MWBEs) to fill the supplier diversity gap in some sectors. McKinsey notes:

- ✓ MWBEs exist in historically underrepresented sectors, such as investment firms specializing in mergers and acquisitions (M&A) and law firms with M&A as a practice area.
- ✓ Expanding the scope of supplier diversity would create more jobs for minorities in higher-wage sectors and in roles less likely to be affected by automation and AI.
- ✓ If spending with certified MWBEs doubled to \$2 trillion from the current estimate of \$1 trillion, it could generate \$280 billion in additional income and create four million jobs for minority populations and women.



Discussion Questions For Employers:

- Q** How are the goals and successes of your supplier diversity program communicated to employees? How can we ensure that supplier diversity aligns with our sustainability and corporate social responsibility goals?
- Q** What are some potential challenges or barriers we may encounter while implementing supplier diversity best practices and how can we overcome them?
- Q** How are we helping diverse suppliers grow? What educational opportunities and mentoring do we offer for suppliers? What opportunities do we have to incorporate more diverse suppliers?
- Q** What role can employees play in advocating for and promoting supplier diversity within our organization and externally? What training or education opportunities can we provide to our employees to enhance their understanding of supplier diversity best practices?
- Q** What strategies can we employ to ensure supplier diversity is not just a short-term initiative but becomes ingrained in our organizational culture?
- Q** What steps can we take to ensure transparency and accountability in our supplier diversity efforts, both internally and externally?

