



Supplier Diversity

For All Employees

In this Meeting in a Box, we give you information for all of your employees on what supplier diversity is, best practices on how to start a supplier diversity program and what metrics are best to access success. It's important that everyone in your company understands the value of supplier diversity and how it builds company growth and loyalty.

DiversityInc
BEST PRACTICES

1 SUPPLIER DIVERSITY PRIMER

Former President Richard Nixon began supplier diversity in 1969 through an executive order. Its goal, a branch of the civil rights movement, was to encourage the use of vendors that underrepresented populations owned. Initially, those groups were known as minority-owned business enterprises (MBEs), which consisted of companies owned by Black, Latinx, Asian and indigenous people. Women-owned business enterprises (WBEs), which consisted of companies owned by women, were included later.

Today, supplier diversity also includes businesses that are owned by LGBTQ people, people with disabilities and veterans. The U.S. Small Business Administration includes small businesses as diverse suppliers.

The biggest issues involving supplier diversity have included certification and making the business case for supplier diversity. To confirm that MBEs were actually at least 51% owned by Black, Latinx, Asian or indigenous people, both government agencies and private organizations, like the National Minority Supplier Development Council (NMSDC), formed in 1972, took an active role. The Women's Business Enterprise National Council (WBENC) came to fruition in 1997. In recent years, the LGBT Chamber of Commerce (NGLCC) and the U.S. Business Leadership Network (USBLN) have certified vendors owned by LGBTQ people and people with disabilities, respectively.

Early industries that were supplier diversity leaders were those with significant government contracts, such as telecoms or auto companies. But increasingly, companies have seen the business benefits of supplier diversity — whether government mandated or not. Companies cite the main benefits as increased innovation and different solutions (also commonly cited as a benefit of more diversity in the workforce), as well as building a reputation in diverse communities. For many companies, their suppliers are also their customers, and building community wealth enhances customer relationships.

We assess supplier diversity in two ways: Tier I suppliers are direct contractors, whose services are purchased by the company. Tier II suppliers are subcontractors. Companies that are supplier diversity leaders usually require their contractors to have diversity in their own vendor relationships.

Discussion Questions for Employees

- ? How is a need to mandate supplier diversity related to the civil rights struggle?
In what ways is it just as crucial today as it was in 1969? In what ways have minority-owned companies been marginalized?
- ? What types of companies are usually diverse suppliers?
Are you seeing a change at your own company in the types of vendors you hire from underrepresented groups, such as attorneys or those offering professional services? Why is diversity in these areas important, and where can you improve?
- ? How do you think supplier diversity benefits your company?
What is its reputation in underrepresented communities? Does your company publicize supplier diversity efforts? How can you get the word out?



2 HOW TO START A SUPPLIER DIVERSITY PROGRAM

Based on data and successful best practices, we've compiled a list for your company to follow. Here are some of the best practices your employees should know:

- Your company should operate supplier diversity out of the procurement department, with one person responsible for it. The diversity department should be in frequent communication with this person.
- Supplier diversity should exist within the context of your company's business goals, supply chain and competitive-market climate.
- It's important to measure your success against other organizations and industry norms.
- It's critical to assess Tier II (subcontractor) supplier diversity as well as Tier I, and to train your prime suppliers to find and mentor diverse suppliers.

Discussion Questions for Employees

- ? Does your company have a supplier diversity program? If so, how well are its goals and successes communicated to employees? What do you know about supplier diversity at your company? How can you get the word out about its importance?
- ? How does supplier diversity help your company reach its business goals? Use this teachable moment to honestly discuss different styles, including confrontation/criticism, self promotion/branding and decision-making. What works best?
- ? Is your company helping diverse suppliers grow? Does your company offer educational opportunities and mentoring for suppliers, many of whom are small-business owners? This can include financial and technical education. Does your company make a significant effort to help its prime contractors find and nurture diverse suppliers, and does it stack Tier II supplier diversity?



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3 METRICS TO ASSESS SUPPLIER DIVERSITY SUCCESS

The metric most often indicative of supplier diversity success is the percentage of procurement budget allocated to Tier I and Tier II diverse suppliers. Some organizations also measure their success by how much they spend with these suppliers, but it's important to understand that larger companies have more money to spend, so not all companies have huge procurement budgets.

Companies also look for accountability: Is supplier diversity success tied to the compensation of procurement and other executives?

Other metrics include the number of diverse suppliers, third-party recognitions and savings as a result of contracting with diverse suppliers.

DiversityInc's 2019 Top Companies for Supplier Diversity include

1. CVS Health
2. Accenture
3. AT&T
4. Comcast NBC Universal
5. Cox Communications
6. EY
7. PwC
8. ADP
9. Eli Lilly and Company
10. Marriott International, Inc.
11. Hilton
12. Kaiser Permanente

Discussion Questions for Employees

- ? If your company has a supplier diversity program, why is it important to assess success?
Is your organization metrics-driven? If so, why is showing supplier diversity progress important? How relevant are supplier diversity metrics to other business goals, such as increasing market share?
- ? How can your organization increase the number of diverse suppliers it has?
How can you help your company recognize the value of supplier diversity and get the word out to potential suppliers?

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4 MAINTAINING SUPPLIER DIVERSITY SUCCESS

Once you've established your supplier diversity program, it must be maintained. Support from the top can be key, not only in building your company's program, but also in ensuring the program runs smoothly.

Additionally, an approach that looks at supplier diversity's impact in the community will benefit your company, as well.

"We look at supplier diversity holistically," David Casey, Vice President and Chief Diversity Officer at CVS Health (no. 27 on DiversityInc's 2019 Top Companies for Diversity) said. "It primarily is about being able to get the support, the goods and services we need to do business, but it's also about if we can strengthen the communities, it's going to strengthen our talent base and our customer base."

Additional tips on achieving and maintaining supplier diversity success come from Keith Hines of PwC (No. 7 on DiversityInc's 2019 specialty list, "Top Companies for Supplier Diversity").

- Make a company-wide commitment to supplier diversity: "Procurement departments should work to ensure the program has visibility across the entire organization," Hines said.
- The procurement team must drive knowledgeable "transparency, communication and strategy."
- Train and educate your teams: "Do not assume everyone in your company understands how to drive supplier diversity," Hines said.
- Work with people and companies you already know: "People do business with firms and individuals they like to work with," Hines said. "Encourage your staff to invite diverse suppliers into the conversation around your supply chain."
- Don't look at supplier diversity as an extra task: "It should be viewed as an opportunity to include new ideas and points of view," Hines said.

Discussion Questions for Employees

- ? If your company has a supplier diversity program, why is it important to assess success?
Is your organization metrics-driven? If so, why is showing supplier diversity progress important? How relevant are supplier diversity metrics to other business goals, such as increasing market share?
- ? How can your organization increase the number of diverse suppliers it has?
How can you help your company recognize the value of supplier diversity and get the word out to potential suppliers?
- ? How does supplier diversity benefit entire communities, and, in turn, your organization?

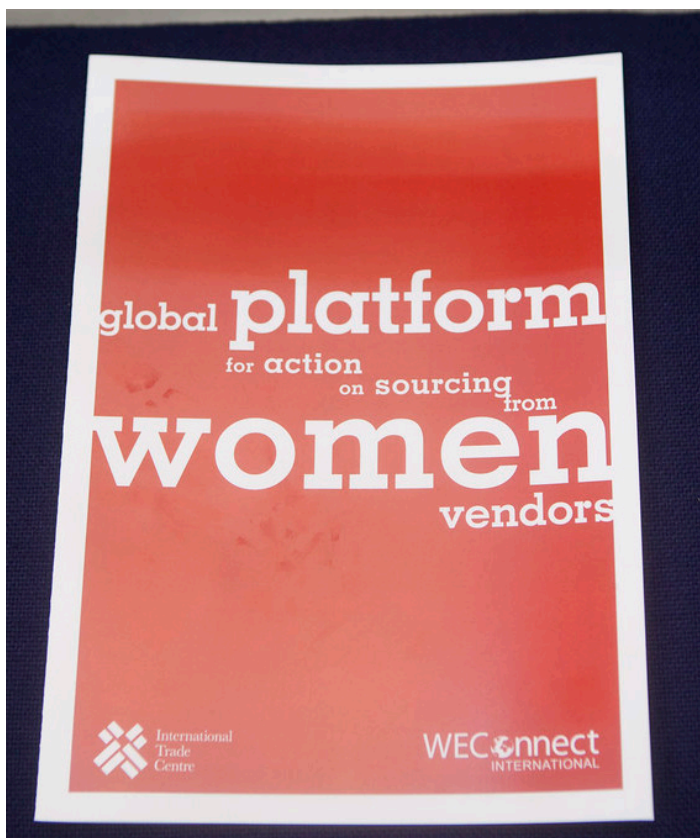


5 TIMELINE

After discussing the background on supplier diversity and how to achieve success, understanding the history of supplier diversity in the U.S. can help put it all into context. This timeline highlights strides made in supporting diverse employers and establishing networks of diverse businesses.

Discussion Questions for Employees

- ? How do you see progress made in society toward diversity and inclusion reflected in the creation of these various groups and policies that benefit diverse suppliers?
- ? Where does our company fit into this timeline in establishing supplier diversity?
How can we progress more?
- ? Where do you think the future of supplier diversity is headed?
How can our company take part?



6 FACTS & FIGURES

These statistics and facts will help you to understand the prevalence of supplier diversity in various industries. They outline supplier spending data, insights from DiversityInc's 2019 data and other research insights.

Discussion Questions for Employees

- ? Where does our company fit into these figures?
What are our goals moving forward with supplier diversity?
- ? In what ways does working with diverse suppliers make a company more successful, both financially and otherwise?
- ? What are some of the most pressing challenges diverse suppliers face?
How can we help organizations overcome them?



7 BEST PRACTICES TIP SHEET

These tips on best practices for supplier diversity will help you achieve success with a network of diverse suppliers and compile much of the information in this packet.



Discussion Questions for Employees

- ? What opportunities do we have to incorporate more diverse suppliers?
How can we expand them?
- ? What organizations that cater to diverse businesses can we leverage and work with?
- ? How can we make supplier diversity a norm for our company?



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Strong Supplier Diversity Organizations

WECONNECT INTERNATIONAL: a global network that connects women-owned businesses to buyers.

NATIONAL LGBT CHAMBER OF COMMERCE: a national organization that works to expand business opportunities for LGBT-owned businesses.

BUY BLACK MOVEMENT: a Black-owned company that works to market and distribute the products and services of Black-owned businesses to Black consumers.

UNITED STATES PAN ASIAN AMERICAN CHAMBER OF COMMERCE: an organization that advocates for business-owners of East, South, Southeast Asian and Pacific Islander heritage.

AMERICAN INDIAN CHAMBER OF COMMERCE: an organization that works to support Native American-owned businesses in California.

U.S. SMALL BUSINESS ADMINISTRATION: an organization that helps Americans start and succeed in their own businesses.

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 expands 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.

- 1974 The OMBE decentralizes and establishes six regional offices and 13 district offices to enhance outreach.

- 1979 The OMBE is 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 holds 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.

- 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 is founded to certify WBEs based outside of the U.S. and connect them to corporate buyers.

- 2010 The USBLN launches the first (and only) 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.

Facts & Figures

SUPPLIER SPEND DATA

Percentage of Total Procurement Spent on Tier 1 and Tier 2 Diverse Suppliers by the 2019 Top Companies for Supplier Diversity

Demographic	Tier 1	Tier 2
Blacks, Latinx, Asians/Native Hawaiians/ Other Pacific Islanders, American Indians/ Native Americans	11.21%	2.27%
Women	6.79%	1.41%
LGBT People	.15%	.03%
People with Disabilities	.08%	.02%
Veterans	.42%	.12%
Total	18.65%	3.85%

2019 PRACTICE INSIGHTS

TOP 10 + HOF TOP COMPANIES FOR SUPPLIER DIVERSITY

Senior Leadership and/or the Head of Management of the Procurement Department Accountability

93% | **100%** of companies' procurement management compensation (senior leadership and the head and management of the procurement department) is tied to diversity supplier results.

Maintaining Supplier Diversity Success

100% | **100%** of companies integrate supplier diversity initiatives into their overall business plan goal.

100% | 100% of companies offered external training or mentoring programs for their diverse suppliers.

100% | 100% of companies sponsor or provide scholarships/educational advancement for their diverse suppliers.

73% | 75% of companies provide financial education for their diverse suppliers.

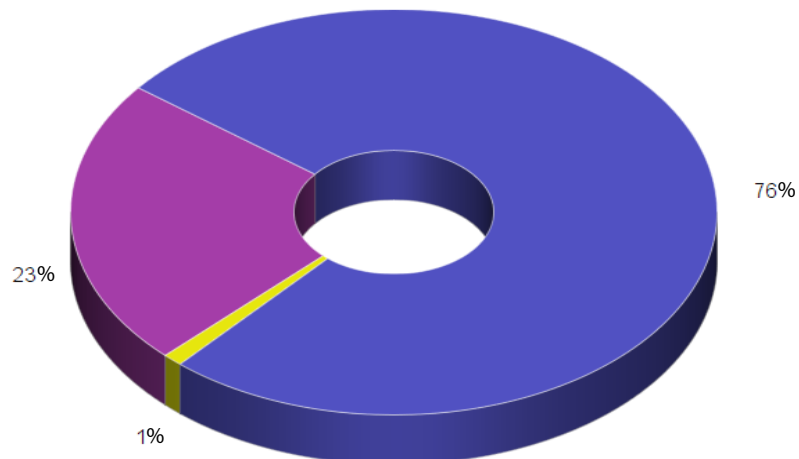
67% | 75% of companies provide financial assistance for their diverse suppliers.

76% | 83% of diverse vendors retained in the past year.

ADDITIONAL RESEARCH INSIGHTS

76% of all diverse suppliers met buyers' expectations and another 23% exceed them, according to research from The Hackett Group.

- Portion of diverse suppliers that exceeded expectations
- Portion of diverse suppliers that met expectations
- Portion of diverse suppliers that fell short of expectations



Diverse Suppliers' Impact on Business

- "Companies with diverse partner business strategies claim around \$3.6 million in re-investable funds for their company bottom lines for every \$1 million spent in procurement costs," according to a study conducted by Ernst & Young (*Media Village* ["The Proven ROI of Supplier Diversity"](#)).
- "The most common tactics used to develop local suppliers are knowledge-sharing (by 42 percent of procurement organizations) and partnering programs (32 percent)." (*SupplyChainBrain* ["Bringing Diversity to Your Supplier Base Can Add to Your Bottom Line"](#)).

Challenges Diverse Suppliers Face

- The struggle for visibility to bigger organizations
- Decision-makers not being fully aware of how their supplier diversity program works
- Greater emphasis on the bottom line and not diversity
(*CVM Solutions* ["2019 State of Supplier Diversity Report-Diverse Suppliers"](#))

Diverse Suppliers Business Growth/Opportunities for Partnerships

- There are more than 8 million minority-owned businesses and more than 10 million veteran-owned businesses in the U.S. (*Institute for Supply Management* ["50 Years of Supplier Diversity"](#)).
- Women-owned businesses increased by 58% and their employment grew 21% from 2007–2018 (All other businesses' employment decreased by 8%). (*Institute for Supply Management* ["50 Years of Supplier Diversity"](#)).
- There are nearly 12,000 certified minority-owned businesses (*Institute for Supply Management* ["50 Years of Supplier Diversity"](#)).
- Minorities accounted for 35.3% of the U.S. population, and this number is expected to grow to 40.9% by 2025 and to 51.5% by 2045 (*NMSDC* ["Facts and Figures"](#)).
- Minority Business Enterprises accounted for \$400 billion in economic output creating and/or preserving 2.2 million jobs that contributed \$49 billion in revenue (*NMSDC* ["Facts and Figures"](#)).
- African American, Hispanic American and Asian-American-owned businesses are reported to hold a \$3 trillion buying power (D&B ["The Growing Business Imperative for Supplier Diversity"](#)).
- 6.1 million women-owned businesses' revenue increased by 436%, totaling in \$3.6 trillion in sales (D&B ["The Growing Business Imperative for Supplier Diversity"](#)).



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Best Practices Tip Sheet



Set measurable goals.

- Set actual targets for performance.
- Leverage SMART goals (Specific, Measurable, Attainable, Relevant, Time-bound).
- Evaluate the company's performance against these goals on a monthly or quarterly basis.
- Ensure accountability for meeting or exceeding supplier diversity goals.

Identify opportunities for adding diverse suppliers.

- Know when contracts are expiring and new sourcing opportunities are coming.
- Identify qualified diverse suppliers to include in the RFP process.
- Evaluate existing diverse companies you do business with and maximize opportunities.

Secure buy-in from top management to ensure success.

- Make the business case for enacting your diversity program.
- Back it up with data that shows business impact.
- Build support from all levels of management.

Make it a business norm.

- Embed supplier diversity into the procurement process and identify where the program can have an impact.
- Issue a supplier diversity policy statement from leadership.
- Create a supplier diversity inclusion policy to require teams to include a certain percentage of diverse vendors in any effort to procure contracted goods or services.
- Adopt a corporate pillar that aligns with an organization's strategic business decisions.

Partner with organizations that cater to small and diverse businesses.

- Build relationships with government and non-profit entities established to aid minority enterprises.
- Attend conferences, networking events and other outreach opportunities to connect with diverse suppliers.
- Be visible at events, serve on panels and host key sessions that enable you to connect with suppliers.

Organizations to leverage as resources:

- Minority Business Development Agency (MBDA)
- Women's Business Enterprise National Council (WBENC)
- U.S. Small Business Administration (SBA)
- National Minority Supplier Development Council (NMSDC)
- National LGBT Chamber of Commerce (NGLCC)
- Disability:IN (formerly U.S. Business Leadership Network)

Establish a process to track supplier diversity results.

- Develop reporting standards for supplier diversity results.
- Track Tier 1, 2 and 3.
- Hold stakeholders accountable.
- Report results at town halls, executive diversity council meetings, board meetings, etc.
- Have clear action plans and deliverables to address opportunities.

Leverage special programs and initiatives to educate suppliers.

- Mentoring initiatives and matchmaking programs.
- Education and learning sessions.
- Collateral and materials to educate suppliers.
- Assist suppliers with certification process.
- Leverage Employee Resource Groups to mentor suppliers.

Encourage suppliers to use diverse subcontractors by incorporating clause into business contracts.

- Require key suppliers to create and maintain their own supplier diversity programs and report their spend.
- Work with Tier 1 suppliers to improve their supplier diversity programs to boost your diversity success.
- Require non-diverse Tier 1 suppliers to subcontract or work with diverse suppliers.
- Provide incentives to suppliers who excel in their Tier 2 and Tier 3 initiatives.

Leverage technology or partners to track each Tier.

Automate the Tier 2 process by using a Tier tracking portal.

- Portals make it easier for suppliers to report, and you can track progress, and generate reports.
- If internal resources are limited, engage a provider that offers Tier Program Management service.

Educate suppliers on your goals and business needs and reinforce importance of Tier 2 and Tier 3 results.

- Growth opportunities for diverse suppliers are frequently further down the supply chain.
- Offer initial and ongoing training for prime suppliers, assist suppliers with reporting process, and validate reported spend amounts.

Communicate.

- Establish an ongoing process to publicize contracting opportunities and share your goals and results.
- Utilize internal channels and external platforms:
 - Intranet
 - Newsletters
 - Website
 - Annual Reports

Ensure focus on all tiers (increase multi-tiered spend).

- Tier 1: invoices you for goods and services rendered directly
- Tier 2: invoices the Tier 1 supplier for goods and services rendered (your supplier's supplier)