

Supplier Diversity

For all employees



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



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1 SUPPLIER DIVERSITY PRIMER

Supplier diversity was started by former President Richard Nixon in 1969 through an executive order. Its goal, an outgrowth of the civil rights movement, was to encourage the use of vendors owned by underrepresented populations. Initially, those groups were minority-owned business enterprises (MBEs), which consisted of companies owned by Blacks, Latinos, Asians and American Indians. Women-owned business enterprises (WBEs), which consisted of companies owned by women, were included later.

Today, supplier diversity includes businesses owned by lesbian, gay, bisexual and transgender (LGBT) people; people with disabilities; and veterans with disabilities. Some organizations consider veteran-owned companies diverse suppliers, and the U.S. Small Business Administration includes small businesses as diverse suppliers.

The biggest issues involving supplier diversity have been certification and making the business case for supplier diversity. To confirm that MBEs were actually at least 51 percent owned by Blacks, Latinos, Asians or American Indians, both government agencies and organizations such as the National Minority Supplier Development Council (NMSDC), formed in 1972, took an active role. The Women's Business Enterprise National Council (WBENC) was created in 1997. In recent years, the National Gay & Lesbian Chamber of Commerce (NGLCC) and the U.S. Business Leadership Network (USBLN) have certified vendors owned by LGBT 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.

Supplier diversity is assessed in two ways. Tier I suppliers are direct contractors, those 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.

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Discussion Questions for Employees

» Why did the federal government see a need to mandate supplier diversity? How is this related to the civil rights struggle?

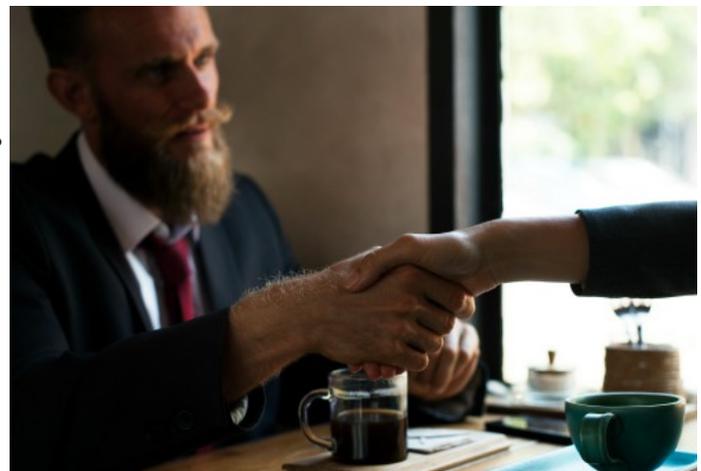
Address whether minority-owned businesses have historically had the same opportunities in the U.S. marketplace and how this is changing.

» What types of companies are usually diverse suppliers?

Are you seeing a change at your own company in the types of vendors hired who are from underrepresented groups, such as attorneys or those offering professional services? Why is this important?

» How do you think supplier diversity benefits your company?

What is your company's reputation in underrepresented communities? Does your company publicize its supplier-diversity efforts? How can you help 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 best practices that all your employees should know:

- Supplier diversity should be operated 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.

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Discussion Questions for Employees

» **Does your company have a supplier-diversity program? If it does, 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.

» **Is your company helping your 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 track Tier II supplier diversity?



3 METRICS TO ASSESS SUPPLIER DIVERSITY SUCCESS

The metric most often used to assess supplier diversity success is the percent of procurement budget allocated to Tier I and Tier II diverse suppliers. Some organizations also measure dollar amount spent with these suppliers, but it's important to understand that larger companies have more money to spend and 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 number of diverse suppliers, third-party recognitions received and savings as a result of contracting with diverse suppliers.

The 2017 DiversityInc Top Companies for Supplier Diversity are companies that have achieved success in their supplier diversity programs. Best practices include:

- Integrating supplier diversity into corporate goals
- Having the CEO sign off on supplier-diversity results
- Auditing supplier-diversity numbers
- Ensuring suppliers are certified
- Linking procurement-management compensation to supplier-diversity goals

The Top Companies for Supplier Diversity are:

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|--------------|-------------------------|---------------------------|
| 1. Dell | 5. Comcast NBCUniversal | 9. Marriott International |
| 2. AT&T | 6. Hilton Inc. | 10. KPMG |
| 3. Accenture | 7. EY | 11. Eli Lilly and Co. |
| 4. Abbott | 8. 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?

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 continued commitment from the C-suite is also vital to ensuring the program runs smoothly.

"Making A's is great in school, but a successful supplier diversity program involves aligning C's to move a program to a higher level," shared Keith Hines of PwC (No. 4 on the DiversityInc 2017 Top 50 Companies for Diversity list). "Diversity programs need support from the CEO, CFO, CPO, CDO and CIO. The success of a program can be directly attributed to your ability to align the C-suite to the supplier diversity vision and strategy."

Here are a few additional pointers from Hines on how to make sure your supplier diversity company flourishes:

- **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 pointed out. "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

» How long has your company's supplier diversity program been around?

Whether it's still in its early stages or has been around a while but hasn't received much traction, how can you spread the word around the company?

» Is supplier diversity a companywide initiative?

If so, discuss ways to keep the momentum going. If not, how can you appeal to fellow employees?

» Do you provide educational opportunities centered around supplier diversity?

For employees who want to get involved but don't know too much about the program, one good way to get them on board could be by simply providing them with more information.

Timeline



- 1953** President Dwight D. Eisenhower creates the Small Business Administration
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- 1958** Small Business Act of 1958 requires that all government subcontractors place a "fair portion" of their business with smallbusiness enterprises
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- 1968** President Richard Nixon establishes the Office of Minority Business Enterprise (OMBE) and the Advisory Council for Minority Business Enterprise within the Department of Commerce
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- 1971** President Nixon expands the scope of OMBE by authorizing grants to organizations to provide technical and management assistance to MBEs
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- 1972** The National Minority Purchasing Council (precursor to the National Minority Supplier Development Council) is founded
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- 1974** OMBE decentralizes and establishes six regional offices and 13 district offices to enhance outreach
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- 1977** President Jimmy Carter terminates the Advisory Council for Minority Business Enterprise
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- 1979** OMBE is renamed the Minority Business Development Agency (MBDA)
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- 1981** The Minority Business Development Center program is established
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- 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
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- 1983** President Reagan declares the first week of October as Minority Enterprise Development Week, and MBDA holds the first Minority Enterprise Development Week Conference
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- 1994** The Business Leadership Network is founded
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- 1997** The Women's Business Enterprise National Council (WBENC) is founded to provide third-party certification of women-owned businesses
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- 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
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- 2001** Congress creates the Office of Disability Employment Policy within the Department of Labor
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- 2001** The U.S. Women's Chamber of Commerce is founded
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- 2002** The Business Leadership Network is renamed the US Business Leadership Network (USBLN)
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- 2002** The National Gay & Lesbian Chamber of Commerce (NGLCC) is founded
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- 2004** The NGLCC launches the first (and only) third-party certification program for LGBT-owned businesses
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- 2005** MBDA creates the Office of Native American Entrepreneurship and Trade to help American Indian entrepreneurs and business owners
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- 2008** WBENC launches a Global Business Initiative to mentor international WBEs and to help U.S. WBEs enter global supply chain
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- 2009** WEConnect International is founded to certify WBEs based outside of the U.S. and connect them to corporate buyers
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- 2010** USBLN launches the first (and only) thirdparty certification program for disabilityowned businesses
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- 2011** MBDA launches a redesigned MBDA Business Center program, combining the Minority Business Enterprise Center and the Minority Business Opportunity Center programs
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- 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
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- 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