



SUPPLIER DIVERSITY PROGRAMS

Resources:

- The Hackett Group, Beyond Compliance: Top Supplier Diversity Programs Aim to Broaden Value Proposition, 2016
- Intel, Establishing a Supplier Diversity Program
- ***About supplier diversity programs***

Supplier diversity programs are meant to encourage use of minority-owned, woman-owned, LGBT-owned, small and other historically underutilized businesses as suppliers. The need for supplier diversity was first recognized in the U.S. in the 1960s and later regulated by the federal government with the founding of the Minority Business Development Agency (MBDA). In the early 1970s, the National Minority Supplier Development Council (NMSDC) was founded and began further developing supplier diversity with a commitment to advance Asian, African-American, Hispanic and Native American suppliers. Since that time, new organizations have been created to foster growth for other diverse business types, such as WBENC and WEConnect International for businesses owned by women.

Common supplier diversity metrics

- Total or percentage of spend with diverse suppliers
- Total or percentage of sales attributed to supplier diversity program
- Number or percentage of diverse suppliers
- Number or percentage of certified diverse suppliers
- Percentage increase in market share attributed to supplier diversity program
- Percentage of suppliers meeting or exceeding expectations
- Number or percentage of diverse suppliers that are strategic partners

Supplier certification

To be recognized as a diverse supplier, purchasing groups usually require certification validating 51% or more ownership by a diverse party. Common certifications include:

- Minority-owned businesses
- Woman-owned businesses
- Small disadvantaged businesses
- Disadvantaged business enterprises
- Small businesses, typically certified by the U.S. Small Business Association
- Socially and economically disadvantaged businesses
- HUBZone business enterprises
- Disabled veteran businesses

Supplier partnering

Supplier partnering is the process of developing and enhancing relationships with suppliers. Small and minority-owned businesses can be the source of added benefits, including cost savings, process improvements and product innovations. Organizations with diversity-program partners share the following three practices:

- Develop and mentor local suppliers. Knowledge-sharing (the most common supplier development practice) and mentorship programs are commonly used due to their advantages for both buyers and suppliers (Fig. 3). Workshops and other in-person learning options help current and potential diverse suppliers gain a more competitive footing. In turn, the

procurement organization wins by discovering and building relationships with local suppliers. At a bare minimum, newer supplier diversity programs need to have strong communication and collaboration skills to ensure that diverse suppliers can obtain the support they need.

- Join forces with suppliers on product innovations. Supplier-buyer innovation is frequently the most immature area of supplier diversity programs. Today, few companies integrate supplier partnering and innovation into their relationship management goals. Small business suppliers can be particularly successful partners due to their interest in innovation as a strategy for gaining competitive advantage over larger businesses. For example, more-established companies can share access to their technologies with smaller suppliers who are ready to innovate.
- Share experiences with other companies. Meeting with companies that have supplier diversity programs is useful for sharing lessons learned (e.g., supplier onboarding success tips, program growth strategies). Experienced supplier diversity program managers we interviewed as part of the study suggest joining diversity organizations or local diversity boards and attending meetings, roundtables and conferences to meet and network with other program leaders.

Establishing a Supplier Diversity Program

Suggested Process for Establishing a Supplier Diversity Program

1. Define your scope of supplier diversity. Establish certification policies.

Resources:

- [NAVOBA](#) Veteran Business
- [SBA](#) Small Business (SDB, 8A, HUB)
- [NMSDC](#) Minority Business
- [WBENC](#) Women Business
- [NGLCC](#) Lesbian Gay Business

2. Link scope to your goals—make a business case.

Example: Supplier diversity is important to us because...

- It represents our diverse customer base
- It serves customers that support supplier diversity
- The Government may require
- It demonstrates social responsibility

3. Educate your organization on Supplier Diversity plans/objectives.

Gain executive support and accountability to ensure results.

- Educate procurement on objectives and expectations
- Embed sustainable policies and process that support your objectives
- Inform internal customers who can influence supplier diversity spending

4. Align procurement practices and the ability to measure and report.

- Develop and collect a supplier diversity qualification survey
- Know what your customer reporting expectations are
- Identify improvements to meet your goals
- Establish reporting timelines and capabilities
- Create an internal directory resource for buyers to connect with diversity suppliers

5. Supplier Diversity Communications.

- Publish information about your program on your Web site
- Include your preferred method to identify "new" suppliers and how a supplier can submit information to you
- Inform customers of your program progress

6. Connecting with diverse suppliers.

- Engage in events hosted by diversity organizations locally and nationally
- Participate in diversity professional organizations or industry groups focusing on supplier diversity
- Utilize your network to learn best practices