



# Council Perspectives™

Insights from The Conference Board Supplier Diversity Leadership Council (SDLC)

## Supplier Diversity: Helping to Enhance the Corporate Brand

by The Conference Board Supplier Diversity Leadership Council

In today's economy, it is imperative that companies utilize the full capacity of the enterprise to maximize shareholder return. Supplier diversity is one capacity that provides a company with the unique opportunity to connect with a growing, diverse customer base to drive revenue and enhance the corporate brand.

### The Dilemma

While the traditional role of the decades-old supplier diversity function is to ensure minority- and women- owned businesses (MWBES) have the opportunity to compete in fair and open procurements, today's reality is that there are differing levels of acceptance and maturity of the supplier diversity business model in corporate America.

Indeed, progress has been made. However, today's supplier diversity professionals are still facing some long-standing challenges both within their own organizations and externally. For example, there is a:

- lack of consensus on a consistent definition of supplier diversity;
- failure to achieve broad industry acceptance of supplier diversity, not just where it is a business imperative, i.e., doing business with federal, state, and local entities;
- lack of a qualified diverse supply base; and
- disparity of terminology concerning ROI, cost savings/avoidance, and Tier 1 and Tier 2 costs.

As with any function in a company, value is the mantra and providing a clear answer to the question "What value do the supplier diversity organization and programs bring to the table," is critical. Where there is a business imperative, i.e., customers who require a percentage of your products or services to be provided by diverse suppliers, the decision to act is a "no brainer" for the C-suite.

However, when that business imperative is not present, how does the supplier diversity professional advance the program?

The purpose of this report is to encourage mature supplier diversity leaders to begin a new way of thinking about their program and focus their efforts on how supplier diversity can play a significant role in promoting their company brand to an ever-changing demographic. The trends are irrefutable. Among them:

- The United States is expected to experience significant increases in racial and ethnic diversity over the next four decades, becoming a "majority-minority" country by 2020.<sup>1</sup>
- Consumers want to feel good about the companies from which they purchase their products and services.



## Leading Edge

A growing number of organizations understand that a well-managed supplier diversity (SD) program adds value to a corporation's bottom line through increased supply chain efficiency, flexibility, and brand enhancement, especially when entering new markets. In a May 2010 study of more than 30 global companies, the Hackett Group concluded that there are two basic reasons that companies employ SD efforts: "While business-to-business companies are frequently focused on meeting supplier diversity requirements of customers and/or government contracts, business-to-consumer companies generally focus on the market value supplier diversity offers, in the form of increasing market penetration in diversity markets, driving social and economic benefits in targeted communities, and improving corporate image."<sup>2</sup>

There are many innovative organizations that know and understand multicultural consumers and have generated a positive response within the community (and the company) to their SD efforts. These efforts have contributed to increased consumer loyalty, greater brand recognition, and ultimately market growth. Overall, the business case for supplier diversity can be summed up in a single sentence: engaging diverse suppliers is a business imperative for companies to remain competitive in the marketplace.

According to Thalia N.C. Gonzalez, author of the *Supplier Diversity Is Simply Good Business: The Importance of Establishing, Developing, and Sustaining Supplier Diversity*, there is at least one common trait among businesses that are using their supplier diversity programs to reach multicultural communities:

"While many corporations have not fully developed their market shares in diverse communities, those that have share one commonality—a commitment to, and more importantly, a business model that supports contracting with diverse suppliers. Truly successful corporations have realized that supplier diversity is not only the avenue that leads those to diverse businesses who can decrease their costs, but also increase their profits. Leaders in the area of supplier diversity regularly tout their expenditures with diverse businesses to show their commitment to inclusion and investment in the community."<sup>3</sup>

In summary, there needs to be less talk about the definitions of supplier diversity, i.e., Tier 1 or Tier 2 and cost savings, and more emphasis on how the company can be better positioned to fully meet its customers' expectations by ensuring supplier diversity plays a key role in shaping how customers feel about a company.

## Back to the Basics

To effectively refocus supplier diversity to enhance the corporate brand, it is important to ensure the basics are in place—that your traditional supplier diversity house is in order.

The critical core activities deemed important by The Conference Board Supplier Diversity Leadership Council include:

- Renew C-suite support
- Drive commitment to utilize diverse suppliers within your supply chain
- Review policies, procedures, and processes and streamline where appropriate
- Refresh internal and external communication in all media formats
- Reinforce the base case for supplier diversity
- Remain vigilant for new opportunities such as government financial stimulus packages and charitable foundations
- Rededicate yourself to your program and remain positive in everything you do to advance supplier diversity in your enterprise
- Reestablish your mentoring program

## Shift Your Thinking

Once you feel confident that the basics have been reviewed, you can spend time identifying opportunities to position supplier diversity to enhance your company's brand. What follows are some single actions you can take to move the needle:

- Gather pertinent facts about the demographics of your company's industry
- Compare those demographics with your company's current and perspective customer bases
- Identify targets of opportunity
- Develop a solid relationship with the marketing and sales team of your company
- Go along on the sales calls; be well prepared and listen to what your customers are saying
- Seal the deal and have marketing and sales tout supplier diversity involvement, regardless of the importance of the role supplier diversity played in closing the deal
- Reevaluate your initial findings based on your recent success and make sure you get invited again
- Keep track of, and report on, the successes with the emphasis on supplier diversity and the market place
- Engage the supply base to alter thinking regarding its role in promoting the brand

## A Compelling Value Proposition for Supplier Diversity

Aligning supplier diversity initiatives with the changes in your customer base, shifting trends in employee demographics, new markets, global supply chains, and even compliance issues in the countries in which you operate create traction in the C-suite and within business units.

Efforts to increase opportunity and economic growth with the diverse business community result in a competitive advantage with new customers, satisfied current customer requirements, and increased competition among suppliers which provide cost reduction, improved quality, and customer service.

Begin by asking yourself three basic questions:

- Are we valued in our business organization for what we contribute to the bottom line?
- Do we have a solid value proposition and business case that can be measured in terms C-suite functions understand?
- Are we delivering on it?

### Making the business case for supplier diversity within the corporate structure

The following are the critical points in making the business case for supplier diversity to the organization. However, before doing any of these, there is a need to fully understand the corporate culture in which you are operating.

- Identify key stakeholders within the organization – from the board of directors and the CEO to senior executives – and bring the supplier diversity (SD) program's goals in line with their objectives. It's important to get buy-in at all levels of the organization, not just at the corporate or C-suite level but at points where the actual procurement and purchasing takes place.
- Focus on the economic impact. Avoid soft arguments. In making the business case, the arguments have to integrate strategy, business goals, and financial expectations. Without a fully integrated and aligned program, no business case for supplier diversity can be successful. Identify purchasing and consumption patterns to make a better economic case for aligning procurement with those patterns. For example, in areas where consumption by ethnically diverse and women groups is high, the case for supplier diversity in those areas should carry more weight.
- Ensure and emphasize that the supplier diversity program is aligned with overall corporate philosophy, corporate values, and the mission statement of the company. Those who are in the SD program need to recognize that it has to be market driven and, as the marketplace changes, the program needs to be reshaped and modified based on those changes.
- Supplier diversity executives must first understand the critical drivers for each business unit to make a successful case for the program. Take time to learn each individual unit's critical business objectives. Moreover, the measurements that are established to demonstrate the viability of the SD program have to be aligned so that they speak directly to each department's own success measurements. You've got to help them win every day.
- Make all parties and vendors accountable for diversity. The tone a company sets in dealing with its suppliers in the fulfillment of diversity initiatives must be reflected within the organization as well. Consistency of the accountability message both externally and internally is critical.
- Identify and assess the overall supplier population to determine its performance and evaluate its strengths and weaknesses. Hard data based on such an assessment supports the business case. Additional support comes from the programs of other companies. For example, companies such as Cisco and Procter and Gamble have demonstrated success in the growth of diverse suppliers by implementing a structured development process, subcontracting plans to include diverse supplier growth strategies, and ensuring accountability and responsibility at the most senior level of management.
- Reach out to successful program experts as well as groups such as the National Minority Supplier Development Council® (NMSDC). Enlisting external voices can go a long way in convincing executives within your organization that supplier diversity should be an integral part of the strategic business plan.
- Effective and constant communication of the business case and the competitive advantage that an SD program can bring to an organization is vital. Whenever possible use the language that business leaders use and understand. While it may be against many ingrained corporate habits of cordial communication, part of building the business case is daring to cause discomfort. Courageous conversations are essential.

## Case Study: Supplier Diversity— A Compelling Brand Differentiator

### The “well-informed” business development team

There is no single method of turning a supplier diversity (SD) initiative into a competitive advantage. RTI International is a simple example of only one of the potential types of evolution in which a SD initiative can migrate from a traditional procurement support function into an effective business development tool. RTI is one of the world’s leading research institutes, providing research and technical services to governments and businesses in more than 40 countries in the areas of health and pharmaceuticals, education and training, surveys and statistics, advanced technology, international development, economic and social policy, energy and the environment, and laboratory testing and chemical analysis.

In 2008, RTI’s strategic planning and business development group formed a task force of business developers and board members to study the impact of SD. The team realized that certain weak SD program elements had turned into business development obstacles for RTI. They found that:

- RTI’s revenue had been negatively affected by certain SD program weaknesses because RTI lacked an effective diverse business partnering process. Some of the weaknesses were due, in part, to SD being embedded in purchasing and operating as a post-award (post-sales) function.
- Clients, in most cases, continued to expect increasing SD goals from RTI.
- There were often some inherent tensions between RTI’s clients’ technical managers, procurement officers, and the SD officers.

The task force findings were documented in a 100-plus-page white paper, which resulted in RTI adopting various task force recommendations, including:

- SD raising awareness and educating staff on the value of supplier diversity (e.g., over 130 RTI staff members took the 2-hour SD/partnering program class in 2010);
- SD being involved in earlier stages of the business development process (e.g., the SD function was moved from the office of procurement and placed in the office of contracts, which is a sales support function at RTI);
- SD clearly understanding the client’s SD requirements and assisting RTI’s capture, proposal, and domain leaders in crafting the best possible client proposal content and helping deliver the expected results.

RTI implemented the Partner Link-up System, which is an integrated supplier portal branded as PLUS that facilitates the diverse business partnering process; submitting a PLUS profile is only one of the steps that a prospective diverse partner must take to develop a successful relationship with RTI. Potential partners are encouraged to attend RTI symposiums and network with technical staff at industry events, subscribe to RTI news, stay engaged with RTI experts, explore commercialization benefits of RTI’s patents and scientific discoveries, review the current list of requests for proposals (RFPs) on the website, and bring business development opportunities and ideas to RTI’s attention (see box below). RTI realized that not all diverse business trade fairs provide a good enough return on investment; as a result, RTI only supports productive outreach events and also began hosting its own diverse business matchmaking events (e.g., RTI’s first internal supplier diversity trade fair brought in approximately 250 RTI employees, which demonstrates the level of interest in SD). In addition to the use of the PLUS database, RTI’s SD uses two additional database subscription services to identify and track diverse business development opportunities.

As part of its [Partner Link-up System \(PLUS\)](#) partnering process, RTI provides potential partners/suppliers with a host of instantly accessible information, including:

- Subscribe to RTI news
- Follow RTI on: [facebook](#) | [LinkedIn](#) | [youtube](#) | [Twitter](#)
- Review the current list of RFPs; review RTI’s PO and subcontracts terms and conditions
- Determine which of your services/expertise would complement RTI’s expertise
- Determine if you have technical project experience with RTI’s clients and funding sources
- Network with RTI’s research staff at industry events and stay engaged with RTI experts, or research colleagues that you already know
- Explore innovation and commercialization potential of RTI’s patents and scientific discoveries and commercial services

Until 2008, RTI's SD activities were mainly focused on matching diverse suppliers to procurement opportunities and socializing with diverse community groups; today, RTI's office of SD focuses on the pre-award (pre-sales) process, increasing client satisfaction, and the identification of diverse subcontractors and consultants that have the potential of becoming strategic partners as well as clients. RTI is learning to look for opportunities beyond the traditional SD elements by seeking small/diverse suppliers as the targets for procurements and also sales activities, and over the years RTI has engaged in spinning off as well as acquiring small businesses (e.g., in 2009, RTI acquired Maxima Resources, a minority/woman-owned business enterprise).

In summary, from 2008 to 2010, RTI doubled the participation percentage of procurements from MWBEs, increased pre-sales teaming activities with MWBEs, and clients' acceptance of RTI proposals' (supplier diversity) subcontracting plans increased as well. The key takeaways are:

- SD officers should clearly understand and leverage today's business environment, which encompasses customers with high expectations, a highly competitive environment, and a marketplace with complex geopolitical and socioeconomic factors.
- SD officers should develop and execute a sales and marketing plan that aligns with their unique corporate structure and business development strategy.
- The modern SD initiative must not only support revenue growth but must also demonstrate real economic development benefits to the overall diverse business community.

## Conclusion

Insanity has been defined as “doing the same thing over and over again and expecting different results.” It is incumbent upon the supplier diversity leader to think differently about how to best express the value proposition for the company's programs.

As the economy gives the appearance of recovery, most enterprises are positioning themselves for pending growth, regardless of the pace of growth. Now is a time to alter the thinking on supplier diversity and position it as more proactive than reactive. What better way to begin the transformation, other than to be at the table with the paying customer.

## Endnotes

- 1 Jennifer M. Ortman and Christine E. Guarneri, *United States Population Projections: 2000 to 2050*, U.S. Census Bureau – Population Division, December 16, 2009, [www.census.gov/population/www/projections/analytical-document09.pdf](http://www.census.gov/population/www/projections/analytical-document09.pdf)
- 2 *Most Supplier Diversity Programs Simply Fail to Deliver*, The Hackett Group, May 14, 2010, [www.thehackettgroup.com/about/alerts/alerts\\_2010/alert\\_05142010.jsp](http://www.thehackettgroup.com/about/alerts/alerts_2010/alert_05142010.jsp)
- 3 Thalia N.C. Gonzalez, *Supplier Diversity Is Simply Good Business: The Importance of Establishing, Developing and Sustaining Supplier Diversity*, Black Economic Council, 2009.



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Shifting U.S. demographics have expanded the concept of corporate diversity to include supply bases, either as a business requirement or simply as good business. As supply chain executives, we are constantly searching for ways to achieve this goal without compromising fiscal or strategic responsibilities. Among many other topics, we discuss:

- Value proposition, ROI, and benchmarking in supplier diversity
- Branding supplier diversity within the enterprise
- Second-tier reporting
- Developing business opportunities for MWBEs

Diversity is about more than numbers and political correctness; our candid discussions allow us to share strategies for ensuring that our firms' supply bases align with the diverse customer bases they serve and the diverse markets they seek.

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