



Council of Supplier Diversity Professionals

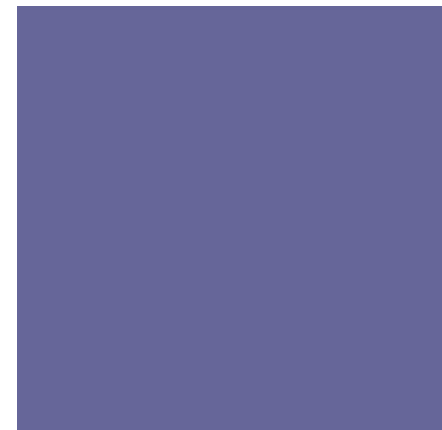
“The Business Case for Supplier Diversity”

Presented by
The Council of Supplier Diversity Professionals

May 7, 2014

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*Michigan Minority Procurement Conference
Cobo Hall*



The Business Case for Supplier Diversity

Forging a Strong Inclusive Economy

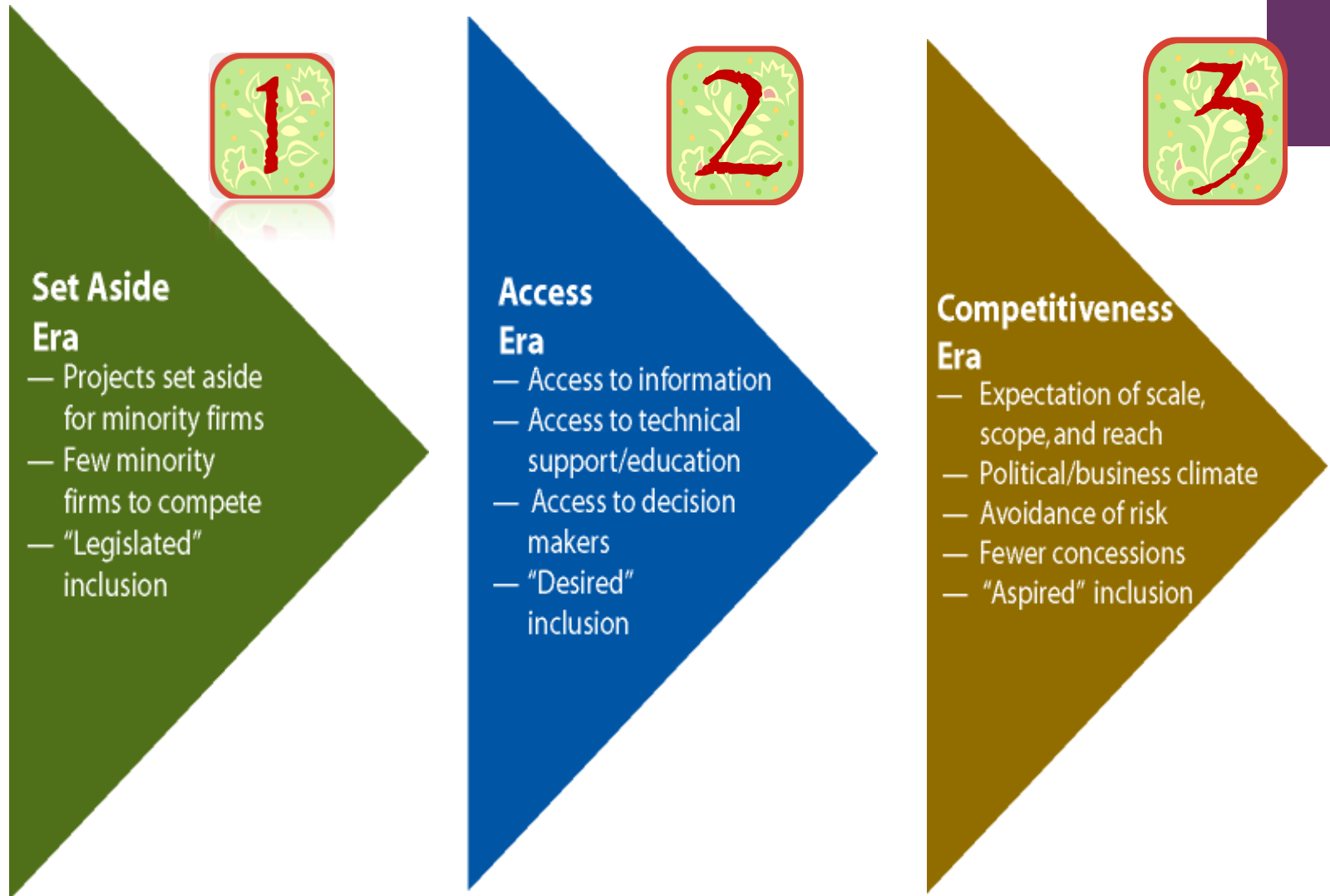
Current Landscape of Supplier Diversity



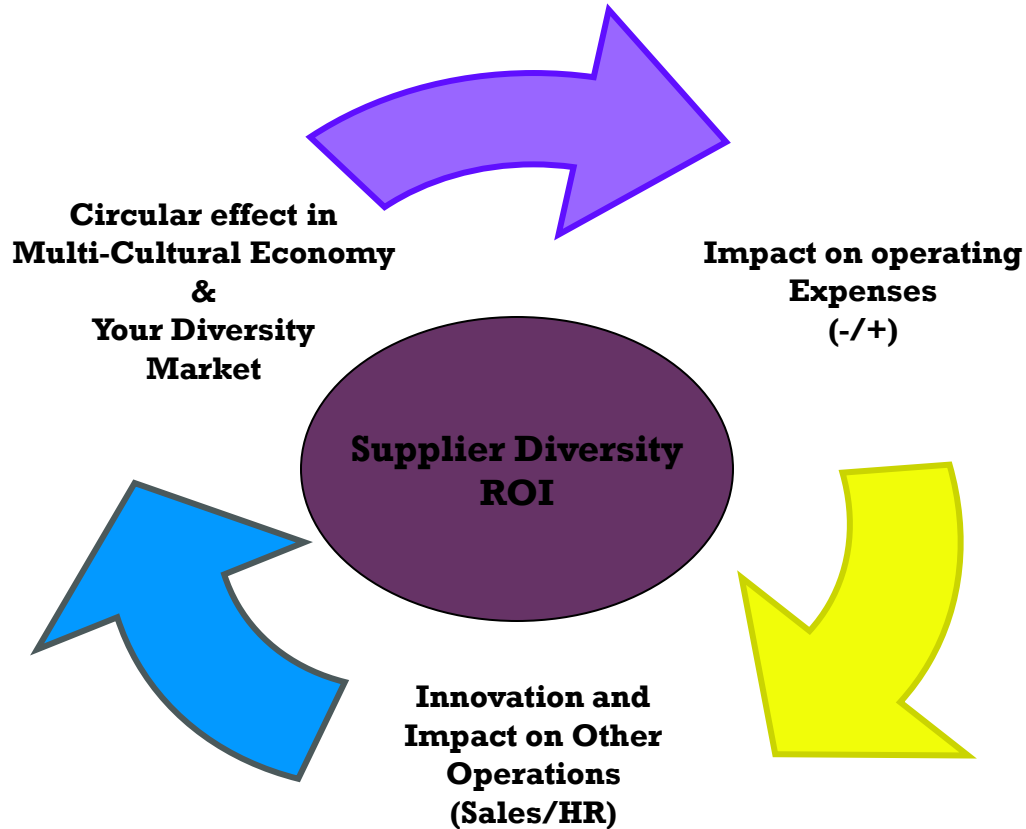
Shifting Sands

- Company Mission Focus
- Procurement/Purchasing Budget Priorities
- Sourcing & Purchases
- Mainstreaming Supplier Diversity

+ Evolution of Diversity ...a Tale of Change



+ Supplier Diversity: The New Paradigm



Diversity is a core value for the company

No longer a “program” but a core function of procurement process

Commensurate with company’s diverse direct or indirect customer base

Focus on “inclusion”

Recruit the “best” suppliers, develop the “best” ideas and enhance brand prominence

+ Multicultural Economy

The Multi-Cultural Economy 2013 Report by the Selig Center for Economic Growth (University of Georgia) found that:

- Hispanic market (\$1.5 trillion)
- African-American market (\$1.3 Trillion)
- Asian market (\$713 Billion)
- Native American market (\$96 Billion)

are larger than the entire economies (2013 GDP measured in U.S. dollars) of all but thirteen countries in the world.

Multicultural Economy

| Rank | Country | GDP |
|------|-----------------------------|-----------------|
| 1 | European Union | \$16.6 Trillion |
| 2 | United States | \$15.6 Trillion |
| 3 | China | \$8.3 Trillion |
| 4 | Japan | \$5.9 Trillion |
| 5 | Germany | \$3.4 Trillion |
| 6 | France | \$2.6 Trillion |
| 7 | United Kingdom | \$2.4 Trillion |
| 8 | Brazil | \$2.2 Trillion |
| 9 | Russia | \$2.01 Trillion |
| 10 | Italy | \$2.01 Trillion |
| 11 | India | \$1.84 Trillion |
| 12 | Canada | \$1.82 Trillion |
| 13 | Australia | \$1.52 Trillion |
| | US Hispanic Economy | \$1.5 Trillion |
| 14 | US African American Economy | \$1.3 Trillion |
| 15 | Mexico | \$1.3 Trillion |
| 16 | South Korea | \$1.03 Trillion |
| 17 | Indonesia | \$878.1 Billion |

If the multicultural economy
was a
country.....
.....

Terry College of Business

*Selig Center for Economic Growth University of
Georgia*

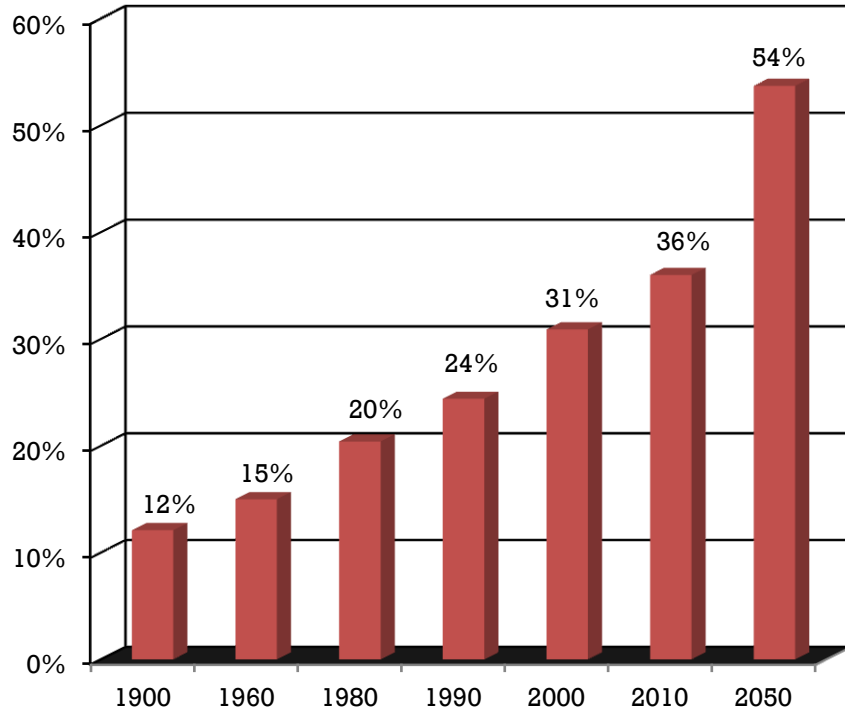
+ Supplier Diversity

Key FACTS

- **Minority and women businesses are either direct or indirect consumers of goods and services**
- **MWBEs and Small Businesses are the backbone of the American economy. They create:**
 - **2 of every 3 new jobs,**
 - **produce 39% of the GNP, and**
 - **invent more than half of the nation's technological innovations (SBA)**
- **Minorities represent 26 percent of the US population, but only 13 percent of the total businesses and 6% of the gross receipts (NMSDC)**
- **Minorities have in excess of \$3 Trillion in purchasing power**
- **1 in 3 customers are minority (Selig Center for Economic Growth)**

+ Proof in Numbers....

Minority Population as a % of US Population (1900 - 2050)



2010 Census Data

| Race | Number of People | % of Population |
|----------------------------------|--------------------|-----------------|
| Caucasian | 196,817,552 | 63.7% |
| Hispanic | 50,477,594 | |
| African American | 37,685,848 | |
| Asian | 14,465,124 | |
| Two or more races | 5,966,481 | |
| American Indian or Alaska Native | 2,247,098 | |
| Some other race | 604,265 | |
| Native Hawaiian | 481,576 | |
| Total Population 2010 | 308,745,538 | 100% |
| Memo: Women | 156,842,733 | 50.8% |

36.3%

***By 2035 → 50% of Population Will be Multicultural
In 6 Years → 50% of Children Will be Diverse***





Competencies for Supplier Diversity

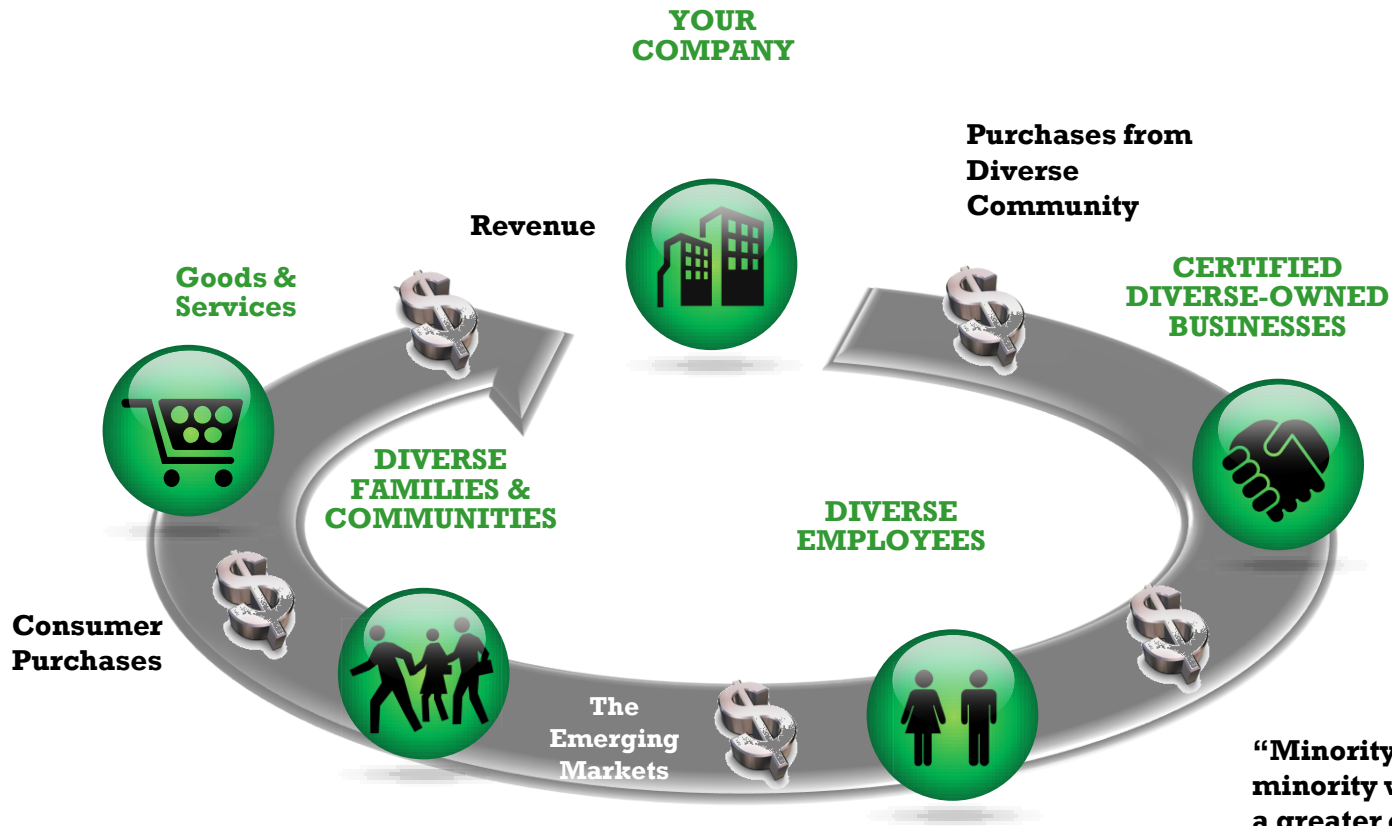
1. Diversity Markets
2. Corporate Responsibility
3. Strategic Alliances
4. Reputation Management



Supplier Diversity Forging a Stronger Economy

Business Case Value Analysis

+ Economic Lifecycle



“Minority firms hire minority workers to a greater extent than majority firms.”

---Dr. Steven Rogers

View from the Top:

Competing more efficiently/effectively on a global scale requires developing a wider variety of workers who will bring to the table a vast array of talents, skills, and ideas..... CEO Report,

+ The Value of Supplier Diversity

Return on Investment (ROI)

Definition:

“A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of investments.”

+ Supplier Diversity

Sample Value Calculation

$$\text{SDROI} = \frac{\text{Gain from Program} - \text{Cost of Program}}{\text{Cost of Program}}$$

Where:

1. Gain = cost savings/cost avoidance/reach into emerging markets/and innovation
2. Cost of Program = Supplier Diversity Budget

+ Diversity Markets and Supplier Diversity

Identifying and leveraging relationships with key external suppliers, vendors, and customers in order to enhance the supply chain, increase market share and brand loyalty

- An effective diversity and inclusion practitioner is required to be a full business partner.



Supplier Diversity Practitioner Role

BUSINESS ACUMEN

- External Market Knowledge: possess an understanding of global and local trends, and how these trends affect the organization, its customers, its suppliers and stakeholders
- Internal Business Knowledge: know the organization's mission critical business strategies, and the impact of financial, economic and market drivers on bottom line results
- Innovation – offer integrated ideas and solutions from several disciplines and sources on issues important to the organization

+ SDP Business Case Creating Visibility

“Supplier Diversity activities – identifying and communicating how supplier diversity efforts contribute to the organization mission critical/core business strategies and results.”

- Create insights
- Enhancement of external relationships
- Increase penetration to emerging markets
- Manage business multi-cultural media and relations

The Conference Board

+ Contributing Value

- Determining and communicating how supplier diversity contributes to the company's mission critical business strategies and results
- Creating developing metrics that show supplier diversity return on investment.
- Acknowledging that **you** (in your role as a supplier diversity practitioner) are a key player in the creation and enhancement of your firm's reputation

+ Demonstrating Supplier Diversity Value

- Sales
 - Target Rate
 - Penetration into Emerging Markets
 - Average Sales per Cultural segment

- Market Analysis
 - Market Share
 - Number of Diversity suppliers by Sales Region

- Diversity Supplier Value
 - Cost Savings
 - Cost Avoidance
 - Innovations

- Supplier Diversity & Lead Generation
 - Number of new leads per quarter
 - Costs

+ “Business Case” for Supplier Diversity

The Supplier Diversity Practitioner –

- Work with other departments (such as HR) to ensure the organization has a sophisticated understanding of its customer base, its cultures, marketplace and competitors and to create cross departmental support
- Increases awareness that diversity and heterogeneity of customers will increase over time and the inclusion of diversity suppliers will enhance the ability to serve these differences

+ Supplier Diversity Impact

■ **Marketplace**

- Products/services, brand differentiation
- Customer acquisition/retention/satisfaction
- Job creation/sustainability
- Community in which you conduct business

■ **Shareholders/Members**

- Revenue and Return on Investment
- Litigation and negative public relations
- Corporate responsibility

■ **Employees**

- Competition for talent
- Organizational effectiveness due to increased productivity
- Better communications/Affinity Groups
- Retention

C-SUITE PRIORITIES

CHIEF FINANCIAL OFFICER

CHIEF HUMAN RESOURCES OFFICER

CHIEF RISK OFFICER

CHIEF INFORMATION OFFICER



**Focus:
Financial
Management**



**Focus: Human
Resource
Management**



**Focus:
Risk Mitigation**



**Focus:
Information
Technology
Management**

CHIEF MARKETING OFFICER

CHIEF PROCUREMENT OFFICER



**Focus:
Customer
Retention
& Growth**

CHIEF EXECUTIVE OFFICER

- CREATING & DELIVERING EFFECTIVE BUSINESS STRATEGIES
- GROWTH
- DRIVING CHANGE W/IN ORGANIZATION
- EXPANSION OF BUSINESS ORGANICALLY & THROUGH ACQUISITIONS/ALLIANCES
- BUILD BRAND EQUITY
- SUSTAINING/GROWING MARKET SHARE
- PROFITABILITY

FOCUS: BIG PICTURE



**Focus:
Supply
Chain
Management**

+ Ultimate Goal

To have a supplier diversity initiative that:

- Positively impacts the supply chain, and
- Provides a competitive edge in sustained and/or increased market share.
- To create a sustainable supplier diversity initiative

+ Thank You

**“IN THE MIDDLE OF DIFFICULTY
LIES OPPORTUNITY”**

ALBERT EINSTEIN

What's on Your Minds?



Council of Supplier Diversity Professionals
www.ncsdp.com