

Why Supplier Diversity Matters

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Introduction

I knew a woman once who owned a trucking company. She wanted to become certified so she went to the state GSA office in Pennsylvania to fill out an application and get the process rolling. Much to her surprise, her application came back rejected! When she called to ask why her application was rejected, the GSA agreed to send an investigator out to her business for a day to ensure that she knew how to run her business. Once the investigator arrived to her property, she showed him the offices, the warehouse and the equipment. But, he didn't seem convinced. She asked him why she was under such scrutiny.

"When we reviewed your application we noticed that you didn't list any certifications or licenses to drive your trucks or forklifts," he said. "Do you have a CDL license and are you able to drive your trucks and forklifts?"

"No. "

"If your certification was contingent on you obtaining the appropriate licenses and certifications personally, would you get them?"

"No," she replied. "It's not my responsibility to drive the trucks or forklifts. It's my responsibility to make sure we provide superior customer service to our clients, hire the right team to operate our equipment; have knowledgeable and experienced internal staff to support the business; oversee the corporate financials, and to position us competitively for growth today and for years to come."

Several weeks later she was granted her certification.

I tell this story because things have changed a lot since then. Today, women and minorities own businesses of all sizes, across all industries, regardless of gender and race stereotypes. Of course, there are still challenges and, thankfully, there are councils and associations that promote diversity and help minority businesses get established in their communities and on the right path for success.

So, what does this all mean to you?

1. Human resources and procurement outsource a lot of business for key functions within the organization.
2. Your company most likely has a supplier diversity program and you probably have a colleague in supplier diversity who is responsible for meeting corporate supplier diversity goals.

By embracing diversity and having a better understanding of how diversity programs work internally, you can not only help your colleagues meet corporate goals, but you can also tap new networks and support your local community. In the following pages, I'll discuss how supplier diversity has changed over the years, why it matters and how you can make a difference within your organization.

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1. Supplier Diversity is not an HR function.

I know, I know. So, why am I bothering to tell you about it? Supplier diversity is not a function of HR but that does not mean that HR can't embrace supplier diversity as an option when looking to outsource projects. What it does mean, however, is that there is a fine line between selecting a supplier because they are diverse and selecting a supplier because they are the best and happen to be a diverse supplier. Diversity should always be treated as an additional credential, but it should never be the sole reason for choosing one supplier over another. The right work product, cultural fit and cost should always be paramount and it's dangerous to advocate otherwise. If you happen to like your diverse supplier the best, however, then that is great for you, for the supplier and for your company.

2. Diversity programs start at the top.

“Our commitment to supplier diversity is closely aligned with who Merck is and what we stand for as a company. We believe our collaboration with diverse suppliers helps us to better understand and anticipate the needs of the customers we serve.”

— Kenneth C. Frazier, Chairman, President and Chief Executive Officer

Since sourcing happens in all departments, supplier diversity sourcing is everyone's opportunity and in some cases responsibility. That said, a successful supplier diversity program requires C-level commitment. If top executives are behind the program, then everyone in the organization will be more likely to commit to growing a viable network of diverse suppliers in order to meet corporate goals.

In the past, supplier diversity programs were more lip-service than actual corporate initiatives. Today, savvy executives realize that supplier diversity programs are critical for a number of reasons, including: women and minorities are buyers of their products and, consequently, the company should support them; supplier diversity programs strengthen communities by supporting small and local businesses and, since rising tides raise all boats, this also boosts larger businesses in the community; supplier diversity programs generate goodwill both internally and externally; and, finally, minority businesses are often creative, innovative, smart, resourceful and willing to hustle to make a contract work.

“Verizon is committed to continuously identifying and expanding effective business partnerships with Diverse Suppliers. These mutually beneficial relationships will allow us to provide superior service and excellent communications experiences for our customers, while broadening our reach in the competitive marketplace.”

— Lowell C. McAdam, Chairman and CEO

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3. Tier II spends can grow corporate supplier diversity programs exponentially

As companies realize the benefits of supplier diversity programs, more are moving to incorporating both Tier I and Tier II spends. As you may know, a Tier I supplier diversity spend represents the direct relationship between a company and its diverse supplier. A Tier II spend, however, counts for when the company's direct supplier contracts with other diverse suppliers and reports that spend back to the company. The number of suppliers that a company chooses to use has no bounds and, if those companies also have a supplier diversity program, then the growth can be substantial.



“In 2012 we reached a tremendous milestone in our commitment to the full participation of diverse businesses as suppliers to PG&E.”

— Chris Johns, President of PG&E”

More companies are including Tier II spending in their supplier diversity goals in an attempt to find more ways to grow their supplier diversity programs. Further, by putting some of the responsibility for diversity on suppliers, companies take some of the pressure off of the procurement and supplier diversity departments. Further, the web like nature of Tier II spends open up more networks, in more places, much more quickly for the business.

To illustrate how important the Tier II spend is becoming, I was recently at a Women's Business Enterprise National Council (WBENC) conference and I stopped by the BMW booth to have a quick chat. I was happy to hear that they would be hosting their second annual Tier 1 Supplier Diversity Matchmaker Conference. The goal for this event is to deliver a concept that broadens the message of supplier diversity to Tier 1 automotive suppliers and showcases BMW's commitment to supplier diversity. The event would also include information about Tier II spending, as well as encouragement for BMW's suppliers to embrace supplier diversity in their own businesses. I was impressed at their dedication and understanding that their global success comes from committed partners who understand that supporting inclusive procurement and supplier development opportunities will lead to future success.

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4. Government still plays a role in supplier diversity.

But, it's not quite the role companies think (or hope) it is. One of the most frequent questions we get asked is if companies receive tax breaks or credits for their diversity spend. The answer is no. The government does not provide any financial incentives to companies for growing a diverse supplier base. This is one instance where companies are taking it upon themselves to promote supplier diversity. Now, cynics can debate that the only reason companies promote supplier diversity is because it's good PR. That may or may not be the case. But it is definitely not for write-offs.

What the government does do, however, is allocate a portion of its own contracts to small businesses. If you work for a government entity, you are probably aware that The Small Business Administration's (SBA) Office of Government Contracting & Business Development works with federal agencies to award at least 23 percent of all prime government contract dollars to small businesses and help federal agencies meet specific statutory goals for small disadvantaged businesses, women-owned small businesses (WOSB), service-disabled veteran-owned small businesses (SDVOSB), and small businesses that are located in historically underutilized business zones (HUBZone). Also, in some cases, in order to win a government contract there is a requirement that the prime contractor commits to a certain percentage of their spend will be outsourced to a diverse supplier. In addition, SBA's 8(a) Business Development Program assists eligible socially and economically disadvantaged individuals in developing and growing their businesses through one-on-one counseling, training workshops, matchmaking opportunities with federal buyers, and other management and technical guidance.

To ensure that there is an adequate pool of strong, small businesses, including women-owned and minority-owned business, the SBA has local offices throughout the country that will help would-be business owners get started. Further, the Minority Business Development Agency of the U.S. Department of Commerce also has a number of helpful resources for women and minority owned businesses.

While these sites boast resources for the business owners themselves, they also have helpful information for companies looking to contract with women-owned and minority-owned business.

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5. Diversity certification now happens on both a local and national level.

Typically, there are two types of diversity certification: state and national. For the most part, businesses who intend to only do business locally, or businesses who intend to do work for state and local government entities, will need to be certified at the local level. Further, some state entities will require minority business to be certified at the local level. Since certification process can vary widely from state to state, businesses owners typically work with their state's office for minority and women-business enterprise to get certified. In some cases, however, even local entities will defer to national certification programs.

Corporate entities, on the other hand, prefer that suppliers are certified on a national level. Currently, most companies accept the Women's Business Enterprise (WBE) certification, Woman's Owned Business Enterprise (WOBE) certification and the Economically Disadvantaged Women-Owned Small Business (EDWOB) certification from either the National Women's Business Owners Corporation (NWBOC) or the Women's Business Enterprise National Council (WBENC). Companies will also accept certifications from the National Minority Supplier Development Council (NMSDC), which has 37 regional offices to help business understand the certification process at the local and national level. As the largest proponents of minority, female, veteran and emerging country businesses, companies can trust the consistency and accuracy of all three of these certifiers.

In addition to being able to rely on the NWBOC, WBENC and NMSDC for reliable certifications, companies can tap these organizations to find talent, meet vendors, benchmark diversity programs and get the latest news on diversity issues. If your company currently has a supplier diversity team, then they should already be involved in these groups and will be able to unlock helpful resources for anyone in the company looking to grow their vendor and/or talent network.

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Conclusion

Times have certainly changed since supplier diversity programs began to take hold in the U.S. Ultimately, we think that supplier diversity has never been stronger or more positive than it is today. More people than ever are committed to making supplier diversity networks work, not necessarily because it gives one group more opportunity over another, but because it connects large corporations with smaller suppliers that they may otherwise never encounter in a traditional circle.

Everyone knows that the larger the network, the more opportunities there are to be found. HR professionals rely on their networks for everything from sourcing relocation to finding talent. Corporate supplier diversity teams have access to a large network of diverse suppliers that HR may not otherwise be able to crack. HR can, and should, work with supplier diversity to tap new resources and build new networks. Such an alliance will help the company strengthen its supplier diversity commitment, find new pools of talent, access new data and competitive research and even strengthen internal teams as colleagues work together to reach mutual corporate goals.

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About XONEX Relocation Inc.

XONEX Relocation is a third party relocation services company that offers the right solutions for corporate clients – solutions that meet the demands of relocating families in today’s hectic business climate.

We help corporate America move their valuable talent with minimal interruption and maximum satisfaction for everyone involved in the relocation process. Our knowledgeable and caring staff combine cost transparency with creativity to structure benefit plans that are sensible and targeted to each client’s needs.



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