

# *Supplier Diversity:*

Unlocking Innovation,  
Driving Competitiveness  
and Enhancing Reputation





# Foreword

Peter Drucker once said that 'The enterprise that does not innovate ages and declines'. In today's fast paced business environment this is all too true. Innovative businesses, however, rarely create the innovation themselves; it is mostly unlocked through their supply chain making suppliers critical to delivering competitive advantage. Seeking out those innovative suppliers isn't easy and they are not always where you might expect to find them.

The truism that 'no one has ever been fired for hiring IBM' may be the case, but were they ever praised for bringing something to the marketplace that no one had ever seen before? It's not easy and it does require more resource to reach out to smaller organisations - and the risks maybe higher. Ensuring that you have a diverse team with a good mix of diversity of thought will enable procurement to think outside of the box and seek out more creative solutions with previously untapped suppliers.

Diverse suppliers can bring innovation as well as profit to your organisation, along with socio economic benefits to the wider communities. They are by their very nature smaller, more flexible and agile. This is the perfect environment for incubating innovative ideas that you can deliver to market quickly.

I am delighted to be partnering with MSDUK on this white paper and I urge all procurement professionals to take up the gauntlet and address diversity in your supply chains. The sell-in is easy. This isn't about hitting a CSR goal, this is a business imperative. Whether that is driving innovation or reaching out to new markets, the value is there for the taking.

**Malcolm Harrison**  
Group CEO, CIPS



An inclusive approach to supply chain is good procurement practice as it brings transparency to the process, opens up new and different options, brings innovative ideas, products and solutions to the supply chain and in most cases, keeps your supply chain competitive. And ensuring that supply chain access is offered to all available option and embrace diversity should be a no brainer.

If these reasons are good enough to have supplier diversity as core part of procurement strategy, then where is the need for writing this white paper? Shouldn't supplier diversity be considered a good procurement policy and become business as usual? If procurement function in any organisation is aligned and contributes to overall corporate goals, supplier diversity should be embedded throughout the procurement process and should be part of the performance measure.

However, we are far from reality and supplier diversity is still considered by procurement as one of those add-ons, a feel good exercise and something that is driven by compliance resulting in positive discrimination.

This publication has been written by group of people that are passionate about an inclusive approach to supply chain and I thank CIPS for agreeing to publish this – as a representative body for procurement professionals around the world. I hope this white paper is a small step towards achieving that overall success of getting extinct and let supplier diversity become business as usual.

**Mayank Shah**  
Founder & CEO, MSDUK

# Executive Summary

We prefer variety in our pastimes, biodiversity in our ecosystems and diversified holdings in our portfolios. Yet we unconsciously resist diversity in our social and professional communities. This attitude has become a liability in today's marketplace, costing companies talent, growth and innovative solutions.

From the workforce to the supply chain, diversity and inclusion of people and ideas are critical drivers for further growth in any organisation and no longer the 'box-ticking' exercises of the past. Forward-thinking organisations are truly embracing and committing to diversity as an integral part of improving profitability and profits, and outperforming the competition.

## Unlocking Innovation through Diversity

In a digital world driven by relentless technological advancement, innovation has to take centre stage in every corporate strategy if organisations are not to be left behind. There is strong evidence that innovation comes mostly from small businesses and individuals, which makes incorporating such entities within the supply chain a critical factor for organisations seeking to bring new solutions, breakthrough technology and disruptive businesses to market.

Diversity within supply chains can not only bring new ideas and solutions to an organisation, but also boost competitiveness and market growth. But it goes further than these commercial benefits to encompass social value; the ability to reduce socio-economic inequality and create stronger, more stable communities. With many global business leaders finally waking up to the huge potential in supplier diversity, businesses that understand how to use this to their advantage will stand to gain a competitive advantage and genuinely be able to make a positive contribution to a fairer society.

In times when global brands are sourcing goods and services from across the world, consolidating the supplier

base becomes strategic, creating economies of scales and reducing administrative burden. However, it also reduces the chances of accessing the best suppliers and most innovative solutions. True industry leaders recognise the urgent need to expand their global sourcing efforts to meet the needs of an increasingly diverse customer base and to capitalise on innovative local talent identified through inclusive sourcing strategies.

Jointly presented by MSDUK, the UK's leading supplier diversity advocacy network, and CIPS, this publication provides procurement leaders and professionals with an overview of the business case for an inclusive and diverse supply chain. It includes contributions from senior supply chain experts and companies with world-class supplier diversity programmes, and provides real-life examples and best practices to embed supplier diversity beyond procurement. It is an essential roadmap for any organisation looking to establish a world-class supplier diversity programme that brings innovation into the business, makes supply chains more competitive and flexible, and delivers socio-economic value while enhancing reputation.

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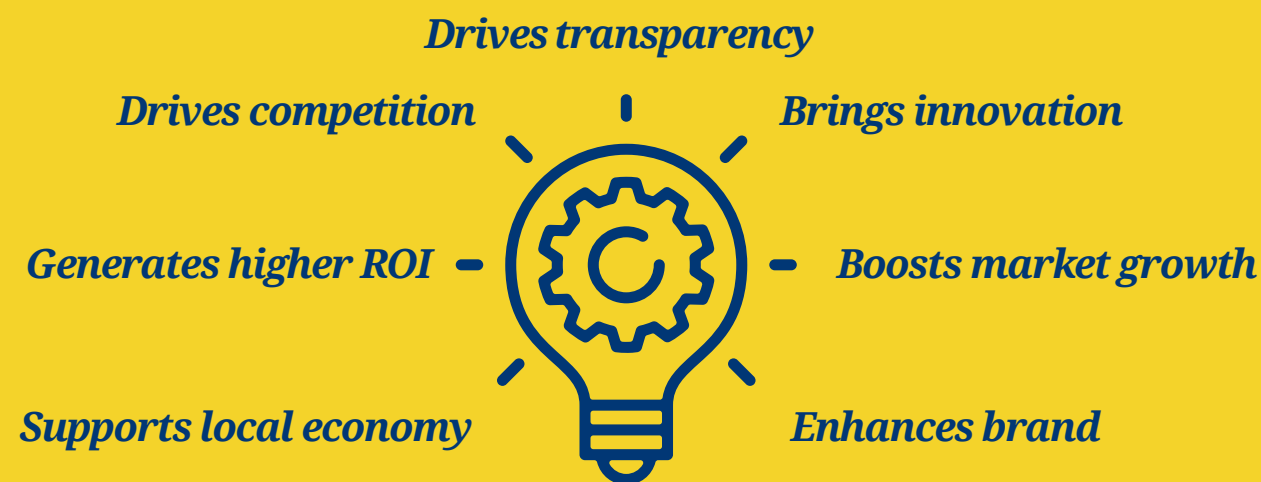
# 1: Introduction

***In recent years, enhancing diversity practices internally has become the norm for large purchasing organisations (LPOs) with a focus on developing initiatives such as employee recruitment, retention, training and succession planning to increase performance.<sup>1</sup>***

These practices clearly demonstrate the importance of diversity on the corporate agenda and the drive to a more inclusive approach, not only internally but also externally; more organisations are increasing efforts to create a more diverse and inclusive supply chain by engaging with suppliers from different cultural, ethnic and gender backgrounds. Supplier diversity is now seen not only as an important part of the corporate social responsibility (CSR) agenda, but there is strong evidence to support the commercial benefits of an inclusive approach to procurement.

As businesses become more global, and technological advances remove barriers to trade and offer easy access to the best options available, there is increasing pressure on procurement to remain relevant, look beyond traditional ways of sourcing, become more agile, embrace innovation and be more competitive. It is within this framework that most organisations are trying to create a more strategic understanding around supplier diversity and inclusion. The corporate sector is gradually recognising the fact that its suppliers must accurately mirror the structure of its customer base. However, it is important that procurement redesign its traditional approach to sourcing; access must be made easy, process simple and decision making transparent in order to attract small, nimble and innovative suppliers.

What value does diverse supply bring?



<sup>1</sup> Orlando C. Richarda , Weichieh Sub , Mike W. Penga and Carliss D. Millera, 'Do external diversity practices boost focal firm performance? The case of supplier diversity' The International Journal of Human Resource Management, 2015 Vol. 26, No. 17, pp, 2227-2247.

## 1.1 Defining Supplier Diversity

As a concept, supplier diversity can be defined as the purchasing of goods or services from minority, women and LGBT suppliers. It focuses on the creation of a diverse supply chain that aims to increase the inclusion of underrepresented groups in the procurement processes of public and private sector organisations. Sourcing products and services from previously underrepresented suppliers enhances supply chain diversification. It also leads organisations to reflect the demographics of the community in which they operate. Research has shown that supplier diversity has a positive effect on an organisation's long-term growth and a successful supplier diversity programme leads to long-term relationships that provide superior value in the supply chain. Ultimately, the aim of supplier diversity is to create an equal marketplace where opportunities are open to all participants regardless of their gender, race, ethnicity and sexual orientation.

## 1.2 The US Legacy

In the United States, supplier diversity initiatives aimed at ethnic minority businesses (EMBs) were born out of the civil rights struggle in the late 1960s and early 1970s. Encouraged and supported by the US government through a legislative framework, these initiatives were designed to empower underrepresented and disadvantaged groups. The aim was to provide access to economic and financial opportunities and reduce inequality for communities that had been previously excluded and discriminated against because of their ethnicity, race and gender. The National Minority Supplier Development Council (NMSDC) was formed in the 1970s to certify businesses as Minority Business. Other national organisations have been created to address the needs of different minority groups, including women, LGBT and disabled groups. As a result, minority-owned businesses were included in the bidding process of Government projects and of those corporates supplying the Government. Under the US National Minority Supplier Development Council (NMSDC) definition, a minority business is one which is 51% or more owned, managed and controlled by members of certain designated minority groups, including racial and ethnic minorities.<sup>3</sup>

## 1.3 Context Outside the US

The US legacy of engaging with minority suppliers has led to the spread of supplier diversity programmes further afield. This has happened for two key reasons. First, the realisation of the corporate world that adopting this model outside the US would provide new opportunities for underrepresented minorities in other countries but also comply with corporate social responsibility policy (CSR). The second reason is the push that has come from US corporations through their global diversity programmes. As supplier diversity programmes became more sophisticated US corporations started to measure global spend and this led to the need for third party organisations to certify minority-owned businesses. There are now established organisations in countries like the UK, Australia, Canada and South Africa that certify minority-owned businesses, for example: MSDUK in the UK, Supply Nation in Australia, the Canadian Aboriginal & Minority Supplier Council (CAMSC), the South African Diversity Supplier Council (SASDC), WEConnect International which works with women-owned businesses globally and NGLCC which certifies LGBT-owned businesses.

These organisations and others like them now actively promote and act as advocacy groups for minority owned businesses, influencing and changing government policy in their respective countries. Moreover, the creation of the Global Supplier Diversity Alliance (GSDA) - an initiative set up by MSDUK, Supply Nation, CAMSC and SASDC to aid minority suppliers that want to expand their business operations outside their own countries - provides further evidence that supplier diversity has become a global phenomenon.

***“Research from the US indicates that companies which focus heavily on supplier diversity generate 133% greater return on their buying operations”***

The Hackett Group

<sup>2</sup>Ibid

<sup>3</sup>National Minority Supplier Development Council (NMSDC, [http:// www.nmsdc.org/](http://www.nmsdc.org/),06/02/19, <http://WWW.nmsdc.org/mbes/mbe-certification/>

## 2: Why is it important for business?

***Supplier diversity is often wrongly viewed as a social programme that provides no return on investment for large purchasing organisations. But in an era of increased competition and rapid technological change supplier diversity can provide a competitive advantage to those companies that choose to embrace it.***

Supplier diversity programmes have the ability to deliver in terms of both CSR and competitive advantage. A large purchasing organisation needs to leverage its experience and purchasing power to support underrepresented businesses globally as a matter of good business practice, thus providing a level playing field for those businesses that have been underutilised in the past. This can contribute to the encouraging of local economic development through the use of the procurement process.

In a competitive business environment, an integrated supplier diversity programme can lead to 'improved productivity, sales growth influenced by enhanced reputation and new market potential'<sup>4</sup> Furthermore, from an organisational perspective supplier diversity fulfils several functions:

- Allows firms to tap into the widest available talent pool of suppliers, thereby increasing competition in the supply chain which can lead to better value pricing
- Has the potential to increase a firm's customer base by providing access to diverse markets
- Ushers in innovation by providing a conduit for new ideas, products and services
- Leads to new perspectives on both organisation capabilities and customer needs
- Provides new opportunities for business expansion by tapping on a previously underutilised consumer group

***“Diverse supply chains not only bring innovative ideas and solutions to your business, they can also increase competitive advantage and market growth”***

Malcolm Harrison, Group CEO, CIPS

### 2.1 The Legislative Framework in the UK

Recent legislation in the UK has created an environment that is more favourable than ever before to creating supply chains that are inclusive of a diverse range of suppliers. The legislative framework consists of three policy initiatives that aim to increase participation.

**1. The SME Agenda**, introduced in 2011, came out in part as recognition of the role small businesses play in promoting growth in areas where Government has been less successful in creating business, jobs and community growth. It has been a crucial step in renewing the Government's commitment to SMEs. According to the Cabinet Office, the Government has increased its direct spend with SMEs every financial year. The government has a target for SMEs of 33% of Central Government procurement spend, either directly or indirectly via the supply chain, by 2022.<sup>5</sup>

**2. The Equality Act** is another policy that aims to provide a more level playing field for unrepresented businesses in public sector supply chains. This is the first unified equality legislation in Britain based on nine protected characteristics, including race. This policy puts a new Equality Duty on public bodies to use public sector procurement to improve equality.

**3. The Social Value Act** requires public sector agencies to consider social and environmental benefits when commissioning a public service.

Despite these legislations it is not clear how much Central Government spend has gone to minority-owned businesses due to that fact that the UK Government does not collect spend data on ethnicity.

### 2.2 Changing Demography

By the year 2051, it is projected that ethnic minorities will make up 20% of the overall UK population<sup>6</sup>. This is a dramatic increase compared to the year 2001 when the ethnic population was just 8%<sup>7</sup>. These demographic changes will lead to a more diverse society and increase the spending power of the ethnic minority community. Research conducted in 2012 estimated the ethnic minority disposable income to be 300bn<sup>8</sup>. For organisations looking to attract this group of consumers there needs to be better engagement and cultural understanding. Therefore, working with minority suppliers will provide a better understanding of the needs of the ethnic minority community in the UK.

Any organisation that wants to attract and retain new customers must reflect its consumer base. As the UK becomes more diverse and the ethnic minority population increases so does its market influence. Organisations that take this into account will have a competitive advantage over those who don't. Similar evidence exists for women-owned and other forms of diverse-owned businesses

### 2.3 The Millennial Workplace

The workplace has changed extensively over the last 20 years and so have the expectations of 21st century employees. Far from being 'snowflakes' the millennial workforce has high expectations of the organisations they work for. Very few of these expectations are based on personal gain or compensation; they are centred more around the values of the organisations they commit themselves to.

“The ‘new millennials’ - or those born after the mid-1980s - think and act differently to previous generations. Attracting them is essential if your company needs to communicate with, and sell to, other millennial customers - as well as for a successful business future. Understanding them is the first step.” Research by ACAS the UK Government Advisory, Conciliation and Arbitration Service, showed a clear need for millennial works to ensure a societal aspect to their working aspirations:

“Millennials want to work for organisations that foster innovative thinking, develop their skills and make a positive contribution to society. They want businesses and governments to work harder together to address society's main challenges: resource scarcity, climate change, unemployment and income inequality. Millennials want to work for companies that foster innovation, develop them as leaders and give them opportunities to make a difference. They support charities and see business, rather than governments, as the potential engineer of change. But for now they feel businesses fall short.”

It is clear that the current generation entering the workplace is looking for ethical behaviour, equality and fair representation of their societies in their workplaces. For supplier diversity the connection is clear: it no longer becomes an option, it becomes an essential part of an organisation's equilibrium. Attracting talent is a key requirement of any successful business and in the early part of the 21st century at least, these talented individuals expect the organisations they work for to not only have diversity at the heart of their talent acquisition, but also to have diversity at the core of the suppliers they select to help them succeed.

***“We are seeing a shift in the way the way millennials are impacting society. The new formula for success is Millennials + Entrepreneurship = Innovation. Accenture is committed to providing a platform for innovation and providing a launch pad for new ideas.”***

Nedra Dickson, Managing Director, Global Supplier Inclusion & Sustainability Lead, Accenture

<sup>4</sup> Orlando C. R1chara. Wechieh, Mike. W. Penga and Carliss D. Millera, 'Do external diversity practices boost focal firm performance? The case of supplier diversity' *The International Journal of Human Resource Management*, 2015 Vol. 26, No. 17, pp, 2227-2247.

<sup>5</sup> OCabinet Office 'Central Government Direct and Indirect Spend with Small and Medium-sized Enterprises 2016/17', 18/07/18, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/726955/V2.0\\_Central\\_Government\\_Direct\\_and\\_Indirect\\_Spend\\_with\\_Small\\_and\\_Medium\\_sized\\_Enterprises\\_2016-17\\_v1.2.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/726955/V2.0_Central_Government_Direct_and_Indirect_Spend_with_Small_and_Medium_sized_Enterprises_2016-17_v1.2.pdf), 04/02/19.

<sup>6</sup> Rees, P., 'The Future of the UK's Ethnic Group Populations at National and Local Scales', 21/10/10, [https://www.ethpop.org/Presentations/ons\\_centre\\_for\\_demography\\_21\\_october.pdf](https://www.ethpop.org/Presentations/ons_centre_for_demography_21_october.pdf), 08/02/19.

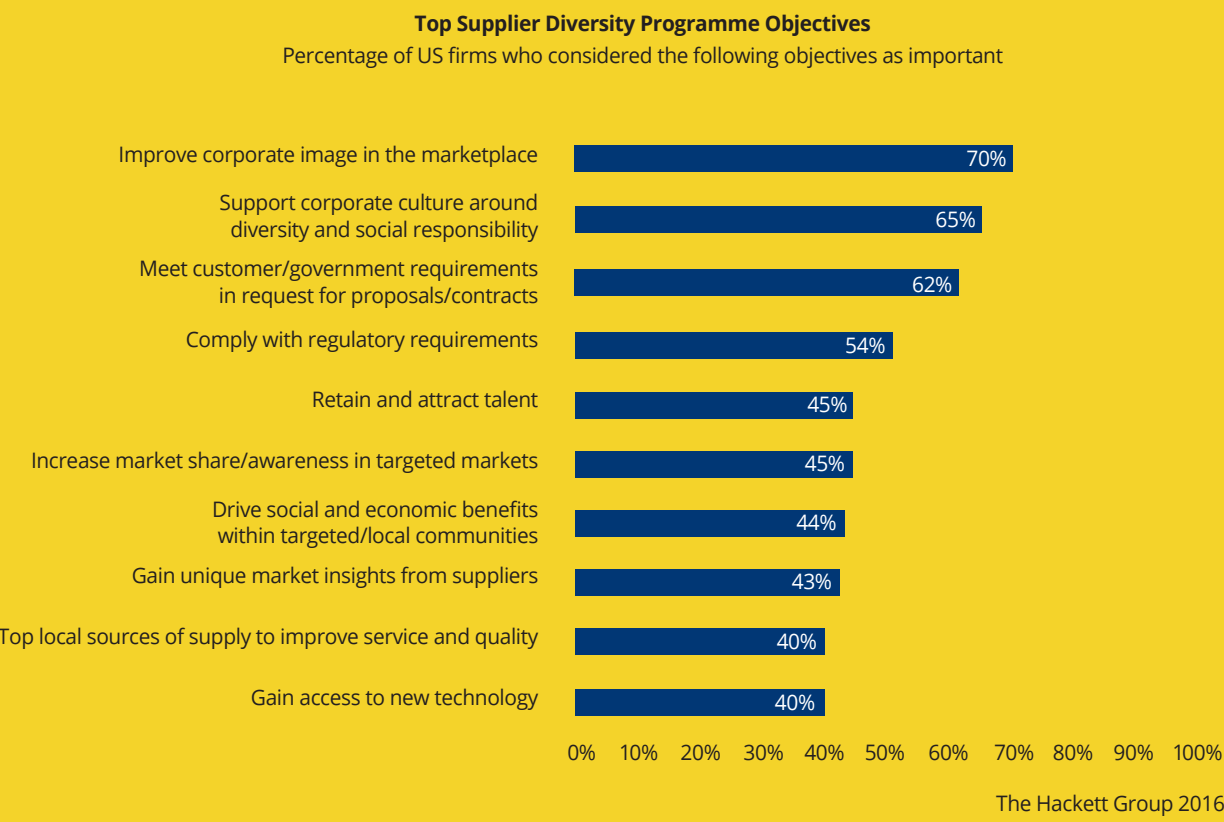
<sup>7</sup> Ibid

<sup>8</sup> J.Sims and Aditja Chakraborty., 'Multicultural Britain' 2012, [https://www.mediareach.co.uk/wp-content/uploads/2013/11/Multicultural\\_Britain-2012.pdf](https://www.mediareach.co.uk/wp-content/uploads/2013/11/Multicultural_Britain-2012.pdf), 07/02/2019.



# 3: Why is it Important to Chief Procurement Officers?

*In recent years, we have observed the procurement function becoming more strategic and playing a critical role in overall corporate mission and objectives. The Hackett Group surveyed top US corporations and senior procurement leaders to understand why supplier diversity is important to them, shown in the graph below:*



***“Accenture believes inclusive procurement practices create long-term value for our clients and our communities, while helping us remain agile, disruptive and ahead of the market. By incorporating diverse businesses into our supply chain, we gain access to innovative, responsive and cost-competitive supply solutions for our clients. At the same time, we help Accenture’s suppliers grow their representation and influence in their own markets.”***

Kai Nowosel, CPO Accenture

## 3.1 Supply Base Management

Make no mistake, managing complex, high-value, high-stakes supply bases is truly challenging. It is a global, interconnected, problematic minefield. To be successful, procurement and supply managers face increasingly contradictory forces: they need to source ethically, but they are drawn by low costs and relatively low barriers to entry.

Most procurement teams in most large corporations undoubtedly have supplier diversity on their agenda; they join various associations linking them to a diverse supply base and they pay subscriptions and sponsor events. The initial boxes are therefore ticked. But beyond the black-tie dinners and PR there is a conundrum for many procurement leaders; a key objective of some procurement teams is to simplify and reduce the supply base, i.e. cut down the number of suppliers their organisations deal with and minimise the inefficiencies of too many transactions. With this task in mind, how then can procurement teams truly engage with a diverse supply base when to do so could mean increasing the number of suppliers they engage with and increasing the transactional burden on their organisations?

Furthermore, as procurement teams look to drive cost efficiencies into their organisations and measure themselves with metrics such as ROI (in this case the savings delivered less the cost to procure) they inevitably try and leverage volume; it is the tried and trusted technique for driving down unit cost. But leveraging volume (the activity of clustering together volume requirements into fewer suppliers) inevitably steers attention to larger corporations who can a) handle large volumes and b) provide reassurances that these volumes will be delivered reliably. Introducing smaller organisations into this equation reduces the leverage opportunity and increases the assurance of supply risk.

## 3.2 Resourcing and Complexity

Procurement is challenged with delivering a return on investment. The procurement ROI is the balance of the cost of the procurement team with the value delivered back to the organisation. As we have mentioned, there are many factors related to supplier diversity that challenge this ROI, making barriers to entry high in certain circumstances. This challenge is magnified by increasing focus on headcount as well as just on cost.

Headcount challenges make sustainable resourcing for supplier diversity difficult to justify, especially in organisations where the case for diversity has not been embedded into corporate culture. Adding resource to a procurement team to help drive a diversity agenda, manage sourcing strategies to ensure diversity and inclusion, and liaise with government agencies as well as diversity organisations requires a significant investment in headcount and the associated costs of such headcount.

When organisations become stressed, it is also the perceived less critical roles that are more likely to be targeted first and unfortunately supplier diversity often falls into this category. So not only are distinct supplier diversity roles hard to justify and recruit for, they are also subject to high degrees of scrutiny when headcounts become the target of cuts and downsizing activities.

The other area of resourcing to consider is organisational complexity. Adding a distinct resource to help steer a clear and successful supplier diversity agenda is all well and good but how this integrates with the rest of the procurement team is an area that needs careful consideration if it is to be successful and not a bolt on cluster of resources that can’t truly integrate with the rest of the function. As previously discussed, procurement teams are often centralised and globalised to ensure the successful realisation of leverage and efficiency. Diversity, however, is not a centralised behaviour; it has many very local and very significant dimensions that make a centralised diversity capability hard to achieve. Each organisations requirements are different, therefor where this resource best sits needs to be determined to meet the specific needs of the organisation.

# 4: Why is Supplier Diversity still a challenge?

Procurement teams have found themselves challenged over the last two decades as to how to truly engage in a diversity agenda. Much of this has been caused by contradicting objectives and priorities which have made engaging with a diverse supply base incredibly difficult. SMEs are also difficult to reach out to and find.

These contradictions present themselves in a number of ways:

- a) **Goals and objectives:** procurement constantly tries to position itself as a function that is not just focused on 'savings' but then finds itself continually tasked, year after year, with delivering 'savings', especially in times of business distress.
- b) **Reducing the size of the supply base:** Managing smaller suppliers out and consolidating requirements into fewer, larger suppliers is a key driver of leverage for procurement teams and also helps reduce transactional burden.
- c) **Cashflow management:** something that has been on the procurement radar for a few years now, usually in relation to extending payment terms with suppliers. But as is well documented, cash is king for small businesses, so exceptions have to be made. Some organisations are forward thinking enough to provide different payment terms for different sized organisations, but even in these cases terms of 30 days or less can be hard to find.
- d) **Supplier visibility:** access to smaller, diverse suppliers is extremely challenging from the corporate view point. Smaller suppliers are largely invisible at the global level and with most procurement teams centrally organised within a category management structure, seeing diverse suppliers in amongst all the large multi-national suppliers is challenging. Large suppliers can invest in sales generation, building relationships with potential clients over time and the high travel and expense cost of reaching out to large clients across continents; diverse organisations often struggle with this challenge.
- e) **Organisational structure:** the way procurement teams are structured puts significant challenges in the way of diversity. Large procurement teams are typically centralised and global. They are split by spend categories

and these categories in turn are managed globally. All this is done to bring some sense of order to the multi-billion dollar spend. The challenge with this structure for diverse suppliers is finding the right person within the global procurement team to reach out to.

- f) **Process:** procurement has championed the need for due diligence and consistent process in order to safeguard their organisations from risk. If procurement has a role going into the 21st century, then a form of governance has to be the mainstay of that role. 'The Amazon Experience' might be a digital holy grail but with it comes the risk of buying chaos, so governance becomes imperative. The challenge here, however, is that it materialises as a line of impenetrable bureaucracy for small suppliers: too many requirements, too many checks and balances, too many meetings, unrealistic financial scrutiny and a sales cycle that is also far too long. To get the best out of its strategy to encourage innovation and diversity, and develop a meaningful process of engaging with diversity SMEs, procurement needs to review these barriers and adjust them where appropriate, balancing the risk to the business with the benefits of engaging with small and diverse suppliers.
- g) **Targeting and positive discrimination:** there could be a perception that targeting diversity raises the issue of positive discrimination within organisations. However, supplier diversity programmes should never be about positive discrimination; they should be looked at as positive actions to attract more diverse and innovative ideas and suppliers. The majority of diverse-owned businesses don't want special privileges; just easy access and a seat at the table to win fairly. With this in mind, targeting can seem like tokenism and can show that organisations are keen to meet targets whilst not truly engaging in diversity.

So, for diverse businesses, the barriers to entry are many and at the heart of the problems lies the difficult area of corporate will; the in-built cultural need to engage across a diverse range of suppliers as the way of doing business.

# 5: What can be Done to Make it Happen?

## 5.1 Tips for procurement teams

- Keep the language you are using simple and avoid jargon. If necessary offer supplier capability reviews or webinars so that smaller suppliers are better informed about the process, what is required and what checks and balances they will need to have in place
- Avoid one-size-fits-all solutions. Recognise the importance of both global and local needs, and work out the correct balance between the two
- Adjust your procurement processes and requirements to make yourself more accessible and attractive to smaller organisations
- Review your supplier pre-qualification requirements to ensure that you are not asking too much
- Offer to work with smaller organisations to help them bridge the gap on policies and processes that they may not have in place. Sample policy documents can be created for suppliers to download and adopt
- Encourage your Tier 1 suppliers to engage in adopting supplier diversity
- Ensure that senior management commitment is in place to support supplier diversity strategy, thus making this a corporate initiative rather than just procurement
- Make it a part of the way you intend to do business – values driven
- Take full advantage of the facilitation offered by organisations like MSDUK, which offers a proven approach to successfully attracting good EMB suppliers. But do not overlook access to other opportunities through your other external and internal network contacts.

- Identify opportunities where diverse suppliers can best be used, for example: in instances where diversity of thinking is required to develop innovative solutions or bespoke designs; or where a smaller supplier can add value through their ability to respond with greater speed, agility and flexibility.

## 5.2 Tips for SMEs

- Compliance: For example, ensure that you are GDPR compliant and that, if dealing with data, you have got the additional data security certification
- Be honest and realistic about your capabilities
- Do not expect large value contracts overnight; be prepared to invest in your relationships with prospective clients and demonstrate your worth in order to gain significant sales
- Remember that requests for information are just that; they do not guarantee invitations to tender later
- Work on your relationships with prospective clients,
- Be outstanding – aspire to set a global benchmark in whatever you do
- Define your proposition really clearly and simply to begin with; leave complexities until after the initial introductions
- Consider how to present your financial health and how it will be perceived
- Highlight YOUR advantage vs large corporations (i.e. fast, innovative etc.)
- Certify your business as diverse with associations and/or agencies where available such as CompeteFor, MSDUK, WEConnect International or NGLCC.

## How to make supplier diversity work



## In Conclusion:

As mentioned in Section 4, organisation ownership is at the heart of successful and sustainable supplier diversity. We also saw in Section 2.3 that the new 'millennial' workforce has an expectation that the organisations they work for will be proactively engaged in societal issues and highly focused on equality. So, diversity is not just key from an ethical sourcing perspective, it may also impact on how well our organisations attract, encourage and retain talent.

We know that supplier diversity is a key area of importance for organisations keen to encourage innovation and to ensure that they have a diverse supply base providing their goods and services. Hopefully, this is at least in part out of a sense of community and a genuine desire for equality, but we also must accept that for some it is because it meets a measurement criteria or objective. Either way, the visualisation of diversity as a key workstream on the road to successful supply management should be well recognised.

For diversity to work as part and parcel of what we do, it needs to move beyond a functional objective and become an organisational imperative. For this to happen, supply management needs to become an organisational skill set and not just a functional procurement responsibility. For supplier diversity to truly become part of organisational

DNA there has to be a coming together on the process of sourcing and engagement with the supply base, of those responsible for it and those for whom the suppliers are engaged, namely stakeholders.

For procurement to engage the wider business with supplier diversity they must reposition it as a business-wide initiative rather than a procurement strategy. By linking the benefits of engaging with diverse suppliers back to corporate goals then the sell in is easy. Why wouldn't you engage with these suppliers gain market share or get new products to market quicker than your competitors.

Moving forward, supplier diversity should transition from function to organisation; from 'nice-to-do' to 'must-have'. There are many models for organisational change and embedding cultural change but these are not the focus of this white paper. However, for supplier diversity to succeed it has to be driven into an organisation at all levels using a change management methodology. Procurement people may well be the instigators but ultimately they will have to be champions of change if they are to instil diversity as a company wide ethos. Enlightened procurement leaders need to push these capabilities out to their stakeholders and see their role as educators as much as owners.

***“Supplier Diversity cannot just be a procurement strategy, or issues that are important to our supply chain, they must link back to corporate goals and the commercial success of the organisation. Whether that is driving innovation or reaching out to new markets, the value is there for the taking.”***

Malcolm Harrison, Group CEO, CIPS

## What makes supplier diversity work?



**Ownership**



**Accountability**



**Passion**

### Useful links:

**MSDUK, UK:** [www.msduk.org.uk](http://www.msduk.org.uk)

**CIPS:** [www.cips.org](http://www.cips.org)

**NMSDC, USA:** [www.nmsdc.org](http://www.nmsdc.org)

**CAMSC, Canada:** [www.camsc.ca](http://www.camsc.ca)

**SASDC, South Africa:** [www.sasdc.org.za](http://www.sasdc.org.za)

**Supply Nation, Australia:** [www.supplynation.org.au](http://www.supplynation.org.au)

**GSDA:** [www.gsda.global](http://www.gsda.global)

**WEConnect International:** [www.weconnectinternational.org](http://www.weconnectinternational.org)

**NGLCC:** [www.nglcc.org](http://www.nglcc.org)

**Social Enterprise UK:** [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

## Case Study 1:

### Leveraging innovation to drive supplier diversity

Cummins is a diverse, community-minded technical leader in the design, manufacture, sale and service of diesel engines, power generation equipment and related components. We operate as five distinct, yet complementary, lines of business:

**Engine | Power Systems | Components | Distribution | Electrified Power**

Cummins is dedicated to working with diverse suppliers that deliver excellent products and services to our stakeholders. Through our Cummins Diversity Procurement Initiative, our goal is to increase purchasing opportunities by developing and engaging new and existing diverse suppliers in unique innovative ways. Cummins have broadened the scope of diversity in the region and created a “gateway” process to break down corporate barriers. Impact and engagement of senior leadership is key within Cummins and diversity is one of our core values that run through the organisation.

#### Cummins Innovation Gateway

Today innovation is just as critical to our success as it was in the early days when Cummins was just starting out in 1919. We are delighted to be collaborating with brilliant innovators and partners through the Cummins Innovation Gateway in our 100th year of business.

We are passionate about diversity and inclusion and our aim with the Innovation Gateway was to unlock innovation especially from diverse and under-represented supplier groups as well increasing opportunities and spend with those groups.

Over time we designed a program within Cummins using the Six Sigma framework, and a Six Sigma team, that looked to address multiple areas such as supplier diversity and inclusion whilst addressing key objectives of reducing water, waste and energy and encouraging and enabling the value of sustainable innovation to be maximised in the Cummins facilities and communities which we live and serve. Our vision is “innovating for our customers to power their success” the Innovation Gateway and Diversity Procurement initiatives blend perfectly to support this.

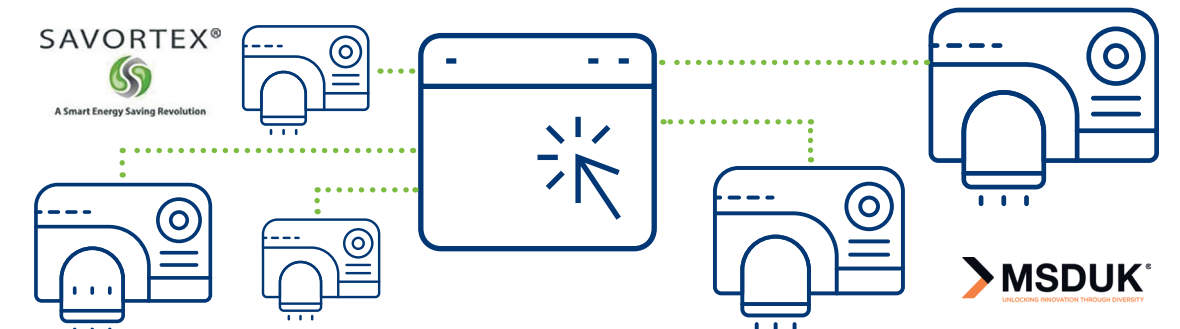
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### Success of Innovation Gateway - Savortex

The success of the program is one side of things but it is the success of the innovators and underrepresented groups that was the main focus. Savortex are one example of how this can be successful and scale up. Savortex have a great energy efficient hand dryer which is also connected to a software portal so that Facilities Management can monitor the traffic in any particular toilet. This means that along with energy efficiency gains we were able to redirect or reduce the cleaning

operatives/schedules in a pilot facility and save on our cleaning costs too. Savortex are also an ethnic minority business who are now certified with MSDUK and able to take advantage of the network, knowledge and growth opportunities afforded by MSDUK. Cummins are also supporting the scale up opportunities for Savortex and plan to roll out hand dryers across facilities in the UK and in Australia, with talks underway with regards to US installations too.







## Case Study 2: An integrated approach to supplier diversity at EDF Energy

EDF Energy's supplier diversity programme is a component part of our diversity and inclusion (D&I) strategy as an organisation, and therefore EDF Energy's corporate goals are our goals in supply chain. We do it because we believe that our supplier base needs to be representative of the world we live in and include all the diverse groups we have in our society.

### Critical success factors behind getting greater ROI on supplier diversity?



#### People

Ensuring your people have the right level of awareness and understanding re diversity and inclusion because if your people don't understand the importance, in what you are trying to achieve and why, it will not happen. Further to this, make it real, we have our "Better Supply Chain" plan, under which D&I is a core component and all of the team are tasked with a goal or objective as part of their annual delivery which delivers tangible value to this plan. Further to this, the process we have created within the tender cycle of referring to MSDUK and/or WEConnect for potential suppliers has become a part of our Brilliant Basics.



#### Process

Diversity and inclusion needs to be included within your procurement process, whether that be at sourcing stage, RFI/RFX, or actually before, when compiling a list of "potential suppliers" for inclusion. More importantly, ensuring you are factoring in D&I when designing the business requirements is critical to ensure you don't end up with regret spend (such as purchasing access doors which do not function effectively for wheelchair users, or purchasing software which cannot adapt to allow for reasonable adjustments.).



#### Systems

Understand the data that you have, starting with, do you have the data? If you are unable to track, measure and monitor how will you know when successful? How can you set/achieve goals? If you don't have the data now, consider how you can obtain it, not necessarily retrospectively, but going forward. From the infographic available to download you can see how we are monitoring our data year on year.

## Case Study 3: 50 years of supplier diversity and inclusion globally - benefits and challenges



### History

IBM has long recognised that diversity is critical to fostering innovation and delivering exceptional value to clients

- IBM's supplier diversity program expands purchasing opportunities for businesses owned and operated by minorities, women, lesbian, gay, transgender, bisexual, veterans and service disabled veterans, and disabled persons.
- In 2018, IBM's Supplier Diversity program celebrated 50 years of existence.
- In 2000, IBM was the first IT company to join the Billion Dollar Roundtable (BDR), in which you have to spend at least \$1 billion annually in business with first-tier diverse suppliers in the US.
- In 2003, IBM's Global Supplier Diversity Program expanded globally and now operates in every of the 170 countries in which IBM conducts business.

### Why supplier diversity and inclusion is 'business critical' to IBM?

IBM recognises that a diverse supplier base is integral to company profitability and strategic objectives - solidifying the connection between customer satisfaction and winning in the marketplace. Building and maintaining a community of diverse suppliers increases IBM's opportunity to hear new ideas, apply different approaches, and gain access to additional solutions that respond to customer needs. Such collaboration helps IBM deliver innovation, quality products, and a world-class service to a growing global marketplace.

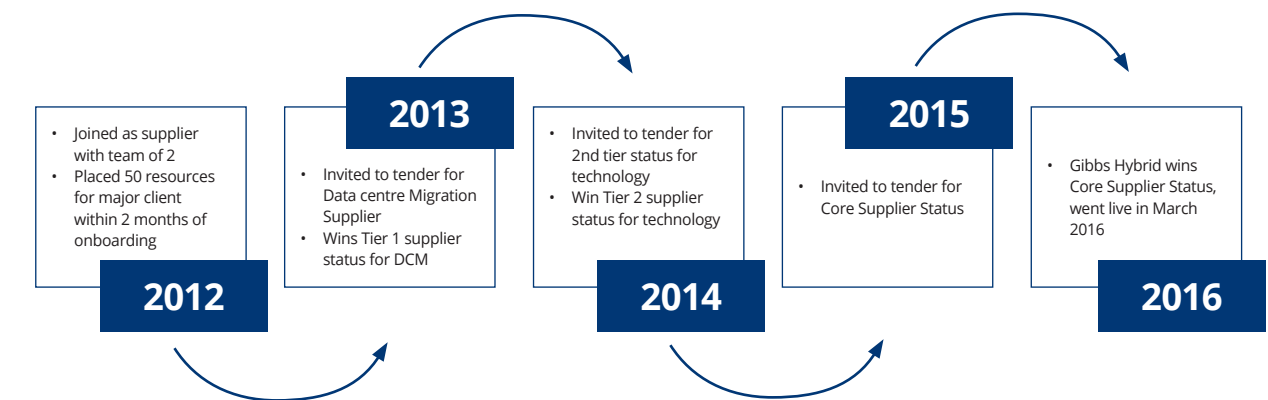
### Critical success factors behind a successful global approach to supplier diversity

One of the critical success factors is to get support from top down - like in IBM- see below a statement from Ginni Rometty, IBM's Chairman, President and CEO;  
*"IBM thinks about diversity the way we think about innovation — both are essential to the success of our business. When we innovate, technology becomes smarter for clients and creates new opportunities for growth. When we incorporate diversity into our business, we create better innovations and outcomes. IBM has embraced diversity, and it gives opportunities for IBMers and our clients to achieve their full potential."*

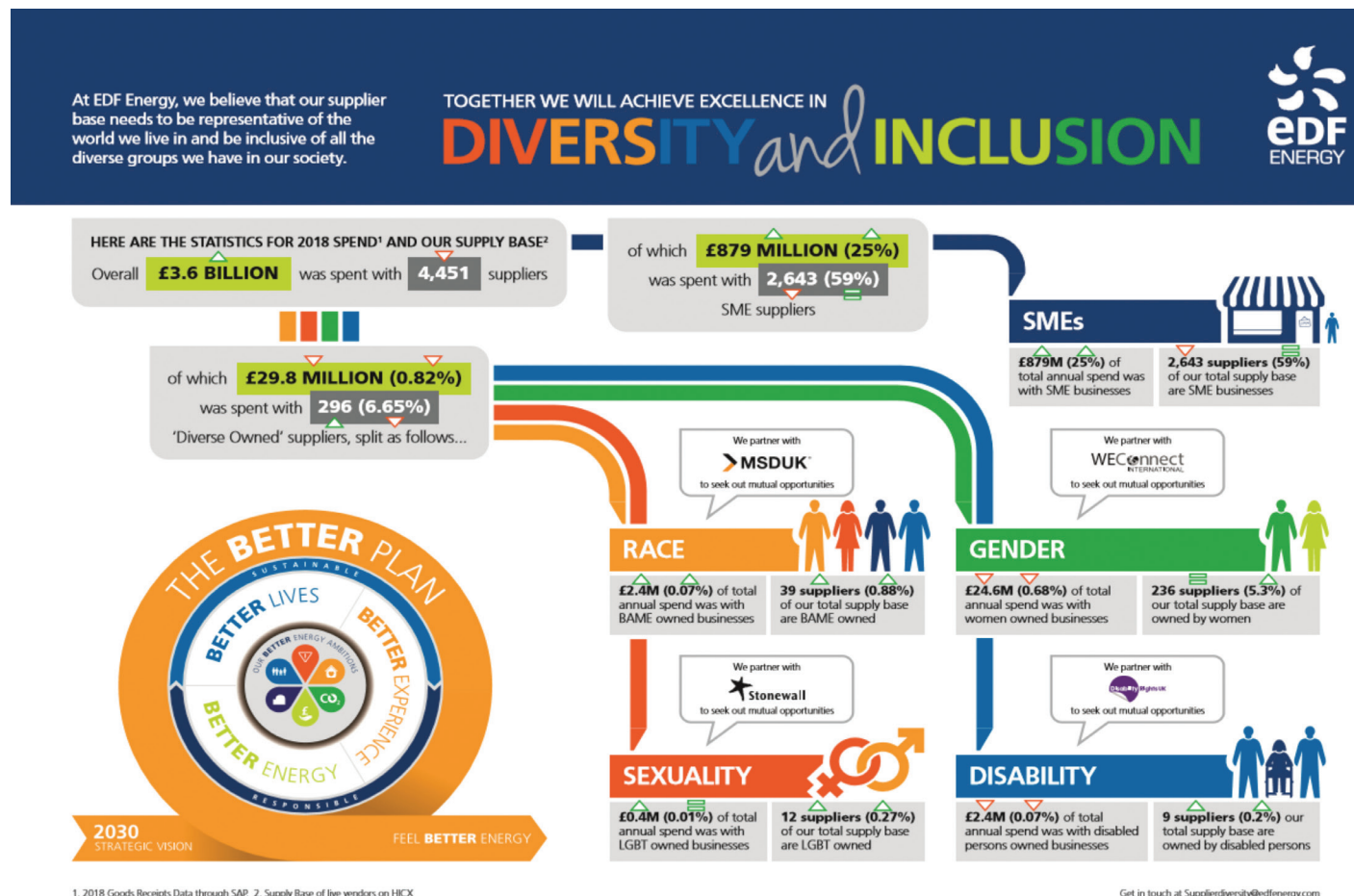
### What's in store for the future?

Continue to develop our supplier diversity program, delivering greater innovation to our business stakeholders, clients and to drive a positive social impact in the communities in which we work. Key to the future success of our program will be engaging senior business leadership as part of the inclusion agenda, a process which has begun but there is now the opportunity to seize the momentum and grow.

### A real life example of supplier success: Gibbs Hybrid (MBE) achievements with IBM



Over £1m of cost savings have been provided so far during the Core Supplier Programme, including savings vs MRP, furlough and tenure drop savings





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