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Supplier Diversity

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- Understand the fundamentals of a supplier diversity program
- Establish supplier diversity as an organizational strategy
- Use business modeling to enhance supplier diversity

Kathey K. Porter, MBA, MSE, CPSD
Supplier diversity expert and consultant

Supplier Diversity

by Kathey K. Porter, MBA, MSE, CPSD

for dummies®
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Supplier Diversity For Dummies®

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Introduction

Welcome to *Supplier Diversity For Dummies*. As I embarked on this project, the timing for this book couldn't have been more perfect given the predictions about entrepreneurship, demographic growth, and the workplace of the future. It has been an honor to write the first-ever book of this type in this series. I'm Kathey K. Porter, MBA, MSE, CPSD, and I've held a variety of leadership roles in supplier diversity and now as a supplier diversity consultant with a minority-, woman-, and veteran-owned business. My experiences (both professional and personal) have prepared me to create this work, and I'm excited to be able to share with you what I've learned along the way.

About This Book

Supplier Diversity For Dummies is your one-stop resource guide to get a comprehensive understanding of what supplier diversity is all about, how it contributes to an organization's success, what your role is as a leader, and how to implement supplier diversity in every area of your organization. In this book, I explain everything from the common terminology to the continued evolution of supplier diversity to how outside factors influence your organizational policies. I also cover strategies for tasks like these:

- Assessing your organization's current culture and cultivating and sustaining inclusion and equity programs
- Making the business case for supplier diversity and addressing the obstacles to supplier diversity

- Aligning supplier diversity with your organization's strategic priorities and creating a supplier diversity strategic plan
- Measuring the success of your supplier diversity efforts
- Fostering partnerships with the community to drive supplier diversity efforts

Throughout this book, I share from my experience, proven strategies, and results achieved as a supplier diversity leader across a number of industries, including government and higher education, an advocate with leading agencies, and a consultant to several global organizations. I also bring a personal perspective as an entrepreneur who frequently utilizes these programs. I'm also happy to share insights from other leading professionals and historians in this space.

This book answers questions, explains misnomers, and addresses concerns that I receive from supplier diversity and procurement leaders across the country. True to the *For Dummies* form, it demystifies supplier diversity to make it practical, understandable, accessible, and implementable. My hope is that it speaks to everyone with an interest in supplier diversity, from seasoned professionals to new practitioners to stakeholders responsible for leading this effort to senior leaders at the top. In other words, leaders at all levels can benefit from this book.

I want to quickly point out a few things to help you better navigate and use this book:

- Important terms and key words are in *italics* and are followed with a quick definition or explanation.
- Keywords and action steps in lists appear in **bold.**

- Sidebars (look for the shaded boxes) feature content that's interesting and informative but not essential to your understanding of a topic. If you're wanting to get in and out quickly, you can safely skip them.

Foolish Assumptions

Generally, I know it's not a good idea to make assumptions. But for this book, I've made a few to better serve your needs:

- You're working at an organization in a manager or leader role.
- You recognize that the world of work is changing, and you want to better understand it.
- You have little or no knowledge and experience in leading supplier diversity initiatives and want to pick up the fundamentals.
- You may be uneasy about supplier diversity and curious about how it can help your organization.
- You want to develop into a more effective and impactful supplier diversity leader.

Icons Used in This Book

Throughout this book, you find icons that help you navigate the information. Here's a rundown of what they mean:

This icon alerts you to helpful hints. Tips can help you save time and avoid frustration.

REMEMBER This icon reminds you of important information you should read carefully.

WARNING This icon flags actions and ideas that may cause you problems. Often, warnings accompany common mistakes or misconceptions people have about supplier diversity.

TECHNICAL STUFF This icon highlights information that goes a bit beyond need-to-know but is still helpful and interesting. You can skip this stuff if you're pressed for time and just want the absolute basics.

Beyond the Book

This book contains lots of ideas, strategies, checklists, tools, resources, references, best practices, and other sources that give you more than enough to work with. But there's more! It includes an online Cheat Sheet that provides guidance and tips for spotting and dealing with common supplier diversity barriers, a list of questions to determine your organizational readiness, and ways to gain internal and external stakeholder support. To access this handy Cheat Sheet, go to www.dummies.com and type **Supplier Diversity For Dummies Cheat Sheet** in the search box.

Additionally, if you, your team, or members of your organization need supplier diversity training, coaching, a

keynote speaker, or consulting on any of the processes I share in this book, or want to obtain a certificate in supplier diversity, you can access information and a number of free resources at www.sdti.co.

Where to Go from Here

Like supplier diversity, this book isn't linear. Feel free to use the table of contents as a guide to move around to get exactly what you need. Part 1 gets you off to a great start and sets the foundation for really understanding supplier diversity. Part 2 looks at your internal environment. Part 3 discusses your suppliers and developing a program that's supplier-centric. Part 4 examines the external environment and your community. Part 5 talks about technology and analytics and the role they play in today's supplier diversity programs. Part 6 looks at how to build or expand a career in supplier diversity.

This book isn't designed to be an exhaustive or definitive work on supplier diversity. And I don't expect you to become an expert on all things supplier diversity in order to become an effective practitioner. Supplier diversity is a process and a journey, and you won't get to the Billion Dollar Roundtable overnight. Hopefully, though, you'll be able to sharpen your skills and apply what you read here so that you can help your organization and the diverse businesses you work with. Focus on being that champion that everyone wants to support because they believe in the mission behind supplier diversity and the value it brings to the organization and the community.

Part 1

Getting Started with Supplier Diversity

IN THIS PART ...

Examine the growing demand for supplier diversity.

Discover the basis and history of supplier diversity.

Explain supplier diversity management (SDM).

Recognize the differences between supplier diversity and diversity, equity, and inclusion (DEI).

Understand the supplier diversity structure within your organization.

Chapter 1

Understanding the Growing Demand for Supplier Diversity

IN THIS CHAPTER

- **» Getting crystal clear on the nature of supplier diversity**
- **» Identifying the continued need for supplier diversity**
- **» Eyeing how external factors are changing the field**
- **» Exploring companies' renewed investment in supplier diversity**

S*upplier diversity* is a proactive business strategy that encourages buying from businesses that identify as belonging to a specific socioeconomic, historically disadvantaged, or underutilized demographic as suppliers, vendors, and contractors. The Small Business Administration, commonly called the SBA, classifies businesses in a number of categories. The most common are minority-owned or disadvantaged, women-owned, veteran-owned, and service-disabled-veteran owned. Corporations have expanded their definitions to also include LGBTQ to be more reflective of their local communities.

Supplier diversity has continued to progress from legislation to stabilize social unrest during the late 1960s

to an economic imperative and a bona-fide management strategy. Supplier diversity programs recognize that when an organization buys products and services from suppliers that have been historically underutilized, it helps nurture and transform its own supply chain. Supplier diversity also gives organizations access to agile businesses with timely business solutions that allow them to gain a competitive advantage in the marketplace.

In this chapter, I cover what supplier diversity is (and isn't) and why it's still needed. I also identify some of the factors redefining supplier diversity and why organizations are recommitting to it.

Breaking Down What Supplier Diversity Is and Isn't

Throughout my career as a supplier diversity professional, I've worked in a number of industries and have been housed in a variety of departments: economic development, procurement, business operations, and community relations. I've had a range of supervisors, including those who knew nothing about supplier diversity, which gave me the freedom and flexibility to do a number of things. I've had supervisors who *thought* they knew supplier diversity, which created an epic battle to execute anything. Then I had those who understood and embraced the mission, which led to a real group effort.

Organizations have any number of reasons why departments end up where they do on the org chart. Sometimes they make perfect sense, and sometimes —

well, I'll just say they don't ask me for my input. Inevitably, where supplier diversity ends up says a lot about the value the organization places on it and determines how you're able to behave in the role. Ultimately, this positioning affects what you're doing and the results you're able to deliver. For example, I've found myself involved in things that were really outside my scope, some that expanded my view of supplier diversity and how it touches the community.

REMEMBER Through my experience and my conversations with supplier diversity colleagues, I know that where supplier diversity sits in the organization must be intentional. It sets the tone for how the program operates; how it interfaces with others throughout the organization; how it establishes influence; how it carries out tasks; and how it interacts with the community, stakeholders, and senior leaders. Additionally, it unconsciously sways how others view the role, which can lead to confusion about what supplier diversity actually is. The following sections dive into the true functions of supplier diversity as well as those it doesn't actually cover.

What it is

So, what exactly is supplier diversity? It's

- **A procurement function:** Supplier diversity ensures that any business has an opportunity to do business with the organization regardless of race, gender, sexual orientation, and so on. It does so by developing policies, processes, and procedures that make the procurement process inclusive, fair, and equitable.

- **A business and management strategy:** Supplier diversity is a strategy that supports the economic development of diverse communities who are customers and consumers by giving them opportunities to sell to the organization. It's a management strategy that allows organizations to progressively transform a company's supply chain and gain a competitive advantage by doing business with diverse businesses.
- **An economic driver and entrepreneurial resource:** Supplier diversity provides support, education, and mentorship to small and diverse businesses. When an economic gap exists, whether through lack of work prospects or access to business opportunities, the entire community suffers. This scenario creates a drag on social services and leads to the overuse of other community resources. Organizations, especially those that are large economic engines in the community, have a duty to look at their resources, step in, and create solutions. The access to resources supplier diversity gives entrepreneurs helps drive business growth and create economic stability for the entire community.

What it's not

Here's what supplier diversity isn't:

- **A diversity and inclusion/HR function:** Supplier diversity doesn't focus on hiring and retaining a diverse workforce, creating employee resource groups, or cultivating an inclusive work culture (I discuss this difference in greater detail in Chapter 4).
- **A philanthropic function:** As a procurement and business function, supplier diversity doesn't award contracts or enter into contractual agreements with

businesses based on need or hardship. It involves a competitive process that businesses must be qualified for and able to perform.

- **An external community relations or PR function:** Yes, supplier diversity is community-facing thanks to its close relationship with the small and diverse business community, but it's not a "voice" of the entire organization, nor does it act as a general spokesperson for all things happening.
- **A set-aside or affirmative action program:** Supplier diversity creates a pathway for small and diverse businesses to get a foot in the door. It encourages the utilization of small and diverse vendors but doesn't "set aside" contracts for one particular group or advocate that contracts be awarded based solely on how businesses may identify. ***Remember:*** This distinction is especially relevant in the public sector, where public dollars are being spent. In fact, the federal government is the only entity that can legally set aside contracts for vendors based on their identification as part of a specific socioeconomic demographic.
- **A catchall for other functions:** Supplier diversity isn't a job description that captures multiple, traditionally stand-alone functions into one position, and it's not an add-on "get to it when you have time" job.

REMEMBER Although supplier diversity is a frequent collaborator with many departments and relies on internal relationships to advance its mission, keeping these points in mind helps programs avoid spending time on tasks that aren't productive or don't always contribute to the set goals. For example, although production and marketing often work together, having someone from production make marketing decisions for the organization may not be a good idea.

Investigating Whether Supplier Diversity Is Still Necessary

Every few years, this question pops up for debate as society (and a few detractors) try to move beyond the conversation of race- and gender-based initiatives and quotas and focus solely on qualifications, merit, and so on. The assumption is that the legislation, hours of training, and countless programs people have endured over the years have done their jobs. Now, everyone has equal access to anything they choose: jobs, housing, healthcare, business, you name it. This argument implies that the playing field is now equal and fair and assumes that humans no longer harbor implicit biases, prejudices, or favoritisms. If this description sounds like your organization, congratulations — you did it! If not, keep reading.

As Chapter 2 explains, the motives behind supplier diversity have shifted from complying with federal law (we *have* to) to doing the right thing (we *want* to) to creating a business case (we *need* to). Arguably, these shifts likely came because someone brought up the question of whether it was still necessary.

REMEMBER The United States has definitely come a long way since the affirmative action legislation of the 1960s, but any progress that's been made validates that these types of initiatives work and that there's really no such thing as "we've made it." If anyone working in diversity will tell you one thing, it's that supplier diversity isn't a destination but rather a continual process that requires a long-term commitment to change.

One argument in favor of the ongoing need for supplier diversity is the continued economic disparity that exists between diverse business owners and non-diverse business owners, whether it's lack of access to capital or networks, lack of resources, or any other number of issues that derail business growth.

Take, for example, the impact the COVID-19 pandemic has had on diverse businesses. Of course, entrepreneurs across the board took a tremendous beating, but COVID-19's effect on minority-owned small businesses in the United States was much more dire and extreme, according to an article by McKinsey & Company. It noted that of all vulnerable small businesses, minority-owned businesses were the most at risk and that many were in financially precarious positions even before COVID-19 lockdowns began. The pandemic disproportionately

impacted minority-owned small businesses for two critical reasons:

- These outfits tend to face underlying and systemic issues that make running and scaling successfully more difficult.
- They're more likely to be concentrated in industries most immediately affected by the pandemic, making them more susceptible to disruption.

Their vulnerability was compounded because many minority-owned businesses lacked emergency funding. A large percentage of minority businesses weren't able to take advantage of relief funds from the government because they didn't have the commercial banking relationships that larger companies had. (Many banks focused on their larger, long-term clients with established credit relationships.) The Center for Responsible Lending, a nonprofit group that combats abusive lending practices, estimates that nearly 90 percent of minority-owned businesses had little chance of receiving a Paycheck Protection Program (PPP) loan through a mainstream bank or credit union.

The Center for Responsible lending further broke down its estimates by demographic; here are the rough numbers:

- 95 percent of Black-owned businesses
- 91 percent of Latino-owned businesses
- 91 percent of Native Hawaiian or Pacific Islander-owned businesses

- 75 percent of Asian-owned businesses

Looking at reasons supplier diversity is still necessary

Obviously, as a supplier diversity consultant and author, I have definite opinions around this subject. However, this section isn't a declaration on how I feel. My leanings are based on factual and anecdotal observations that support the need for supplier diversity.

- **When goals are attached to projects, utilization improves.** *Goals* in this context are percentages established on projects administered by public agencies — that is, local/state governments, higher education institutions, K-12 schools, and the federal government. Conducting disparity studies can help justify the utilization of goals. A *disparity study* is an analysis that examines whether differences exist between the percentage of dollars that minority- and women-owned businesses received in contracts during a specific period and the percentage of dollars that those businesses would be expected to receive based on their availability to perform those contracts. It may also look at other factors, such as legal considerations around creating programs for these businesses, conditions in the local marketplace for these businesses, contracting practices, and business assistance programs currently in place.

  Based on the results of such a study, organizations can establish goals, usually on their subcontracting opportunities, with the hopes of improving the utilization of diverse businesses. For example, a project can have a goal of 30 percent, which means that a prime contractor (a contractor who has a direct contract with an organization) must ensure that at