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Supplier Diversity Executive Sponsor

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Director Supplier Diversity

Cardinal Health

George Barrett, Chairman & CEO

It is clear to us that our ability to serve this dynamic

and fast-moving market requires partnerships with

suppliers who can understand and represent the

diverse communities we serve. We depend on their

talents and their innovation as we tackle the

complex healthcare needs of our system

**Supplier Diversity and Competitive Advantage: New Opportunities in Emerging Domestic Markets**

**6 Strategies for Partnering with Key Minority Stakeholders**

**By**[**GWENDOLYN WHITFIELD, PHD**](https://gbr.pepperdine.edu/author/whitfield_g/)

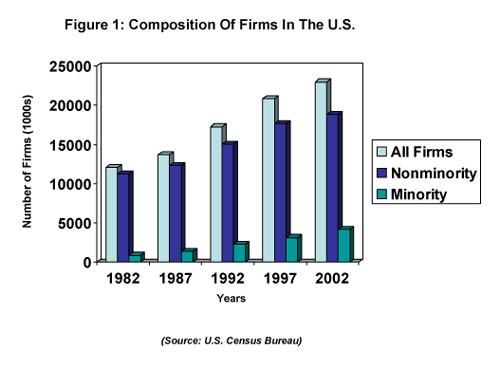
[2008 Volume 11 Issue 3](https://gbr.pepperdine.edu/index.php/issues/?issue=2008%20Volume%2011%20Issue%203)

We live in an economy ripe with change. One prominent change facing businesses in the U.S. is the burgeoning growth of the minority population and its implication for business success. The U.S. population is becoming more diverse as minority populations quickly grow. Given current population growth rates, the minority population will most likely surpass the non-Hispanic, Caucasian population by 2050. To be exact, the U.S. population is expected to increase to 374 million by 2050, with the minority population accounting for nearly 90 percent of the total growth.[[1]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn1)

Minority businesses are also starting up at unprecedented rates, and we can expect these businesses to play a key role in the health of our national economy in the years ahead. Minority business start-ups, increased spending power within minority communities, and supplier diversity are creating new opportunities for astute companies to realize first-mover advantages in emerging domestic markets.

**The Growth of Minority Business**

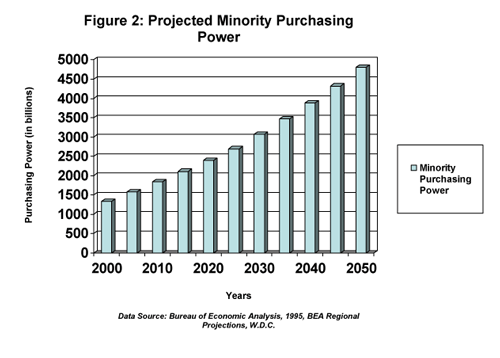
Over the past 10 years, minority-owned businesses have grown at approximately double the rate of all firms in the U.S. economy. There are over 2 million minority firms in the United States, generating an excess of $205 billion in sales annually (see Figure 1). In fact, between 1997 and 2002, 50 percent of the growth of all firms came from minority businesses alone.[[2]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn2)



This growth is important because minority businesses create jobs in minority communities and help build wealth among minority families. Wealthy families can buy more goods and services from corporations. What insightful company wouldn’t be interested in that?

**Minority Spending Power**

In 2000, total purchasing power in the United States was over $6.5 billion, with white non-Hispanics accounting for nearly 80 percent of that purchasing power. This number will drop significantly as minority purchasing power rises from approximately 20 percent in 2000 to over 45 percent by the year 2045. In fact, between 1990 and 1997, buying power in African-American, Hispanic, and Asian communities rose by 54 percent, 58 percent, and 72 percent, respectively. This trend is expected to continue, as seen in Figure 2, with minority purchasing power surpassing $2 trillion by 2015 and $3 trillion by 2030.[[3]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn3)



These pockets of demand have considerable profit potential. Current estimates indicate that at least 30 percent of inner city retail demand is unmet, equaling approximately $25 billion in unrealized sales.[[4]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn4)[[5]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn5)Yet, it has been demonstrated that businesses can succeed in these areas.

Consider Magic Johnson Enterprises: this corporation has enjoyed remarkable success in many underserved urban areas with franchises such as Starbucks Coffee, TGI Friday’s restaurants, and Burger King. Through strategic alliances, Magic Johnson and Johnson Development Corporation have been able to combine critical market knowledge and the ability to identify areas with sales potential. The results have been quite impressive.

Johnson Development Corporation (JDC) focuses on underserved markets across the country by providing entertainment complexes, restaurants, and retail centers in these markets. JDC has 50/50 partnerships with several of the most successful businesses in their market categories. JDC has over 100 Starbucks, 30 Burger Kings, and 26 home loan centers, which provide more than 15,000 jobs to minorities.[[6]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn6) This type of strategic alliance is important because as traditional domestic markets become saturated and larger companies merge, growth will be a challenge for both the large company and the smaller minority firm. Exploring new markets will be essential to continued prosperity and growth.

**Supplier Diversity and Strategic Business Opportunity**

The most promising opportunity to explore new markets is through supplier diversity. Supplier diversity is the process of sourcing supplies from minority businesses and presents, perhaps, the most rousing opportunity for companies facing changing demographics: the chance to gain a competitive advantage in minority communities by partnering with key stakeholders. With increasing population and business growth rates, it is imperative that corporations learn how to infuse minority employees, customers, and suppliers into their business processes in order to gain and maintain a long-term competitive edge.

As such, supplier diversity has become an important management practice at corporations around the nation, and most Fortune 500 companies have supplier diversity programs. In 2006, the [National Minority Supplier Development Council](http://www.nmsdconline.com/) (NMSDC) reported that America’s largest corporations purchased more than $100 billion in goods and services from minority-owned businesses, up from $94.6 billion in 2005.[[7]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn7)This is significant given that purchases from minority-owned businesses were just $86 million in 1972.

According to a recent Purchasing.com poll, 65 percent of respondents said that supplier diversity was either a mid- or high-level priority.[[8]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn8) Most leaders in supplier diversity met the challenge to source from minorities because they recognized that a diverse supply base provides an opportunity to gain a competitive advantage in the changing multicultural business economy. Those few companies seasoned in supplier diversity are positioned to reap first-mover advantages of brand loyalty and increased profits. However, once demographic changes are in full force, late movers may be at an insurmountable disadvantage.

**Supplier Diversity in Practice**

Forward-thinking companies are leading the way in a multicultural marketplace by infusing supplier diversity into their main business processes in unique and creative ways. Some have developed strong relationships with minority business owners and are reaping the benefits.

Consider the world’s biggest retailer: Wal-Mart spent more than $3.9 billion with nearly 2000 minority-owned suppliers in 2007 and used community outreach to help develop suppliers.[[9]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn9) For example, in 2006, Wal-Mart held a Minority Construction Summit, which included sessions for minority construction firms interested in building new stores, remodeling existing stores, and conducting facility maintenance programs. Since then, over nine sessions on how to do business with Wal-Mart have been held. These sessions are part of a nationwide initiative to help small businesses grow and foster economic opportunity in neighborhoods in need. Wal-Mart also gave executives at local chambers of commerce training and best practice tools to contribute to the success of local Hispanic-owned businesses. As Hispanic businesses scale up, Wal-Mart is able to rely upon them to meet customer needs. For example, Ruiz Foods, the largest Mexican frozen food company in the United States, is one of Wal-Mart’s largest domestic product suppliers. Lee Scott, president and CEO of Wal-Mart Stores, Inc., said, “As part of our continuing effort to become a leader in diversity, we will increase the amount of business we do with minority companies, using our size and leverage to create companies of size and stature.”[[10]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn10)

Then there’s International Business Machines Corporation (IBM), the first information technology company to spend over $1 billion with minority businesses.[[11]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn11) In 2007, the company spent $2.3 billion with diverse companies in business services, facility management, travel, and technical subcontracting. One approach the company takes to succeed is to match minority suppliers with IBM executives or managers through a mentoring program that lasts 12 to 18 months. Companies like Eclaro, Frontier International, Springboard Technology, Telamon Corporation, and ZeroChaos have participated in the mentoring program.

**Supplier Diversity and the Bottom Line**

Contrary to misconceptions, supplier diversity does not have to cost more and may provide tangible benefits to the bottom line. According to recent research from the Hackett Group, there is no evidence that companies that pursued supplier diversity programs had less effective operations. This finding was based on a study of 50 companies from both the service and manufacturing sectors. Leading procurement organizations had slightly higher adoption rates of supplier diversity than the typical company, yet generated 133 percent greater returns in the cost of procurement than the average performer, driving an additional $3.6 million to their company’s bottom line.[[12]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn12) While those leading companies may have had better performance without supplier diversity, they did not perform any worse than companies with lower adoption rates of supplier diversity. “Companies that focus on supplier diversity, driven by a sense of social responsibility, government mandates, or a range of other factors, are just as able to run effective procurement operations as their peers that ignore supplier diversity,” said Hackett Senior Business Advisor Kurt Albertson.[[13]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn13)

For companies who wish to work with minority suppliers, the first step is to identify them. There are a number of national organizations that provide lists of diverse suppliers to potential buyers. In addition, here are some strategies designed to help your company capitalize on the opportunities presented by supplier diversity.

**6 Supplier Diversity Strategies**

**1. Work from the Inside Out**

Success with supplier diversity starts with organizational culture. An organization that values diversity and makes a commitment to view diversity as an ingrained aspect of doing business is positioned to succeed with supplier diversity. Companies must settle the philosophical debate about the value of diversity. This can be accomplished by engaging in dialogue and providing information and data about population trends to everyone in the organization. Companies should seek to change employee mindsets by challenging beliefs about supplier diversity and creating a climate where procurement professionals are supported and rewarded for diversifying the supply chain. The organizational culture must be one that is enthusiastic about supplier diversity and actively pursues it. That is, a culture in which buyers are encouraged to seek creative ways to partner with minority suppliers, who are then oriented to the buying processes of the firm, encouraged to express their opinions, and allowed to learn from their mistakes.

**2. Commit**

Commitment to supplier diversity must start at the top; commitment at the executive level is required to fully leverage supplier diversity benefits. A study conducted by the NMSDC found that ten of 11 of the top supplier diversity organizations had an active or moderate level of participation from the president and or CEO.[[14]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn14) Leaders must demonstrate their belief in supplier diversity and procurement professionals must help leadership understand how achieving supplier diversity goals will deliver business results and position the company for growth.

**3. Align Efforts**

Supplier diversity is successful when it is incorporated into the business planning process of the company and clearly communicated, both internally and externally. Executive and line management must align supplier diversity goals, including demographic trends, procurement goals, and benefits with overall corporate goals. This can be accomplished through:

* **Tracking Expenditures:** Supplier diversity expenditures should be tracked by department or cost center and reviewed with senior management on a regular basis. This will help to keep supplier diversity goals on track and identify key areas for attention and future goal setting.
* **Using the Internet:** Use information technology as a dynamic tool to identify and communicate with diverse suppliers. Any company that is serious about supplier diversity should have a highly visible link on their website providing information about their program. An internet presence can aid in reaching supplier diversity goals if suppliers are able to register, certify, and submit proposals online.
* **Holding Conferences:** Conferences provide opportunities for buyers and suppliers to interface in person. They enable potential suppliers to get a feel for doing business with a company and serve as excellent forums for information exchange and dialogue. Delta Airlines, for example, has implemented an annual Supplier Diversity Procurement Exchange event, which links customers, purchasing representatives, and Delta’s first-tier suppliers to minority businesses.
* **Formalizing the Process:** Tie supplier diversity to the main processes of the firm to long-term strategic, compensation, and evaluation plans. This is important because we know that whatever gets measured usually gets done.

**4. Take Risks**

New times call for new approaches. It’s necessary to make strategic use of supplier relationships to reach supplier diversity goals. Look for innovative ways to develop and assist minority suppliers in accessing the capital they require to scale up and meet sourcing demands. This is particularly important because access to capital has been identified as a barrier for diverse suppliers. Seek new ways of doing things that enable diverse suppliers to be successful. Engage minority businesses as key allies and partners. Do not approach supplier diversity the same way you always have or you will get the same results you have always gotten.

**5. Use Partnerships**

Creative solutions for supplier diversity may come from joint ventures, strategic alliances, or outsourcing arrangements. One phenomena affecting businesses is the continued proliferation of mergers and acquisitions. Merger activity has critically impacted the procurement process by decreasing the number of suppliers and increasing the size and capacity of suppliers, particularly first-tier suppliers. The result is that purchasers are entering into longer-term, exclusive arrangements with a limited number of suppliers. Currently, many minority businesses do not have adequate size, capital, expertise, or infrastructure to compete for these selective supplier positions. Minority suppliers and contracting companies alike must seek out opportunities to partner, collaborate, and form strategic alliances with other firms in order to enter larger markets and gain a competitive edge.

The benefits of strategic alliances for minority businesses are tremendous, whether they partner with other diverse suppliers or majority-owned firms. These firms will be better able to provide the scale and scope of their services without additional capital requirements and to position themselves to seek equity investment in the future. In addition, national certifying agencies, such as NMSDC’s, have now made it possible for minority firms to certify firms—even with a non-minority partner—as long as the minority partner had at least 51 percent ownership in the company. While mergers and acquisitions are not for every firm, evidence suggests that these strategies could be vital for supplier diversity success.



Photo: LockStockBob

**Challenges with Supplier Diversity**

Despite the promise of first-mover advantages with supplier diversity, both minority firms and large companies face challenges in building successful business relationships. Minority businesses are usually smaller and may not have the financial or physical resources to compete with large suppliers, therefore, companies may find it difficult to obtain minority suppliers who can provide sufficient scale and service. Moreover, the trend toward consolidation and streamlining the supply base creates even greater hurdles for the minority supplier to overcome as contracts and larger companies become dependent on fewer suppliers. To help minority suppliers overcome these obstacles, large companies can actively recruit diverse suppliers by advertising in supplier diversity publications, such as [*Minority Business News*](http://www.mbnusa.biz/), [*Diversity Monitor*](http://www.diversityonline.com/newsletters/dm.htm), and [*Diversity Inc.*](http://www.diversityinc.com/),[[15]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_edn15) using their companies’ websites to attract minority suppliers, and utilizing intermediary organizations to identify qualified minority suppliers.

**Summary**

The minority population is increasing in number, purchasing power, and business development activity. This record growth is enabling minorities to wield significant economic power as consumers and business owners. Their clout positions them to be invaluable strategic suppliers and business partners in the years ahead. Companies that are forward-thinking have recognized this status and are implementing thorough supplier diversity plans to stay ahead. Successful plans consider organizational culture, senior-level commitment, strategic alignment, and appropriate risk-taking. There is also significant promise in strategic alliances with diverse suppliers. These alliances have the potential to pay huge dividends down the road.

While progressive companies have been building a diverse supply base for many years, others may need to play catch up—starting today. In the words of Nobel Laureate Dr. Martin Luther King, Jr., “The time is always right to do the right thing.” And supplier diversity is more than the right thing: it is the smart thing.

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[[7]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_ednref7) National Minority Supplier Development Council. *NMSDC Annual Report 2006*, (New York: National Minority Supplier Development Council, 2007).

[[8]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_ednref8) Paul Teague, David Hannon. “The Changing Face of Supplier Diversity,” Purchasing*.*com (August 11, 2005).

[[9]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_ednref9) Ibid.

[[10]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_ednref10) Ibid.

[[11]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_ednref11) Ibid.

[[12]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_ednref12) The Hackett Group. “Supplier Diversity Pays Off,” *Purchasing*, 135, no. 12, (09/07/2006): 27.

[[13]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_ednref13) Ibid.

[[14]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_ednref14) Yankelovich Partners, Inc. “Minority Development Programs,” National Minority Supplier Development Council, (1994).

[[15]](https://gbr.pepperdine.edu/2010/08/supplier-diversity-and-competitive-advantage-new-opportunities-in-emerging-domestic-markets/" \l "_ednref15) Other advertising venues and resources include [*Hispanic Business Magazine*](http://www.hispanicbusiness.com/magazine/)*,* [DiversityNXT](http://www.diversitynxt.org/" \o "Link to external site" \t "_blank), and diversityzone.com. (no longer accessible).

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Diversity and the Supply Chain

Julie Shenkman

Posted by Julie Shenkman in Career Advice • Mar 18, 2011

Before we go into why diversity matters in logistics and supply chain management, let's get one thing clear: There is no black, or female, or Asian, or Hispanic, or white way to move materials from point A to point B. Roads, rails, trucks, trains, boats, ships and airplanes may vary in speed, capacity, condition and quality, but they function the same way the world over. What does differ from place to place, and even within places, is how customers and suppliers interact and respond in doing business. Companies and distributors who recruit employees and use the services of firms from a wide variety of backgrounds gain the advantage of having a workforce and a supplier network that understands the local language wherever they do business. Even where that language is English, people of varied backgrounds conduct their affairs in a variety of ways. Not only does what works in Venice, Italy, may not work in Venice Beach, Calif., what works in Venice Beach may not work in East Los Angeles. Firms with roots in those communities understand the local territory better and are often more responsive to local clients' needs and desires. Having a broad spectrum of people across lines of race, gender, ethnicity, sexual orientation and geography in your workforce and on your supplier list also benefits your operations by both bringing different perspectives to the table at decision-making time and broadening the pool of talent from which you can draw the leaders of tomorrow. Having a diverse management team also bolsters employee morale, aids in mentoring talent, and makes getting employee buy-in to the success of the enterprise easier. And it improves the company's overall performance as well. Just ask UPS. By actively recruiting minorities, women and applicants from disadvantaged backgrounds, investing in their future through generous education assistance, and following a policy of promoting from within, the world's largest package delivery company has built a loyal and enthusiastic workforce with a history of both harmonious labor relations and consistent profits. By Sandy Smith Sandy Smith is a veteran freelance writer, editor and public relations professional who lives in Philadelphia. Besides blogging for LogisticsJobSite.com, he has written for numerous publications and websites, would be happy to do your resume, and is himself actively seeking career opportunities on Beyond.com. Check out his LinkedIn profile and read his other posts on LogisticsJobSiteBlog.com.

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# **The Business Case for Supply Chain Diversity**

**Supplier diversity programs offer more than a positive corporate image.**

*Nov 12, 2011*[**Jonathan Katz**](http://www.industryweek.com/author/jonathan-katz)**| *IndustryWeek***

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Supplier diversity programs can provide manufacturers with that feel-good aura of social responsibility that companies often champion as proof they're model corporate citizens. Sometimes manufacturers implement such programs to meet customer mandates or federal supplier requirements.

But does a business case exist for establishing programs that target minority- and women-owned suppliers? Several large manufacturers that have created supplier diversity programs for both compliance and strategic reasons say yes. For one, such programs can help manufacturers connect with a major portion of their customer base.

Manufacturers that have implemented supplier diversity programs say the payoff has come in the form of stronger relationships with their supply base, new business opportunities and a more agile supply chain.

GM Grows its Own Diverse Suppliers

[General Motors Corp](http://www.industryweek.com/research/us500/2011/iwus500Company.asp?Input=5).'s supplier diversity program dates back to 1968 after race riots in Detroit a year earlier left 43 people dead and hundreds injured. The idea was to help provide jobs for the local community. GM provided loans to businesses near the company's headquarters that would be used to hire diverse employees from the community, says Linda Ware, GM's supplier diversity manager.

By the early 1990s the program evolved into a full-fledged supplier diversity initiative aimed at providing loans to GM suppliers. The program now includes more than 200 women- and minority-owned businesses that supply GM. While GM sought to provide obvious social benefits through the diversity program, the company also envisioned an opportunity to expand its customer base. The hope is that diverse suppliers in GM's network will hire employees who will in turn purchase vehicles from GM for supporting the community, Ware says.

|  |
| --- |
| http://industryweek.com/media/NewsItems/IW_111_Diversity.Mays.gif |
| ChemicoMays LLC became a General Motors Corp. supplier in 1989 after joining GMs supplier diversity program. Founder Leon Richardson, pointing at the bulletin board above, attributes much of his companys success to the opportunities gained from GMs supplier diversity program, including training and mentorship. |

GM also created a diverse supplier development program that provides mentoring and training to approximately 20 suppliers that GM has identified as high-value partners. Suppliers within the development program are involved in activities that help promote GM vehicles throughout diverse communities. In 2010, suppliers within the development program began a series of "ride-and-drive" events at various ethnic gatherings, including some at African-American churches and an India Day event. "This gives people participating a chance to test drive GM vehicles, and we have actually sold vehicles by doing that," Ware says.

An early member of GM's supplier development program was chemical management firm ChemicoMays LLC based in Southfield, Mich. Leon Richardson started the company in 1989 to provide research and development for nonhazardous paint and materials in auto industry painting applications. When Richardson first introduced his company to GM, he wasn't too familiar with the company's diversity program but soon discovered the program could be a key growth driver for his new enterprise. GM matched Richardson with an executive within GM who served as a mentor. As part of the mentorship process, Richardson attended workshops that educated suppliers on how to market their goods, invoice GM properly and navigate through the GM organization, says Richardson, who is African-American. Since 1989, ChemicoMays has been providing GM with services that help identify the chemicals and hazardous materials that are used in the manufacturing process. During that time, ChemicoMays has grown from sales under $1 million to more than $50 million today, Richardson says.

"As a small start-up company, even though I'm confident we had the technology that the customer would deem as valuable, there was no way in the world I could see possible that we would have access to the engineers, technicians, managers or executives had there not been a formalized diversity program -- where we could come in and talk about the goods and services we provide and have GM take it very seriously," Richardson says.

Diversity Brings New Business

Milwaukee-based [Johnson Controls Inc](http://www.industryweek.com/research/us500/2011/iwus500Company.asp?Input=34). has been a Tier 1 supplier to GM and other automakers for years. The company also is recognized as a supplier diversity leader. In October, the company, which provides technologies for various industries including auto interiors, received Corporation of the Year honors from the Michigan Minority Supplier Development Council for its commitment to minority businesses. Johnson Controls spent $1.15 billion with diverse-owned companies in 2010 and is on track to exceed that amount this year.

Johnson Controls' focus on diversity helped the company gain business from GM in the late 1990s, says Chuck Harvey, the company's vice president of diversity and public affairs. During that time, Johnson Controls knew GM was looking to increase the minority-produced content of its vehicles. Johnson Controls was competing with other companies on seat design, pricing and other typical bidding points.

To differentiate itself, Johnson Controls approached GM armed with consumer research that Cadillac was a popular vehicle in some minority communities. Johnson Controls offered to form a joint venture with a minority-owned firm to help GM achieve its minority-produced content goals. The joint venture became known as Bridgewater Interiors LLC. Johnson Controls won the business from GM, and Bridgewater now conducts business with several other large automakers, Harvey says. Bridgewater's sales currently exceed $1 billion, according to Harvey.

"It was a great way for us to figure out how to do something that was important to our customers and to do it like nobody else had done it. We have a couple of joint ventures now similar to this," Harvey says.

Johnson Controls can trace $6 billion worth of business it has received over the past 12 years to its involvement in supplier diversity, Harvey says.

Sometimes Smaller is Better

For manufacturers supplying the federal government, diverse supply chains aren't an option. Federal diversity requirements mean companies such as [Lockheed Martin Corp](http://www.industryweek.com/research/us500/2011/iwus500Company.asp?Input=25). must search for companies classified as minority-owned or small businesses to provide a percentage of their content.

The federal government's definition of a minority-owned business can include small businesses and veteran or service disabled veteran-owned companies.

These smaller companies are often more nimble and innovative than larger suppliers, says Nancy Deskins, Lockheed Martin's director of corporate agreements and supplier diversity. "When you look at the passing of Steve Jobs and how he started his business in the garage of his parents' home, what these small businesses do is really bring innovation to our corporation in a much faster method to market than a real large corporation like Lockheed Martin might be able to do," Deskins says.

Likewise, [Life Technologies Corp](http://www.industryweek.com/research/us500/2011/iwus500Company.asp?Input=222)., a biotechnology tools and equipment manufacturer, must meet federal mandates as well as customer requirements for supplier diversity.

In June 2009 the company hired Ed Weil Reyes as supplier diversity program manager. Reyes led an initiative to expand the company's program beyond small businesses to encompass minorities, women and veterans. The program helps the company gain contracts with pharmaceutical giants such as Merck and Novartis, which have begun requiring more diversity in their suppliers' network. But the program has another possible economic benefit: pleasing potential investors, Reyes says.

"There are actually investment groups out there that want to invest in companies that have supplier diversity programs and have good citizenship programs, so our supplier diversity program is reported in our annual citizenship report," he says.

How to Find Diverse Suppliers

Starting a supplier diversity program could seem like a daunting task. After all, how does a company sift through thousands of potential partners and figure out which ones are minority owned? Carlsbad, Calif.-based Life Technologies Corp. reaches out to diverse businesses through various networking avenues. The biotechnology tools and equipment maker belongs to organizations that represent different minority groups. The company attends the minority group events and meets with potential suppliers, says Ed Weil Reyes, the company's supplier diversity program manager. Life Technologies also advertises in publications that appeal to minority groups, including a veteran-owned business magazine.

Most manufacturers engaged in supplier diversity include information and application forms on their websites. General Motors Corp., for instance, has an internal site dedicated to its supplier diversity program at [www.gmsupplierdiversity.com](http://www.gmsupplierdiversity.com/). The site provides information on how to become a diverse supplier to GM, a program overview and a new supplier registration link.

Multinational corporations interested in partnering with women-owned businesses globally can find potential leads through WEConnect International. Formed in 2009, the nonprofit organization certifies businesses that are at least 51% owned, managed and controlled by one or more women. WeConnect collaborates with various international agencies, such as The World Bank Group and the U.S. State Department, to identify and certify women-owned businesses globally, says Elizabeth Vasquez, CEO and founder of WEConnect International.

While women carry a tremendous amount of purchasing power globally, women-owned vendors typically represent less than 1% of sales to large, multinational corporations. "If that's the case, these companies are probably not doing as good a job as they could anticipating the needs of the market in the future," Vasquez says.

Why supplier diversity is important to your business

[Michael Hoban](https://www.blurgroup.com/blogs/author/michael-hoban/) | July 10, 2015 | [Supplier Relationship Management](https://www.blurgroup.com/blogs/supplier-diversity/)

Supplier diversity is an area of procurement and supply chain management that has gained significant traction and attention over the last few years to become one of the biggest trends in enterprise procurement.

Such is the popularity of supplier diversity and inclusion that 20% of Fortune 500 companies now employ diversity officers, with Chief Diversity Officers (CDOs) becoming a common appointment in enterprise organizations. These diversity drivers are responsible for executing inclusion strategies and ensuring supply chains are enriched with a variety of different suppliers and skills.

Enterprises like 3M, Cargill, Enterprise Holdings & HP have all made supplier diversity a top priority over the past couple of years. Blue chip enterprise Procter & Gamble has spent $2 billion for the past six consecutive years on diversifying its supply chain, focusing on minority and women-owned suppliers. Microsoft also spent more than $2 billion in 2014 on diversifying its global supply chain.

What is supplier diversity?

Ultimately, supplier diversity relates to your supply chain and the suppliers that constitute this chain. An inclusive supply chain would consist of a range of diverse suppliers, which can range from minority and women-owned businesses, to suppliers with disabled or war veteran owners. Often, these owners are disadvantaged for being different, and discriminated against because of these differences.

To achieve supplier diversity, enterprises must be acceptant of, and open to, changing their supply chain to make it more inclusive. Supplier diversity programs or initiatives implemented by enterprises will be focused on filling the supply chain with the above outlined diverse supplier-types.

But, why are enterprises making such considerable investment in supplier diversity and inclusion initiatives?

Reduced risk and cost

It’s a commonly misconceived assumption that a more compact supply chain made up of a small number of suppliers reduces risk. In reality, [reliance on a small supplier list](https://www.blurgroup.com/blogs/group/move-past-an-approved-supplier-list/)can lead to an organization becoming heavily dependent on a handful of suppliers – opening the organization up to an abundance of risks. Having a larger, diversified supply chain can help to mitigate these risks and reduce the likelihood of unnecessary, unplanned expenditure.

Corporate Social Responsibility (CSR)

CSR involves enterprises taking responsibility for their impact on society, and taking action(s) to ensure this impact is positive. Supplier diversity and inclusion is becoming an integral part of many enterprise’s CSR strategies, with CSR said to be ever more important to the overall competitiveness of enterprises and in gaining advantage over competitors.

Developing a supply chain with diversity and inclusion in mind will show that your enterprise is a socially-responsible organization, dedicated to working with those that are often disadvantaged and discriminated against for the very thing that makes them great – they’re different.

Greater return on investment

Organizations that focus on supplier diversity can generate a 133% greater return on procurement investments than a typical business that doesn’t focus on a diverse supply chain would, according to U.S. business consultancy, Hackett. According to Hackett, those with more diverse supply chains also spend 20% less (on average) on their buying operations than those with less-diverse supply chains. Having a diverse and inclusive supply chain is a social and economic imperative today in 2015.

Fresh innovative insight and ideation

Similar to the concept of crowdsourcing, offering a particular business task or project to a diverse range of suppliers can lead to the development of greater, more innovative ideas and insight. With smaller, less-diverse supply chains, ideas and insight can become one-dimensional and less cutting-edge – something that won’t suffice in today’s cut-throat, do-or-die world of business. A more diverse supply chain is also more likely to be abundant in different specialized skills.

Business development

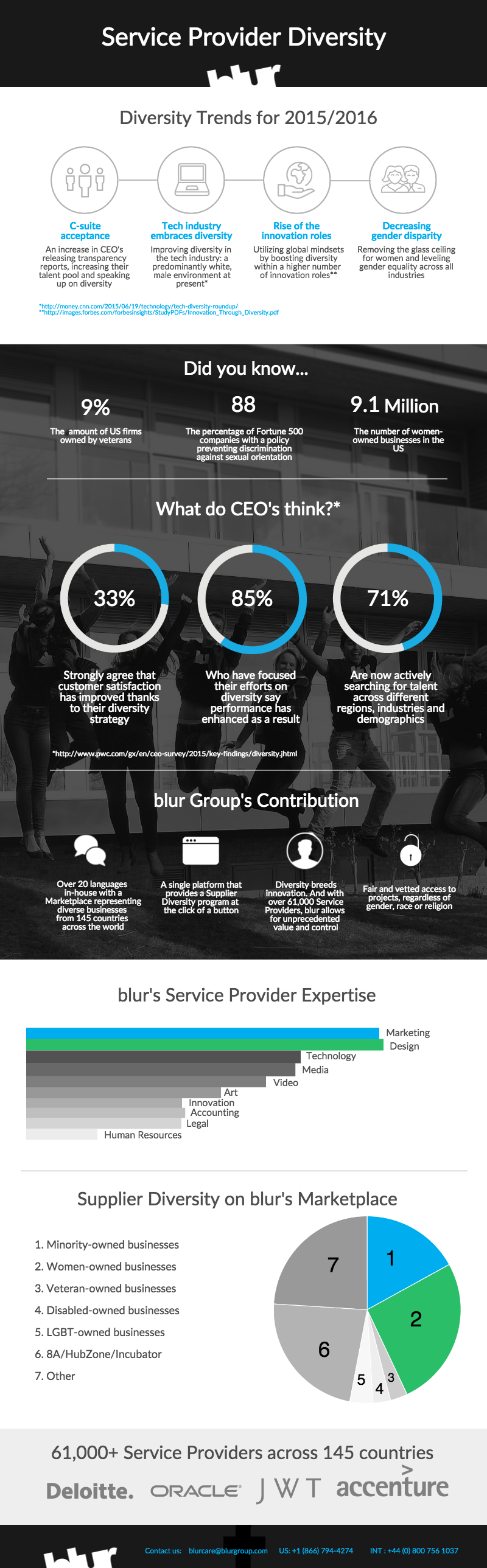
Working with diverse suppliers can also enable your business to gain a deeper understanding of customers that you might not know so well, such as disabled customers or those from minority backgrounds. Gaining an understanding of their needs can allow you to strategically target these with tailored marketing messages, for example. A diverse supply chain can also grant you access to new markets, sectors and industries that you haven’t previously been able to gain entry to, or visibility of.

Interchain competition

Constructing your supply chain with a range of diverse suppliers promotes competition among these suppliers within your chain. For example, smaller suppliers in your chain may become more competitive on price in an attempt to draw your attention away from larger suppliers that have quoted higher prices.

blur’s Supplier Diversity Survey

A growing number of blur’s enterprise customers ask us how diverse blur’s Community of 61,000+ Service Providers is. To assess this, we asked some of our Service Providers to complete a short survey on diversity. The results of the survey are included in the infographic below:



As the results of the survey show, blur’s Service Provider community has an eclectic mix of women-owned, LGBT-owned, veteran-owned and minority-owned businesses, among others. These Service Providers range in size from smaller, boutique marketing agencies, for example, right through to global, multinational professional services  organizations.

Diversify your supply chain today by enlisting the expertise of blur’s global Community of 61,000+ Service Providers by filling in your details below.

Choice, value and unprecedented control. Guaranteed.

* [corporate social responsibility](https://www.blurgroup.com/blogs/tag/corporate-social-responsibility/)
* [procurement](https://www.blurgroup.com/blogs/tag/procurement/)
* [supplier diversity](https://www.blurgroup.com/blogs/tag/supplier-diversity/)
* [supply chain management](https://www.blurgroup.com/blogs/tag/supply-chain-management/)

Welcome! Get your Project started