The growing importance of closing the gap of socio-economic disparities, increasing emphasis on corporate social responsibility and sustainability, and the need in the COVID-19 era for rapid innovation have created increased demand for enhanced supplier-diversity programs.

What’s happening, across corporate America, is a new emphasis on finding a variety of suppliers owned by people from underrepresented groups—women, Blacks, Latinx, Asian, Native American and mixed-raced people, LGBTQ+ people, people with disabilities and veterans. But instead of measuring success in the traditional way of how many dollars are spent with these groups, organizations are going far deeper in assessing suppliers’ impact on their business and their communities. Scorecards now measure specific supplier Key Performance Indicators (KPIs) including number of bids, value of contracts and the longevity of the supplier’s business, as well as the supplier’s commitment to subcontractor diversity, known as Tier II diversity.

A Brief Primer

First, for those new to supplier diversity, a short history. Supplier diversity began in the United States in the 1960’s as an outgrowth of the emphasis on civil rights and the Civil Rights Act of 1964. In 1967, an executive order established the Office of Federal Contract Compliance, requiring federal contractors to make a “good faith” effort to increase opportunities for minorities and women. In 1969, the government expanded this and by 1983, the government designated Women Business Enterprises and Minority Business Enterprises, the latter defined as companies owned by Blacks, Latinx, Asians or Native Americans.¹

Supplier diversity was not mandated but industries with significant federal contracts, including auto manufacturers and telecommunications, were early supplier-diversity proponents and still are leaders in this sector. Over the next 20 years, organizations such as the National Minority Supplier Development Council (NMSDC), Women’s Business Enterprise Council (WBENC) and the National Gay and Lesbian Chamber of Commerce (NGLCC) became instrumental in certifying diverse suppliers and matching suppliers with corporations. The movement to include LGBTQ+, disability-owned and veteran-owned suppliers has accelerated in the last decade, as has the

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emphasis on having subcontractors (Tier II) be diverse suppliers as well as contractors (Tier I). Current other organizations involved include the National Veteran Business Development Council (NVBDC), the U.S. Pan Asian Chamber of Commerce and the United States Hispanic Chamber of Commerce. On a global basis, WEConnect International helps many companies find women suppliers.²

What’s Important Now

In recent years, more and more corporations have started or expanded supplier diversity programs in recognition of the innovative solutions they bring as well as recognition for corporate social responsibility. The Black Lives Matter movement has accelerated companies’ interest in building community wealth by supporting Black-owned businesses to mitigate the gap across socio-economic divides that have persisted for centuries.

Companies also are not measuring supplier diversity success in the same way they have done previously, according to Michael Tobolski, vice president, Member Development, WeConnect International. For many years the defining measure recognized by the Billion Dollar Roundtable, was the amount of company spend with diverse suppliers. Now, they are tracking the number of bids with each under-represented group, the values of those contracts, the savings the organization has realized through these suppliers and the community impact.

Companies also for several years have measured the percent of total procurement spend with Tier I (direct contractor) and Tier II (subcontractor) diverse suppliers. The Diversity Best Practices Inclusion Index companies average 18 percent with MBEs and 17 percent with WBEs for Tier I, and 21 percent with MBEs and 25 percent with WBEs for Tier II.

More often, those who head supplier diversity (usually from procurement departments) will present KPIs and/or a scorecard to top management on a regular basis to show supplier- diversity progress and impact on both the business and the communities impacted. Supplier-diversity performance is also frequently featured in corporate annual reports. That also increasingly includes Tier II, with some companies using their Tier II as a basis for increasing their supply chain transparency. There are a few companies even looking at Tier III - subcontractors of subcontractors.

Another KPI that is measured is revenue generated by RFPs (requests for proposals) that specifically require supplier diversity. Supplier diversity teams increasingly work with corporate sales teams on these proposals.

### COMPANY CULTURE: SUPPLIER DIVERSITY

<table>
<thead>
<tr>
<th>Percentage of companies that have the following</th>
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<tbody>
<tr>
<td>Company sets specific supplier diversity goals</td>
<td>64.3%</td>
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<tr>
<td>Company has a formal supplier diversity program</td>
<td>84.7%</td>
</tr>
<tr>
<td>Company provides training or mentoring for diverse suppliers</td>
<td>62.2%</td>
</tr>
<tr>
<td>Company requires suppliers to have programs and initiatives for supplier diversity for their own vendors</td>
<td>54.1%</td>
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Data is from the 2020 DBP Inclusion Index
This emphasis on transparency and goals and objectives puts supplier diversity more squarely as a market-driven program, one that shows values to external and internal stakeholders.

**Diverse Supplier Relationship Management**

Many companies now require their diverse suppliers to register through a dedicated portal that validates their diversity (usually a person or persons from an under-represented group must own at least 51 percent of the company) and helps them connect with other suppliers. The goal is to grow and sustain these suppliers so they become long-time partners, increase their own worth, and contribute to their community by providing jobs and wealth.

Companies also increasingly host in-person (or these days virtual) meet and greets for suppliers with officials from their own organizations as well as other suppliers that can help them.

**CASE STUDY: WALMART**

The retail giant Walmart Inc. has always been concerned about the communities their stores serve. Recently, Walmart announced a plan to use its business strengths to work on racial equity across four key areas: the nation’s financial, healthcare, education, and criminal justice systems. The company’s work in the financial workstream would include its supplier diversity efforts. Complementing this effort, Walmart and the Walmart Foundation committed $100 million over five years towards supporting philanthropic programs designed to address racial equity in the same four areas.

“It’s important for us to discuss impact through jobs, expansion and innovation,” says Michael Byron, senior director, Supplier Inclusion. He is responsible for leading the company’s national supplier inclusion initiatives, which are designed to enhance its purchasing activities and long-term relationships with women and diverse owned businesses. He and his team had responsibility for leading the company’s critical initiative to source $20 billion with women-owned businesses over a five-year period, which culminated in 2016 where they exceeded the goal by $1 billion.

Byron’s team managed Walmart’s 2019 direct and indirect spend of nearly $15 billion with approximately 2,800 Diverse Owned businesses. Under his leadership, Walmart has been recognized for providing the best opportunities to woman-owned and multicultural businesses.

“Walmart stores are within 10 miles of 90 percent of America. Our customers represent all of America, and we want to be sure our suppliers do, too. Supplier inclusion means that we are able to deliver innovative, quality products and a broader selection to the communities we serve. We encourage diverse companies to explore new possibilities with Walmart and on Walmart.com,” according to Byron.

In recent years Walmart U.S. has had an annual Supplier Growth Forum for all national suppliers in Rogers, Arkansas. The event also features a Supplier Inclusion roundtable, convening more than a dozen national suppliers and 10 key diverse suppliers to share best practices that will advance supply chain inclusion. The Walmart Supplier Inclusion team captures the ideation and best practices from this roundtable and created a best practice white paper to share with roundtable participants.
CASE STUDY: MERCK

Merck has launched a Virtual Engagement Center that offers supplier-education programs and trade shows. The educational initiatives include on-demand webinars and videos. New programs will be added each month over the next year. "Our vision was to organize the education we bring to our suppliers and to expand the reach across the globe to promote opportunities," says Cheryl Hofmeister, senior specialist, global supplier management/global economic inclusion and supplier diversity. "Everything is on-demand, and you can come back anytime and watch the video or webinar."

Merck also partnered with supplier diversity councils and prime suppliers for its Global Virtual Business Exchange Opportunity that included a virtual trade show atmosphere, a summit-like experience with live fireside chats and roundtables, and a theater for guests to watch on-demand webinars. The company plans to have a second Virtual Business Exchange. This environment creates additional opportunities for suppliers and procurement teams to connect. There is more opportunity for Merck employees to connect with suppliers in a specific category.3

Training and Assessing Value

Corporations increasingly realize the importance of training their diverse suppliers, many of whom are small businesses in areas such as technology, finance and business development. Some corporations measure the rate at which their diverse suppliers grow or, conversely, go out of business, and make that part of the KPIs.

CASE STUDY: COX COMMUNICATIONS

At Cox, employee resource groups assist in delivering diverse supplier-related training, including Cox's Supplier Training 101, which is presented throughout the year to train newly hired employees on supplier diversity objectives.

The company also provides executive-level development opportunities for women, LGBTQ, veteran, disabled and minority-owned business leaders through its Diverse Supplier Scholarship Program, carried out in partnership with the UNLV Lee Business School, the ASU Thunderbird School of Global Management, and Delgado Community College in New Orleans, and a High Performance Leadership series, offered by the Council for Supplier Diversity in partnership with the University of San Diego's School of Business. These opportunities provide diverse business leaders opportunities to network with other CEOs, share best practices, and learn real-time business practices and principles to increase their efficiency, improve their business practices, and grow their businesses. The company’s D&I Councils remain involved in these efforts. For example, Cox's Southeast Regional Diversity and Inclusion Council partnered with Delgado Community College to expand the college's diverse supplier scholarship program.4
CASE STUDY: AT&T

The AT&T Supplier Diversity Business Development Program features a three-tiered approach to help diverse business owners refine their business plans and implement technology and innovation into their business. Tier One features education and business development workshops reaching hundreds of diverse suppliers throughout the U.S. Tier Two offers executive level scholarships that provide affordable access to high-quality education for diverse business leaders—helping them in their pursuit of operational excellence. Tier Three is a mentoring program designed to help diverse business owners improve their operations and increase their ability to win corporate contracts.

AT&T’s Business Growth Acceleration Program (BGAP) is an education and mentorship program designed to support diverse owned businesses with their growth plan and capacity-building execution. The program is designed to mentor businesses in AT&T’s supply chain that have diversity but need guidance in other areas of their business. BGAP actively mentors and educates business leaders in improving their business practices, increasing efficiency, reducing costs and winning more corporate contracts. It matches a select group of business executives with mentors and experienced business leaders throughout a 12-week program. Mentees have the support of an entrepreneurial task force of successful business mentors and industry experts. The practical, customized, hands-on learning program enables participants to immediately apply concepts learned to their unique business challenges. The program has real impact: a recent 2018-2019 program graduate experienced a 1,200 percent increase in revenue over two years and increased the number of employees by 100 percent.  

In 2020, the company established a commitment to stimulate diversity job growth. By the end of 2020, the company will report not only its overall spend with diverse suppliers, but also the number of jobs held by diverse individuals within its supplier base. The goal is to drive greater impact through stronger alignment with a larger company-wide CSR initiative which aims to create positive change in local communities and increase diversity within the supplier base itself.

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AT&T Supplier Diversity
AT&T