# Table of Contents

## Introduction
- Why This Book Was Written ........................................ 4
- Author Information .................................................... 6
- Contributor and Reviewer Acknowledgements .................. 8

## Chapter 1 – Supplier Mentoring Basics
- Key Definitions .......................................................... 10
- Mega-Trends in Supplier Diversity ................................. 15
- Mentoring Alternatives ............................................... 18
- Challenges with Current M/WBE Mentoring Programs ....... 19
- Business Case – M/WBE Mentoring Payoff ..................... 20
- Basic Steps .................................................................. 22
- Using the 12-Step Approach .......................................... 23

## Chapter 2 – Buying Organizations: Mentoring Program Success Steps
- Mentor Roles & Responsibilities ..................................... 26
- Key Decisions ................................................................ 27
- Major Mentoring Phases & Steps .................................... 29
- M/WBE Protégé Assessment Forms ................................. 36
- Mentor-Protégé Agreement ........................................... 38
- Common Problems & Resolutions ................................. 39
- M/WBE-to-M/WBE Mentoring ....................................... 40
- Mentoring Do’s and Don’ts ........................................... 41

## Chapter 3 – Minority & Women Businesses: How to Become a Protégé
- Reasons for Having a Mentor ......................................... 43
- Mentoring Considerations ............................................. 43
- Tips for Selecting a Mentor ............................................ 44
- Success Story .................................................................. 44
- Mentoring Goals .......................................................... 45

## Chapter 4 – The Future
- The Evolution of Supplier Diversity ............................... 48
- Online Mentoring .......................................................... 49
- Mentoring Enters the Non-Profit Sector ......................... 50
- Mentoring Becomes Mainstream ..................................... 51

## Chapter 5 – M/WBE Mentoring Reference Information
- U.S. Small Business Administration Mentor-Protégé FAQs .... 53
- Department of Defense (DOD) Mentor-Protégé Program .... 59
- Federal Aviation Administration (FAA) Mentor-Protégé Program .... 68
- Women Unlimited – Matrix Mentoring Program ............... 76
- Ford Supplier Assessment Form .................................... 79
- The Office of Women’s Business Ownership (WNET) ... 81
- M/WBE Support Websites ............................................. 82
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This publication is designed to provide practical information regarding minority- and women-owned business supplier development information for business selling to the federal government and corporate America. The book provides general business advice and is not intended as a substitute for seeking the help of qualified specialists. All information used was accurate to the best of the authors' knowledge at the time the book was written and the authors do not control the updating of this information. The authors assume no liability regarding the use of the information in this book.

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Copyright 2003, 2004 Richard J. Hernández, CPCM and Joyce B. Tabak
INTRODUCTION

**Why This Book Was Written.** This book was written to help minority- and women-owned businesses understand why they need to become strategic suppliers and how to position and grow their companies to achieve this status. This book provides a “how to” reference guide for corporations and government agencies to help them develop and/or enhance their current M/WBE Mentoring Programs. Readers should not confuse mentoring with M/WBE set-aside and other contract preference programs.

Although there is some compliance-driven information in this book, it is meant to help you understand critical elements and phases of the M/WBE mentoring process. We encourage readers of this book to use the information as a starting point to develop mentoring programs tailored to your specific needs.

**Who Can Use This Book?** This book was written primarily to provide an easy to understand guide on M/WBE Mentoring Program. Potential users of this book are:

- Small Businesses
- Minority- and Women-Owned Businesses
- Contracting Officers
- Small Business Liaison Officers
- Small Business Development Centers
- Women’s Business Development Organizations
- Supplier Diversity Managers
- Corporate Buyers
- Contract Compliance Officers
- Subcontracting Specialists
- Contract Administrators
- Marketing and Sales Managers
- Technical Assistance Providers
- Procurement Technical Assistance Centers
- Consultants
- Community Bankers and Financial Consultants
- Government Agencies
- Chambers of Commerce
- Non-M/WBE Small Business
- HUBZone Development Agencies
- Veteran-Owned Businesses
- Service-Disabled Veteran Owned Businesses
The mentoring process is not just limited to corporations and government agencies. Since success is not achieved alone, we also encourage established M/WBEs to mentor other M/WBE businesses as their strategic suppliers.

**How to Use This Book.** Small businesses should use this book to develop strategies and plans to grow their businesses into strategic suppliers (see Chapters 3 and 4). Buying organizations should use this book to help them identify potential protégé opportunities and to start and/or enhance their M/WBE mentoring program (see Chapters 1 and 2).

The book should be read in its entirety. We encourage users of this book to be flexible when developing M/WBE mentoring programs. In particular, we encourage buyers to go beyond compliance requirements and seek creative solutions to grow their M/WBE suppliers.

**What This Book Offers.** This book offers minority- and women-owned businesses the opportunity to assess their current strengths and developmental needs. It also helps provide them with the tools to develop a plan for growth. After reading this book and performing the assessments, M/WBE businesses will be in a better position to determine which companies and/or government agencies they would like to be mentored by.

As you read this book, please remember mentoring does not automatically mean a contract. The value of mentoring is building relationships; providing an education in technology, finance, business development; and developing your company into a strategic supplier.

This book offers buying organizations a chance to help their M/WBE suppliers make quantum leaps, from low-dollar, non-core suppliers to become strategic suppliers. Making M/WBE firms strategic suppliers helps ensure their long-term viability and continued growth. It also makes them candidates to mentor other M/WBE firms.

Peter F. Drucker said: "The best way to predict the future is to create it." In particular, this applies to M/WBE mentoring programs. This book offers buying organizations and M/WBEs the opportunity to create their own future. Mentoring programs are key to creating "world class" supplier diversity programs and making M/WBE businesses world-class suppliers.

*Richard J. Hernández and Joyce B. Tabak*
About the Author

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Richard J. Hernández is a nationally-known e-commerce consultant based in Chicago. He heads E-MBE.net, an e-commerce education company focusing on small, minority-owned businesses. He writes on supplier diversity and e-commerce issues for a wide variety of publications to include: MBE magazine, Minority Business News magazine, Chicago’s Minority Business newsletter, the National Association of Purchasing Management InfoEdge magazine, and Contract Management magazine. He is the chair of the Chicago Cosmopolitan Chamber of Commerce technology committee. He also has a Web site, www.SupplierDiversityPortal.net, which provides 50 free basic and advanced e-commerce tutorials for small, minority- and women-owned businesses.

Previously, he was a Vice President of Education for a business-to-business e-commerce company. Mr. Hernández was also a Senior Sourcing Specialist with the BP Amoco Corporation in Chicago, IL. He was responsible for developing strategies for locating diverse suppliers for all business units, Web site management, training, and supplier outreach programs to achieve a $1 billion corporate supplier diversity goal.

Formerly, a Corporate Supplier Diversity Manager, for the USPS Postal Service. He was also a Procuring Contracting Officer (buyer) with the US Air Force with an unlimited warrant.

Mr. Hernández achieved the elite designation of Certified Professional Contracts Manager (CPCM) from the National Contract Management Association (NCMA). He has also earned an Advanced Professional Designation in Logistics Management. Mr. Hernandez graduated from the Air Force academy with a degree in Business Administration / Management.

Mr. Hernández’s other achievements are as the author of the textbook "Negotiating a Quality Contract", reviewer of two contracting textbooks, and editor of a contract management newsletter for 2 years. He is also a Fellow in the National Contract Management Association.

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Joyce Tabak is President of Tabak and Associates, a company that specializes in business development for minority and women-owned businesses. She develops, implements, and provides training for supplier diversity initiatives in Fortune 500 Companies. Ms. Tabak brings more than 18 years experience as a dynamic and results-driven supplier diversity manager and consultant.

She is a proven supplier diversity executive with over 15 years experience at Bank of America. Ms. Tabak holds a Liberal Arts Degree from UCLA in Bank Management and has completed numerous courses in financial analysis, marketing, procedural development, and training. Tabak is also a credential instructor with the State of California and has worked in various counties instructing high school students in Business Occupations. She is an excellent communicator, problem solver, and relationship builder, with the ability to interface with people at all levels. During her tenure at Bank of America, she completely revised and implemented a World Class Supplier Diversity Initiative. During that time Joyce and her team increased purchasing from minority and women-owned businesses from $52 million to $300 million.

As the Vice President and National Director of Bank of America’s Supplier Diversity Initiative, Tabak received many awards and accommodations. In 1999, she received Bank of America’s Leadership Excellence in Neighborhood Development Award. In addition, she received the Small Business Administration’s Advocate Award of the Year Award for California and Region IX, and the National Association of Women Business Owners Advocate of the Year Award. Tabak has been recognized by both state and local government agencies and has worked closely with them to make sure all minorities and women-owned businesses have equal opportunities.

Tabak had been involved with the National Supplier Development Council and served on their Board of Directors. She also chaired Southern California Regional Purchasing Council’s Board of Directors. In addition, Tabak was an advisor to the Black Business Association, Asian Business Association, National Association of Women Business Owners, and Latin Business Association.

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- Georgia Power
- Lockheed-Martin
- NASA
- Northwestern University
- U.S. Department of Energy
- U.S. Small Business Administration
Chapter 1

SUPPLIER MENTORING BASICS
SUPPLIER MENTORING BASICS

CHAPTER ONE OVERVIEW

- Key Definitions
- Mega-Trends in Supplier Diversity
- Business Case – M/WBE Mentoring Payoff
- Challenges with Current Programs
- Basic Steps
- Roles and Responsibilities

This chapter provides an overview of the M/WBE mentoring process. Definitions of supplier diversity terms are provided to help lay the groundwork for understand the key concepts involved with M/WBE Mentoring Programs. Mega-trends in supplier diversity are also provided to show M/WBE mentoring is one of several major trends in this area.

The chapter provides a summary of key steps involved with M/WBE mentoring. These steps will be explained in more detail in later chapters of this book.

Mentoring can be defined as: a significant long-term, beneficial effect on the life or style of another person, generally as a result of personal one-on-one contact. A mentor is one who offers knowledge, insight, perspective, or wisdom that is especially useful to the other person.


KEY DEFINITIONS

Supplier diversity is an emerging discipline with its own terminology. Below are some key definitions of terms used in the supplier diversity area. The definitions are provided as a reference and also a starting point for developing a M/WBE Mentoring Program.

Mentoring. According to The Oxford Dictionary, a mentor is defined as: “An experienced and trusted adviser or guide; a teacher, a tutor.”

Supplier Mentorship. A supplier diversity-specific definition is provided in the 2002 edition of the SBA Mentor-Protégé Program - Glossary of Terms, which defines a mentor as: “A business, usually large, or other organization that has created a specialized program to advance strategic relationships with small businesses”.

Women Business Enterprise (WBE). A women-owned business is at least 51 percent or more owned by a woman (or women), who is a U.S. citizen, and who controls the firm by exercising the power to make policy decisions and operates the business by being actively involved in day-to-day management.

Certification. A minority- or women-owned firm whose ownership, control and operation has been verified by a qualified, independent third party. Examples are 8(a) certification by the U.S. Small Business Administration and MBE certification by the National Minority Supplier Development Council. (See “MBE” and “WBE” definitions for more information)
**Contract Bundling.** Combining two or more previously separate contracts into one contract. A bundled contract is more likely to be out of reach to a small business due to greater capacity requirements, bonding levels, financial needs, etc.

**Digital Divide.** Describes the gap between members of society who do not have access to modern information technology such as the Internet. The digital divide occurs in many forms such as between rural & urban, rich & poor, and majority & minority businesses. The digital divide also concerns the under-representation of minorities and women in technology.

**Disadvantaged Business Enterprise (DBE).** Means a for-profit small business concern (1) that is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged or, in the case of a corporation, in which 51 percent of the stock is owned by one or more such individuals; and (2) Whose management and daily business operations are controlled by one or more of the socially and economically disadvantaged individuals who own it.

**Federal Acquisition Regulation.** The Federal Acquisition Regulation (FAR) which is the primary document used by all federal executive agencies for purchasing goods and services. The FAR establishes uniform policies and procedures for procurement by all executive agencies. The FAR can be supplemented by regulations issued by each federal executive agency. (See [www.arnet.gov](http://www.arnet.gov) for additional information)

**First-Tier Supplier.** A first-tier (prime) supplier invoices the buying organization directly for goods and services rendered.

**Front Company.** Occurs when a minority company acts a “pass through” for work done on a contract and/or when the company claims MBE and/or WBE status but is actually is owned by a non-minority or male. M/WBE certifications are used as a filter to screen for front companies. To qualify as an MBE, the business owner must demonstrate that he or she is a minority person and provide documentation establishing at least 51% ownership of the company. The owner(s) should also provide proof they have the appropriate technical and management experience. To qualify as a WBE, the owner(s) must demonstrate provide documentation establishing she has at least 51% ownership and control of the company.

**Globalization.** Describes the increased mobility of goods, services, labor, technology and capital throughout the world. Technology such as telecommunications has been a key force behind the accelerating pace of globalization.

**HUBZone Small Business.** Means a small business that appears on the list of Qualified HUBZone Small Business maintained by the US Small Business Administration.

**Minority Business Enterprise (MBE).** An MBE is a for-profit enterprise, regardless of size, physically located in the United States or its trust territories, which is owned, operated and controlled by minority group members. “Minority group members” are United States citizens who are African-Americans, Hispanics, Native Americans, Asian-Pacific Americans and Asian-Indian Americans. Ownership by minority individuals means the business is at least 51 percent owned by such individuals or, in the case of a publicly-owned business, at least 51 percent of the stock is owned by one or more such individuals. Furthermore, the management and daily business operations are controlled by those minority group members. “Controlled” means the primary power to make policy decisions, and “Operated”
means active involvement in day-to-day management related to business performance. In the case of publicly-owned businesses, the racial minority group members must own at least 51 percent of the stock.

**MBE Classifications.** Below is a summary of the types of minority-owned businesses.

- **African-Americans.** U.S. citizens having origins in any of the black racial groups of Africa.
- **Asian-Indian Americans.** U.S. citizens whose origins are in India, Pakistan and Bangladesh.
- **Asian-Pacific Americans.** U.S. citizens whose origins are from Japan, China, Taiwan, Korea, Vietnam, Laos, Cambodia, the Philippines, Samoa, Guam, the U.S. Trust Territories of the Pacific or the Northern Marianas.
- **Hispanics.** U.S. citizens of Hispanic heritage from any of the Spanish-speaking areas of Latin America or the following regions: Mexico, Central America, South America and the Caribbean basin.
- **Native Americans.** Persons who are American Indian, Eskimo, Aleut or Native Hawaiian, and regarded as such by the community of which the person claims to be a part. Native Americans must be documented members of a North American tribe, band or otherwise organized group of native people who are indigenous to the United States.

**NAICS Code.** North American Industry Classification System (NAICS) Size Standards. Used by the U.S. Small Business Administration to determine if the company is a large or small business.

**OSDBU.** Office of Small and Disadvantaged Business Utilization (OSDBU). Per Public Law 95-507, each federal executive agency is required to have an OSDBU Director (See [www.OSDBU.gov](http://www.OSDBU.gov) for additional information)

**PRO-Net.** A database of diversity suppliers maintained by the U.S. Small Business Administration.

**Protégé.** A person (or company) who receives support from an more established person (or organization) that furthers the protégé’s career or business development. Also referred to as a mentee.

**Second-Tier Supplier.** A second-tier supplier (subcontractor) invoices the buying organization’s first-tier suppliers for goods and services rendered.

**Service-Disabled Veteran-Owned Small Business.** Means a small business that: (i) is at least 51% unconditionally owned by one or more service-disabled veterans (as defined at 38 U.S.C. 101(2), with a disability that is service connected, as defined in 38 U.S.C. 101(16)); or in the case of any publicly owned business, at least 51% of the stock of which is unconditionally owned by one or more service-disabled veterans; and (ii) whose management and daily business operations are controlled by one or more service-disabled veterans or, in the case of a veteran with permanent and severe disability, the spouse or permanent caregiver of such veteran.
Small Business. Means a business, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on government contracts, and qualified as a small business under the criteria and size standards as established by the US Government.

Small Disadvantaged Business. Means a small business that: (i) has received certification as a small disadvantaged business consistent with 13 CFR part 124, Subpart B; (ii) no material change in disadvantaged ownership and control has occurred since its certification; (iii) where the is owned by one or more individuals, the net worth of each individual upon whom the certification is based does not exceed $750,000, after taking into account the applicable exclusions set forth at 13 CFR 124.104©(2); and (iv) is identified, on the date of its representation, as a certified small disadvantaged business in the database maintained by the Small Business Administration.

Strategic Sourcing. Re-engineering of purchasing from a transaction-orientated process, (i.e., three bids and a buy) to an integrated supply chain management process. Strategic sourcing stresses integrated procurement planning, sourcing, and management. Cross-functional sourcing teams are used to select suppliers for key products and services who determine the optimal supply chain structure that provides the lowest total cost of ownership. Supplier diversity is part of the strategic sourcing process.

Strategic Supplier. A supplier that provides key supplies and/or services in a particular commodity area. Strategic suppliers add a high degree of value to the supply chain management process by reducing costs, aggregating demand, etc.

Supplier Development. Any effort by a buying firm with a supplier to increase the performance and/or capabilities of a supplier and to meet the buying firm’s short- and/or long-term supply needs. Supplier development activities may range from an informal supplier evaluation and a request for improved performance to extensive efforts.

Supplier Diversity. A proactive business process that seeks to provide suppliers equal access to purchasing opportunities. It promotes supplier participation reflective of the diverse business community and encourages economic development.

Technology Transfer. The sharing of knowledge and facilities among: Federal laboratories; Industry; Universities; Federal, state, and local governments; and third-party intermediaries. By one estimate, from one-third to one-half of all U.S. growth has come from new technologies.

Veteran-Owned Small Business. Means a small business that: (i) is at least 51% unconditionally owned by one or more veterans (as defined at 38 U.S.C. 101(2)); or in the case of any publicly owned business, at least 51% of the stock of which is unconditionally owned by one or more veterans; and (ii) whose management and daily business operations are controlled by one or more veterans.

Virtual Trade Mission. A Virtual Trade Mission uses the Internet to provide text and visual information between supplier groups in one location that wish to do business in other locations, either domestically or globally. Virtual trade missions features online display booths, interactive discussion forums, etc.
A critical consideration of the mentoring process is to make minority businesses “strategic suppliers.” However, this term can have different interpretations. *Purchasing* magazine provides definition below which serves as a common reference for readers of this book:

**Three traits of world-class suppliers.**
Competitive price, quality, and lead times are just the opening antecedes in the supply game. To be considered world-class, suppliers must excel in these key areas:

1. **Continuous improvement:**
   World-class suppliers have a formal and proven commitment to achieve year-over-year products and process improvements.

2. **Technology and innovation:**
   World-class suppliers are technology leaders in their respective industries, providing customers with next-generation technologies and a leg up on their competition.

3. **Adaptability:**
   World-class suppliers are willing to invest in new equipment, develop new technologies, and rework their business to better support the strategies of their customers.


Moving to the "strategic supplier" level is not easy. It takes planning, disciplined focus on goals, sound financial management, world-class management processes, and a little luck. However, the rewards can be substantial. Having a mentor makes the journey easier.
MEGA-TRENDS IN SUPPLIER DIVERSITY

M/WBE mentoring is one of the mega-trends in supplier diversity. The section below provides an overall perspective on the other mega-trends. This will help provide mentoring and protégés a better perspective of the overall business and economic operating environment.

Drivers. There are several “drivers” behind the evolution of the mega-trends in supplier diversity over the last 30 years. First, purchasing is being transformed into a key strategic corporate function that adds value to the organization. Corporations and government agencies are consolidating their supplier bases to reduce costs and improve efficiency. Purchasing has adopted “world class” benchmarks and practices such as the cross-functional sourcing teams, strategic sourcing, and minority supplier development. Second, demographic changes continue to result in the increased growth of the minority population in the United States. Today, minorities (African-Americans, Hispanics, Asian-Americans, and Native Americans) comprise approximately 30 percent of the US general population and command a purchasing power of approximately $1 trillion – numbers too big to ignore. The growing diversity in the population has been mirrored by the growth of minority businesses. According to the May 12, 1999 edition of The Los Angeles Times, there were 3.25 million minority-owned businesses in the United States in 1997 (a 168% increase from 1987) who generated $495 billion in revenue and employed nearly 4 million workers. Third, legal and government regulations have contributed to the growth of minority businesses. Public Law 95-507 (enacted in 1978) provided a framework for the federal government program. The intent was to use government contracts as a base to grow minority businesses who could then transition to private-sector contracts. However, this is threatened by a growing “backlash” against affirmative action programs in contracting (and employment) areas. Fourth, as minority- and women-owned business have been building toward a critical mass, they have formed effective national organizations such as the National Minority Supplier Development Council (NMSDC) and the Women’s Business Enterprise National Council (WBENC). These organizations help represent their respective members’ legal, business and political interests. They also conduct certifications to weed out “front” companies.

Mega-Trends. Below are the areas and descriptions of the mega-trends in the supplier diversity area. These reflect the impact of the above “drivers”. The mega-trends are:

- Shift from Compliance to Market Driven Programs. Supplier diversity originally began as a “socioeconomic program” in the 1970s which was designed to comply with customer (primarily government) requirements for minority-business participation. However, the increased size and purchasing power of the general US minority population has forced many organizations to shift away from compliance driven programs. Corporations are now starting to position their supplier diversity programs in their branding strategies to support sales, gain access to new markets, and survive in a changing economy. Companies understand the new market dynamic is their customers...
consider their diversity track record in their buying decisions. This point was driven home by well-publicized racial discrimination incidents that negatively impacted several Fortune 500 company’s stock prices and market share. Companies also understand having a minority supplier on their team gives them an advantage in the global marketplace since minority-owned firms often have cultural, language, and business ties to their countries of origin. Overall, an effective supplier diversity program helps provide corporations with a competitive marketplace advantage.

• **Decline of Government Programs.** In the 1970’s, the government was a primary force behind the minority supplier development. However, two major court decisions and other legal challenges have reduced the government’s role in this area. The Croson v. City of Richmond and Adarand v. Peña decisions, in 1989 and 1995, respectively, imposed new “strict scrutiny” standards before race-based preferences could be used. The practical effect of the Croson decision resulted in many State and local government minority contracting program being dismantled. The Adarand decision required “baselining” to determine if race-based preferences could be used in certain industry sectors and imposed new certification standards for “small disadvantaged businesses”. Many eligible minority firms have not been certified under the new federal SDB standards, lowering the pool of eligible minority suppliers that can be considered for government contract work.

• **World-Class Standards.** Supplier diversity, similar to other mainstream purchasing functions, has developed its own set of world-class standards. These standards were developed by RGMA, a Chicago-based consulting firm. They rank organizational supplier diversity programs into five levels: 1) no program; 2) basic program; 3) traditional program; 4) advanced program; and 5) world-class program. These standards provide a framework for developing effective supplier diversity programs and have been adopted as the de facto benchmark by many major corporations.

• **Rise of the Mega-MBEs.** Minority businesses have grown not only in numbers but also in size. The National Minority Supplier Development Council established a “Corporate Plus” program with 66 companies (as of this writing) capable of meeting national contract requirements. This growth is also part of the second and third generation of minority business owners. The new generation of owners are often college educated (or better), have corporate experience, embrace technology, and have access to capital to take their businesses to the next level. These mega-MBEs are now regularly documented, e.g., Black Enterprise 100, Hispanic Business 500, and the Minority Business News 100. The February 2000 passage of the NMSDC’s “growth initiative” allows for new class of minority businesses that can retain their minority status while accepting equity capital from institutional investors. This special certification program helps minority businesses grow quickly so they can service large-scale contracts.

• **The Tent Gets Bigger.** Supplier diversity programs have traditionally had their primary focus on minority-owned businesses. Women-owned businesses, to include contracting goals, were gradually added by many corporations. The Federal Acquisition Streamlining Act established a 5 percent goal for women-owned business. In August 1999, disabled veteran-owned businesses had a 3 percent goal established for federal contracts.

• **E-Commerce.** Electronic commerce is revolutionizing the procurement process. Corporations are using e-commerce to eliminate many inefficiencies in their supply
chains by directly linking buyers and sellers. This means traditional “middleman” functions performed by many minority- and women-owned businesses such as distributors are at risk. On the upside, e-commerce is creating a myriad of new technology opportunities in such areas such as Web marketing, electronic publishing, and distance learning. Minority- and women-owned businesses face a “digital divide” when it comes to accessing technology. Technology “incubators” and partnerships are helping to eliminate this problem. Supplier diversity program managers, in order to remain effective, must develop new skills in developing Internet markets that include diverse suppliers and must educate their suppliers on e-commerce.

- **Globalization of Supplier Diversity.** Supplier diversity programs are slowly migrating beyond United States due to similar demographic, economic, and political forces elsewhere in the world. In fact, the April 9, 2000 edition of the *Sydney Morning Herald* reports whites will be a minority in Britain by the end of this century. In Europe, British Telecom has developed purchasing programs targeted toward Afro-Caribbean and Asian Indian suppliers. South African is looking at US supplier diversity model in a post-Apartheid economy.

**Implications.** The above mega-trends need to be considered when developing the supplier diversity programs of the 21st century. Corporate programs will need to place more emphasis on supplier development (mentoring programs), creating alliances, and eliminating any e-commerce “digital divides”. Minority-, women- and disabled veteran-owned businesses must become skilled at creating “virtual” corporations, leveraging technology, and rapidly adapting to change.

Don’t Get Lost in the Maze – Have a M/WBE Mentoring Plan
Mentoring Alternatives

Not all situations require one-on-one mentoring. There are other options to help develop M/WBEs such as:

- Consultants
- Joint Ventures
- Technical Transfusion
- Subcontracting
- Coaching (Sharing Skills)

These options should be explored as part of the mentoring decision.

Challenges with Current M/WBE Mentoring Programs

Some buying organizations may not want to get involved in a supplier development (mentoring) program for a variety of reasons which include:

- Insufficient staff / financial resources (mentoring cost may exceed budget)
- No policies or procedures (unsure where to start – feel lost in a maze of options)
- Poor procurement planning process (makes it hard to identify opportunities)
- Fear of failure (worried M/WBE protégé may not work out)
- No clearly defined success measurements (not sure how to show value-added)
- Liability concerns (for giving advice that doesn’t work out)

Other buying organizations use informal M/WBE mentoring programs. These typically involve providing assistance and referrals to M/WBE suppliers, telling them how to do business with their organization, etc. The informal mentoring, while easy to do, does not do much to increase the M/WBE supplier’s scope and capacity, or help them become a strategic supplier.

M/WBE Mentoring Assistance Areas. Mentoring can be general or specific assistance. Areas where M/WBEs typically receive mentoring assistance are:

- Marketing
- Financial Planning
- Technology
- Management
- Strategic Planning
- Subcontracting
- Joint Ventures

M/WBEs can also have more than one mentor, depending on their needs and stage of development. However, some programs have restrictions on the number of mentors.

Mentoring for M/WBEs is referred to in several different ways to include the terms: supplier development, mentor-protégé, and business incubator programs.
### Major Supplier Diversity Barriers & Solutions

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Explanation</th>
<th>Solution</th>
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<tbody>
<tr>
<td>Contract Bundling (Combining two or more previously separate contracts into one contract)</td>
<td>Strategic sourcing, cost reduction requirements, and e-commerce are driving buying organizations to reduce their number of suppliers</td>
<td>M/WBE Mentoring Programs, M/WBE Alliances to build capacity, Develop Market Niche Strategy, 2nd and 3rd Tier M/WBE Participation Programs</td>
</tr>
<tr>
<td>Technology (Websites, online marketing, hardware &amp; software, and the accompanying know-how)</td>
<td>A “digital divide” exists that keeps M/WBE suppliers out of networks that support the adoption of new technology into their businesses</td>
<td>M/WBE Mentoring Programs, M/WBE Alliances</td>
</tr>
<tr>
<td>Financing (Access to capital)</td>
<td>Many M/WBE have problems with collateral, getting start-up funding, overuse of credit cards to support cash flow.</td>
<td>M/WBE Mentoring Programs, Financial Assistance Programs</td>
</tr>
</tbody>
</table>

### The Need for M/WBE Mentoring is Growing

In the early days of M/WBE programs (1960’s and 1970’s), it was relatively easy to breakout contracts to provide M/WBEs with a portion of the work. However, several new procurement trends starting in the 1990’s changed all this. M/WBEs now seeking contracts with major corporations face several challenges, to include:

- Contract bundling (combining two or more smaller contracts into one large one)
- Inability to meet volume and/or service capacities created by bundled contracts
- Use of one or two “strategic suppliers” for each major category type purchased (usually not a M/WBE)
- Technology requirements such as the ability to sell products and get paid online through online exchanges and reverse auctions sites (i.e., “the digital divide”)
- Global sourcing which means M/WBEs are facing offshore competitors
- Scope of work challenges
- Continued exclusion from business networks that provide them with access to contract opportunities and/or financing (e.g., venture and/or equity capital)

The above challenges are significant and are having a negative impact on supplier diversity. *The Washington Times* noted the total federal procurement dollars (approximately $200 billion annually) awarded to small businesses has decreased from 35 percent in fiscal year 1991 to 15 percent in fiscal year 2001. A trend that still continues, despite all the efforts over the last three decades, the average corporation only spends about 4% of its total procurement dollars with MBEs.
In fact, one of the biggest supplier diversity challenges of the 21st century will be to increase the volume, service, and geographical capacities of M/WBE firms. Supplier mentoring will play a key part in meeting this challenge.

**Mentoring Benefits**

There are many benefits to organizations mentoring minority businesses. An example is provided by Lockheed Martin. The company has an active mentor-protégé program. Its purpose is to enhance the capabilities of protégé firms and to improve their ability to successfully compete for contracts. Lockheed Martin uses their mentoring program to provide assistance to the small business community and to improve resources for business success. Lockheed Martin’s mentor protégé program is one component of the company’s supplier diversity program, which covers all Lockheed Martin companies. Each company is required to designate a Small Business/Supplier Diversity Program specialist, whose job it is to serve as the liaison between small businesses and company personnel and to ensure that subcontracting goals for each class of small business (FAR 52.219-1) are met.

### Examples of Organizations Engaged in M/WBE Mentoring

<table>
<thead>
<tr>
<th>Government Agencies</th>
<th>Non-Profits</th>
<th>Corporations</th>
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<tbody>
<tr>
<td>Department of Defense</td>
<td>Houston Minority Business Council</td>
<td>General Motors</td>
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<tr>
<td>US Air Force</td>
<td>Minneapolis Minority Business Development Council</td>
<td>Lockheed Martin</td>
</tr>
<tr>
<td>National Aeronautics and Space Administration</td>
<td>Kentuckiana Minority Supplier Development Council</td>
<td>DaimlerChrysler</td>
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<tr>
<td>Environmental Protection Agency</td>
<td>Pittsburgh Regional Minority Supplier Council</td>
<td>Ford Motor Company</td>
</tr>
<tr>
<td>Federal Aviation Administration</td>
<td>Vanderbilt University</td>
<td>British Telcom</td>
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<tr>
<td>Department of Energy</td>
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<td>Northrop Grumman</td>
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<tr>
<td>U.S. Small Business Administration</td>
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<td>Dana Corporation</td>
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<td>Computer Sciences Corporation</td>
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<td>Bell Helicopter</td>
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<td>IBM</td>
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<td></td>
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<td>Raytheon Systems Company</td>
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</table>

Caremark Rx has recently established a Supplier Mentoring Program. The company takes pride and an active concern in supporting small businesses. This is done for a variety of reasons. Small businesses could turn out be a large business and Caremark clients. Supporting small businesses helps creates jobs in the community which helps stabilize the economy. The ultimate result is when the company put dollars and jobs back into the community, it enhances their reputation, and increases market share. When the protégé company grows this creates jobs and a need for supplies & services (which other small businesses can provide them).
### Benefits of M/WBE Mentoring Programs

#### Why do Corporations and Government Agencies Mentor M/WBEs?

- To develop M/WBE strategic suppliers
- To help meet client M/WBE goals
- To reduce costs & improve quality
- To transfer knowledge and information
- To create “world-class” M/WBE suppliers
- To meet “good faith effort” requirements
- To create goodwill with customers
- To help sell their products to diverse groups
- To support marketing & public relations programs
- To get M/WBE subcontracting credits

### Overcoming M/WBE Mentoring Barriers

This is much easier said than done. There are several key barriers that need to be overcome, such as:

- There is no standard process or set of best practices for M/WBE mentoring
- The M/WBE mentoring network is very fragmented
- Most corporations have no or very limited resources to support M/WBE mentoring
- Success measurements are unclear

Other traditional barriers must also be overcome. According to the report “Building Minority Businesses” by the Urban League, other barriers to minority businesses include:

#### “Old Boy” Networks are Important.

Because of the importance of personal relationships in doing business, minority-owned firms surveyed report difficulty entering established supplier networks, thereby losing opportunities for which they might be qualified. 74 percent of minority vendors surveyed believe that a corporate “old boy” network continues to operate in purchasing.

#### Size Has an Effect.

The small average size of minority-owned firms makes it difficult for some to accommodate the supplier reduction programs that result in larger contracts to fewer firms.

#### Financing is a Problem.

Lack of financing continues to be a major problem. 33 percent reported difficulty obtaining financing for expansion.

#### Use of Electronic Data Interchanges is Increasing.

Increasingly, corporate buyers are requiring suppliers to communicate with them by computer for bidding, ordering, inventory control, shipping, invoicing and payment. These developments favor well-capitalized firms that can invest in computer-based communications. They require that the small vendor have expertise not only in his / her product line, but also in managerial systems.

As a practical matter, supplier diversity managers will probably be the point persons for developing mentoring programs. They will need new skills to include: 1) knowing how to identify mentoring opportunities; 2) strategic planning / project management; 3) developing incentives for their Tier 1 (prime supplier) mentor firms; 4) managing a support team for M/WBE protégé firm; and 5) e-market development & virtual alliance building.

**Basic Steps.** Mentoring is a process. This means it can be managed and repeated.

A brief overview of the mentoring process is provided below:

1. Determine which opportunities exist in supply chain
2. Define goals for corporate mentor and M/WBE protégé firm
3. Select protégé (mentee) firm
4. Conduct a business and quality management review of protégé firm
5. Pick mentor and protégé firms
6. Protégés pick their mentors
7. Establish a budget, key milestones, and success measurements
8. Prepare mentoring (supplier development) plan
9. Create a network of support resources for company
10. Mentors can be anyone a M/WBE can learn from (not necessarily top executives)
11. Provide a guaranteed level of business for a period of time to provide stability
12. Perform quarterly and annual performance reviews

The above steps will be discussed in more detail in the next chapter.
Use the 12-Step Approach to Make All the Pieces Fit

The key thing is the mentoring plan needs to be put in writing and goals and expectations must be clearly understood between both parties. As a practical matter, it’s best to start small and then expand the scope of the mentoring program as the relationship between mentor and protégé develops. Supplier diversity managers maximize their chances for success if they create a task force to help them with M/WBE Mentoring Program.

In addition to the above, buying organizations should also share lessons learned, both internal and external to the organizations, to help replicate their successes.

<table>
<thead>
<tr>
<th>Roles and Responsibilities</th>
<th>MENTOR</th>
<th>PROTÉGÉ (MENTEE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine developmental (growth) needs of the M/WBE supplier</td>
<td>Make a commitment to reach growth goals</td>
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<tr>
<td>Help develop a growth plan</td>
<td>Help develop a growth plan</td>
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<tr>
<td>Set clear performance goals</td>
<td>Set clear performance goals</td>
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<tr>
<td>Make a commitment of funding, personnel, and time to support the mentoring effort</td>
<td>Make a commitment of funding, personnel, and time to support the mentoring effort</td>
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</tr>
<tr>
<td>Help provide a team of experts to provide the needed support.</td>
<td>Work with the team of experts. Apply advice where it works.</td>
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<tr>
<td>Create the mentor-protégé agreement</td>
<td>Review and sign the agreement</td>
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</tr>
<tr>
<td>Provide educational and training opportunities for M/WBE Protégé</td>
<td>Attend educational and training forums and incorporate knowledge in company</td>
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<tr>
<td>Provide feedback on progress</td>
<td>Respond to feedback</td>
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<tr>
<td>Prepare progress reports</td>
<td>Provide input for reports</td>
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<tr>
<td>Introduce M/WBE protégé to other internal buyers and/or other potential corporate clients to help expand their business base</td>
<td>Follow-up on contacts made. Ask mentor for referrals.</td>
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</tr>
<tr>
<td>Modify the mentoring agreement, when necessary</td>
<td>Work with mentor to modify the agreement, if required</td>
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</tr>
<tr>
<td>Apply lessons learned to other M/WBE mentoring situations</td>
<td>Help prepare lessons learned summary</td>
<td></td>
</tr>
<tr>
<td>Introduce your M/WBE mentoring process to other companies in your industry</td>
<td>Support mentor in this area</td>
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</tr>
<tr>
<td>Provide ongoing education and training</td>
<td>Use all provided education and training</td>
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</table>
**Chapter Summary.** MBE and WBE mentoring is the next major step in supplier diversity. Minority businesses need role models (mentors) to help give them the necessary size, scope, and management capabilities they need to become successful world-class companies in the 21st century global economy.

Some key thoughts to keep in mind are:

- Every M/WBE firm needs a mentor at one time or another
- No mentoring will likely result in less M/WBE spend dollars over time
- Multiple mentors have more positive impact than a single mentor
- Mentoring requires a long-term commitment (at least one year)
- Period protégé performance assessments are necessary, e.g., quarterly reviews
- Developmental goals should be written, but allow flexibility
- Established and successful M/WBE firms can mentor emerging M/WBEs
- M/WBEs should build relationships before they are needed
- Technology is not a substitute for building relationships

Buying organizations will need to step up their mentoring programs in order to prevent losses due to contract bundling, technology requirements, and strategic / global sourcing strategies. Given the lack of a common process or support resources, this will take some time and a determined commitment to make M/WBE mentoring work.

> “People have to understand supplier diversity is not about race or gender. It’s about reaching out to an entire community instead of shutting doors, and can increase the competition and provide an opportunity under the most basic American principle, equal access to all.”

> -- Dorothy Brothers, Senior Vice President
> Supplier Diversity and Development
> Bank of America.
> (August 2001)

Please note having an agreement should not guarantee the M/WBE protégé firm will automatically get a contract with the mentor. Protégés can get non-contract assistance such as learning how to sell, technology development, and marketing assistance. The need to separate having a contract from being a mentor was a recurring theme voiced by many buying organizations to the authors during our research.
Does This Describe You?

- Frustrated about not having a process to develop M/WBE suppliers?
- Concerned your smaller suppliers can’t keep up with contract bundling?
- M/WBE suppliers limited to non-core, low-dollar contract opportunities?
- Having trouble meeting your client’s supplier diversity goals?
- Don’t have the time to develop a mentoring program?
- Losing business to competitors with more effective supplier diversity development programs?
- Need a game plan to help plan the future for your company’s supplier diversity and purchasing / contract management programs?

Not having an M/WBE Mentoring Program can threaten the long-term success of your supplier diversity program.

The “M/WBE Mentoring Handbook” provides a step-by-step approach to identifying all requirements to succeed. Using the guide makes it easy to understand why mentoring is necessary, how to do it, and what support resources are available.

Practical “How To” Information to Develop Minority and Women-Owned Businesses into Strategic Suppliers

The Most Comprehensive Reference on M/WBE Mentoring

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