

Best Practices in Supplier Diversity

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Supplier diversity is the process of developing a supplier base that mirrors an organization's customer base. It has evolved into a separate discipline within the purchasing function, and sometimes at the corporate level.

Best practices for supplier diversity programs are summarized below:

1. **Goals.** Setting quantifiable goals for making purchases from minority-owned businesses (MBEs) and women-owned business (WBEs) is critical to the success of any supplier diversity program. Goals set the necessary performance standards. They are established by customer requirements, benchmarking and using historical best performance. MBE/WBE goals need to be tailored by commodity area and then rolled-up into an overall company goal. MBE/WBE procurement goals should be included in the corporate supplier diversity policy statement.
2. **Accountability.** Managers as well as individual buyers need to be held accountable for reaching MBE and WBE goals. The best companies include this in buyer performance appraisals along with cost savings, product/service quality, and reduced procurement cycle times. What gets measured, gets done.
3. **Pre-Sourcing.** Correctly matching MBE and WBE suppliers with procurement opportunities needs to be an ongoing and proactive process. Forecasting purchasing requirements helps save time, reduce risks, and also helps ensure a diversity of suppliers. Pre-sourcing is part of effective supply chain management and helps ensure MBE and WBE suppliers get a fair opportunity to compete. The Internet is an excellent tool to help locate and learn about prospective suppliers by reviewing their Web sites. To ensure success, these lists must be included in the sourcing plans used by buying teams. Pre-sourcing helps avoid the "We can't find anybody" syndrome. Introducing MBE/WBE suppliers to the buyer's internal customers is also part of this process. Excellent examples of M/WBE pre-sourcing lists are the Central Contractor Registry at www.ccr.gov (click "Dynamic Database" button) and the Diversity Information Resources MBE and WBE supplier directories at www.diversityinforesources.com.
4. **Advisory Group.** The supplier diversity program must be integrated into the main mission of the buying organization. Establishing a cross-functional advisory committee provides valuable feedback on how to improve the program, obtain resources, and also gets "buy in." Advisory groups are an essential part of building a coalition for change that opens the doors to new opportunities for MBE/WBEs.
5. **Awards Program.** Successful supplier diversity programs are no accident. Persons who make the extra effort should be recognized to reward them but also to encourage others.
6. **Subcontracting.** The supplier diversity program must also include Tier 2 or subcontracting program. Tier 1 suppliers invoice the buying organization. Tier 2 suppliers invoice the Tier 1 suppliers. Tier 2 is essential since many procurement dollars are spent with MBE and WBE suppliers.

7. **Excludables.** The list of items excluded from MBE and WBE goals should be kept to minimum. Examples of items typically excluded from the base are payroll, taxes, and intracompany transfers. It helps if there is a set of industry standards in this area.
8. **Education.** Buyers and Tier 1 (prime) suppliers need to be educated on how to develop and manage supplier diversity programs. The best programs include ongoing education in such areas as marketing, technology, and business alliances.
9. **E-Commerce.** Electronic commerce is fundamentally changing the way procurement gets done. Supply chains are being reorganized into “vertical” markets. These changes provide MBE and WBE suppliers an opportunity to move to the next level in the supply chain. However, they also cause new barriers. Best practices are e-business education, mentoring, identifying high-potential suppliers for participation in online business-to-business markets, and setting MBE/WBE e-commerce participation goals. Use of such sites as www.e-mbe.net are a good resource for M/WBE firms.
10. **Certification.** Only MBE/WBE firms that have been certified by an accredited third-party agency should be used. Use of certified suppliers helps prevent the use “front” companies. Leading certification agencies are the National Minority Supplier Development Council (www.nmsdcus.org) and the Women’s Business Enterprise National Council (www.wbenc.org).
11. **Benchmarking.** It is a good idea to benchmark your organization’s supplier diversity process, both internally and externally. Benchmarking outside your industry is a good way to get “breakthrough” results. A good source to obtain benchmarks is from industry groups. Benchmarking needs to be done periodically to keep current.
12. **Outreach.** A pro-active program is needed to outreach to minority- and women-owned businesses. This involves attending trade fairs, having a web site, advertising, etc. Outreach is essential to learning the capabilities of individual MBE/WBE suppliers. Having an Internet presence is a crucial to an outreach program. An internal supplier diversity intranet is also a best practice.

The above best practices help ensure equal access to procurement opportunities which is a key element of supplier diversity. They need to be implemented by appointing a supplier diversity program manager and developing an action plan. Good luck!

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