

The Supplier Diversity Digital Divide

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INTRODUCTION. The Internet is fast becoming the way of doing business. A recent report notes “in 2001, eight to 10 percent of the largest 5,000 companies were using e-procurement software. By 2003, it is estimated it could grow to 80-90 percent.” (Source: “E-Procurement May Save Trillions”, Reuters, December 17, 2001). The Reuters report also noted companies around the globe spend \$20 trillion annually on external goods and services. This translates to high stakes for companies who must move their businesses online.

The Internet is opening up a new chapter in the purchasing and supplier diversity areas.

THE DIGITAL DIVIDE. The rapid pace of technology has helped create a “digital divide” in the United States. This is defined as the lack of access to technology due to several factors such as:

- Income
- Education
- Disability
- Race
- Language
- Age
- Gender

The digital divide also extends to supplier diversity. Minority- and women-owned businesses (M/WBEs) face new challenges as they move online. Those businesses who do not move online risk increased costs, decreased markets, lower productivity, and ultimately loss of their long-term viability due to exclusion from online supplier networks.

THE NEW “BIG 3” REASONS. Minority- and women-owned businesses have faced many historical challenges. Despite many years of effort, minority businesses only receive about 3.5% of total corporate purchasing dollars. Women-owned businesses receive less than 4% of all venture capital, less than 3% of corporate purchasing dollars and approximately 2% of Federal contracts.

For some, e-commerce is adding to the reasons to exclude M/WBE suppliers. This has added a new third reason for not including diversity suppliers:

1. I can't find anybody.
2. They aren't big enough to meet our (bundled) requirements.
3. They can't do business on the Internet.

E-commerce is more than just putting up a home page. It also requires the ability to electronically process payments, provide customer service & scheduling, etc. It also requires developing strategies that integrate the off-line and on-line functions of the business such as marketing and customer service.

STATISTICS. A recent article titled “Few Minority Firms Use E-Commerce” in the July 19, 2001 edition of *The Los Angeles Times* provides the following statistics:

- Only about 13% of the nation's largest minority-owned firms use the Internet to sell products and services
- 42% to 56% of the nation's largest minority-owned firms had Web sites.

A related article titled “Small Businesses Not Making Full Use of Web” in the August 28, 2001 edition of *USA Today* notes 65% of small-company Web sites do not let customers buy online, which substantially reduces their effectiveness.

M/WBE E-COMMERCE CHALLENGES. Only a small percentage of M/WBEs have Web sites and even fewer have effective total e-commerce capabilities. This is a concern since e-commerce is becoming the mainstream purchasing vehicle. Those suppliers that can't keep up will be left behind, endangering years of work to increase corporate minority business development. M/WBEs are especially at risk. M/WBEs face special challenges in e-commerce such as:

- Few role models
- Limited access to mentoring and technical assistance
- Disintermediation (squeezing out the middleman)
- Unprofitable Web sites
- Limited access to online business-to-business exchanges
- Few resources to prepare an effective e-commerce business plan
- Language and cultural challenges
- Stereotypes and misconceptions about their capabilities
- Limited ability to meet e-marketplace size and scale requirements

Another key challenge is most M/WBE suppliers sell services but do not believe they can sell them online. This is one of the unfortunate myths of e-commerce that limits M/WBE participation.

NEW ROLES FOR SUPPLIER DIVERSITY MANAGERS. E-commerce provides a new set of challenges for supplier diversity managers. The Internet, used effectively, has the potential to help remove the most formidable barrier faced by M/WBEs – lack of access to business networks and the resulting contracting opportunities they create.

A pro-active approach is the key to success. Corporate supplier diversity managers and M/WBE advocacy agencies need to develop e-commerce action plans to help close the digital divide. Some suggestions are:

- e-commerce education seminars
- setting M/WBE e-commerce purchasing goals
- e-mentoring programs
- sharing success stories
- moving now to position M/WBEs in Internet-based markets
- emphasize programs to help sell services online (since most M/WBEs are in this space)
- encourage their suppliers to do self-assessments of their e-commerce capabilities
- help build M/WBE supplier coalitions to meet e-market requirements

Education is a powerful tool to help close the M/WBE digital divide. Knowledge can provide the tools, techniques, and the means necessary to develop an effective e-commerce presence for M/WBEs. Which is one of the reasons why www.e-mbe.net was created.

SUMMARY. The technology of e-commerce changes rapidly, which in turn speeds up the business cycle. Traditional supplier diversity programs must recognize the digital divide exists and adapt to the times or risk losing their gains in M/WBE participation. A pro-active approach is the key to success.

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NOTE: This information was originally published in January 2002.

UPDATED INFORMATION

A related follow-up article in the December 30, 2002 edition of USA TODAY noted that 70% of small businesses do not have Web sites. The percentage was about the same as a survey taken in 1999. In 2004, another survey found most small businesses do not have Web sites.

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