Abstract. In the Fall of 2004, a team of MBA students and faculty from the Supply Chain Resource Consortium conducted a benchmarking study of current practices in minority supplier development. A set of online survey scores have been used to arrive at cross industry benchmarking of performance in ‘Program Assessment Areas’ and ‘Program Components’. The research emphasizes that companies in many industries are making great improvements in minority supplier development programs. However, until organizations can devote more resources to actively improving minority suppliers through focused supplier development programs, growth of minority suppliers in the supply base will remain problematic.

Program Assessment Areas: Trends. In Figure 1 below, the relative ranking of the components of the ‘Program Assessment Areas’ across industries, starts with ‘Information Flow/Technology’ scoring the highest, followed by ‘Leadership’. The result in the graph aligns with our findings from the interviews that almost all the industries have limited ‘Resources’ for the Supplier Diversity Program. One interesting observation regarding resource allocation is that industries that are rife with financial difficulties do not have the luxury to dedicate additional resources for these programs. However, in industries that are not experiencing financial difficulties, we observed that there was often a lack of executive sponsorship, which led to the same outcome that diversity does not get enough attention and budget allocation for its progress. This reflects in the low average score for ‘Corporate Commitment’ (Figure 2).

Many of the companies we interviewed are defining new processes in ‘Performance Measurement’ of their SDP and their ‘Supplier’s Performance’. The ‘Supplier Development’ component has been the last in the ranking, all across the survey (please refer to the chart below). Most of the industries indicated that they are having difficulty in ‘Discovery and Identification’ of minority suppliers, especially ‘CPG-Life Sciences’ and ‘Energy’ industry. One possible reason is that these suppliers require access to large amount of capital for conducting business in both these industries.
Several industry specific ‘best practices’ were identified. These have been consolidated and listed under related ‘Program Components’ and ‘Program Assessment Areas’ of the survey. The ‘best practices’ listed below can be applied across any supply management organization irrespective of industry.
‘Discovery and Identification’ of Suppliers.

- Use of online resources such as MBISYS® program of NMSDC, which is a national database containing 15,000 NMSDC certified minority-owned businesses (http://www.nmsdc.us/MBEs/mbisys20rev.html). The DiversityBusiness.com website contains a comprehensive supplier locator tool.
- PRO-Net (formerly hosted by SBA) has been integrated with DOD’s Central Contractor Registration (CCR) databases to form one portal for entering and searching small business sources though the ‘Dynamic Small Business Search. This is an excellent tool with extensive search capabilities (http://dsbs.sba.gov/dsbs/dsp_dsbs.cfm).
- D&B Supply Locator is a web-enabled tool that allows you to search global supplier database of 79 million businesses (www.dnb.com).
- Active networking within the minority-owned business community, membership in NMSDC, SBA, MWBE, industry trade associations and participating in regional and national Supplier Diversity conferences and seminars would increase access to diverse suppliers.

‘Process’ Improvement.

- Mandate Tier-I suppliers to have a Tier-II diversity spend goal and incorporate the terms in the contracts. Tier-I suppliers should be able to record their diversity spend online through the customer’s website. This is a good practice in the sense that by increasing Tier-II diversity spend; it offsets the effect of diminishing opportunities for minority suppliers due to increased global sourcing and offshore contracting. Online tracking also increases visibility and compliance.
- Include minority suppliers in all RFQs’ without exception. Policies may be defined based on mutually agreed upon terms between Business Units and Supplier Diversity Council in the organization.
- Supplier Diversity Program’s goals and objectives should be tied to Supply Chain Management strategy and with Supply Chain job functions. Business Units should also have ‘Diversity Goals’ in order to increase participation and commitment in the program.
- Supplier Diversity Program may be incorporated within the corporate procurement organization and supplier diversity advocates may be assigned to BUs to provide training and support to buyers as well as to the sales force and marketing team, and observe compliance. It is easier to obtain executive sponsorship and attention from the rest of the organization by being a corporate entity. Another positive aspect of this type of setup is that it enables consolidation of spend with the minority suppliers that are being developed by the corporate SDP.
- A successful Supplier Diversity Program must incorporate all corporate functions in which suppliers are selected and procurement commitments are made. Corporate Supplier Diversity Committee should include management representatives from all such cross-functional areas as: Advertising, Public Relations, Finance, Legal, R&D, Human Resources, Engineering, Real Estate, Traffic & Distribution, Sales and Corporate Office Administration. This is in recognition of the fact that SDP should be Supply Chain accountability and not just a corporate accountability.

‘Leadership’ / ‘Corporate Commitment’.

- Executive steering committee such as Diversity Council / Economic Development Council is instituted in the company to review and guide the SDP. This insures top management
participation and involvement. One of the pharmaceutical health care companies cited an example where the CFO is the program champion, with active sponsorship of the CEO – overall a very high level of authority is involved in the program.

- CEO and similar higher ranking officers should demonstrate personal commitment to the Supplier Diversity Program through participation in SDP events, meeting with the diversity council members and with minority suppliers and spreading success stories and personal commitment through formal communication with the organization.
- Include Supplier Diversity goals in the executive performance plans. In one of the leading aerospace companies, implementing the plan has resulted in active executive leadership at the top and has triggered initiatives such as outreach events, support of advocacy groups, and travel around the country to find suppliers and make investments to help promote diverse suppliers.
- Performance reviews of managers involved in buying activities in various departments in the organization should include Supplier Diversity Program goals. Developing the Supplier Diversity Program should not be thought of as a responsibility of the Procurement department or the Supplier Diversity advocates, but should be the responsibility of all buyers in the organization.

‘Information Flow (Technology)’ Initiatives.

- Facilitate online registration of minority suppliers through company websites. Once a minority supplier is identified it should be listed in the central database of suppliers to be used later on by buyers and procurement department in the organization.
- Companies are using IT capabilities extensively to track Tier-I and Tier-II diversity spend across the organization. IT systems are being used to monitor lead-time adherence, quality levels, and delivery reliability.
- IT is being used by organizations to train employees and suppliers on wide range of topics. This is a cost effective and flexible approach to educate and increase awareness about SDP within the organization.
- One of the leading pharmaceutical companies’ has created a e-enabled marketplace of diverse suppliers. Hoping to add other corporations and create a competitive environment for diverse suppliers.

‘Supplier Development’. Special emphasis has been given to this section as ‘Supplier Development’ has been identified as the ‘weakest link’ in the chain.

Identify Expectations From ‘Minority Suppliers’ and SDP. One of the banking services company has supplier development managers work with diverse businesses to set clear objectives outlined in actionable, commodity specific, custom supplier development plans. Development activities for prime suppliers include contract language detailing, second-tier expectations and non-spending goals that facilitate contributions or activities targeted toward the development of diverse businesses.

Companies’ are conducting Six Sigma based commodity analysis of supplier diversity spending to identify individual commodity goals. Assigning these performance goals to sourcing management will provide a strong link to the larger corporate goal by identifying what each commodity can realistically achieve with their purchasing dollars. Identify spend
categories, not limited to direct material procurement, but spread over indirect material and service categories as well.

**Training Program.** Companies are engaging in government-sponsored programs (both state and federal) for developing minority suppliers. Mentor-Protégé Programs are examples of such minority supplier development programs.

(http://www.buncombecounty.org/governing/depts/Minority/mentor.htm) sponsored by state governments as well as federal agencies (http://www.acq.osd.mil/sadbu/mentor_protege/) to facilitate a Mentor-Protégé relationship between minority suppliers and companies having SDP. They are also extending access to internal training programs and training facilities such as ‘Procurement University’ to minority suppliers on how to connect with the buyers, how to get contracts and serve the company better.

One of the leading pharmaceutical company sponsors capable suppliers for training programs at universities. The same pharmaceutical company had 10 suppliers assigned to a mentor, who in turn gets inputs from a consultant to identify areas where the company can invest with 75/25 split. This is a one-year program, with rigorous monitoring of the progress through meetings scheduled twice a month.

**Corporate Sponsorship and Support.** One company and a few of its competitors and/or Tier-I suppliers can form a critical mass in creating or growing a new supplier to serve the group. For example, one company in cooperation with a current Packaging Supplier and its Paper Industry Parent, created a MBE corrugated box supplier. The Paper Mill provided raw material at a favorable contract price; P&G and its team issued long-term purchase contracts and the Packaging Supplier sold the new MBE firm a couple of box plants. The group supported the underlying financing.

It is also important to form an advocacy group of companies’ within the industry that are willing to share their supply base with each other in order to provide greater volumes and opportunities to minority suppliers. Allow them to “market” the fact that they are a supplier to you (a form of extending the brand by association). Some companies provide financial support to the minority suppliers to upgrade/expand parts of their business that may be deemed strategically important to the company and supplier relationship.

**Motivational Incentives.** One executive recommended including of at least one MBE supplier in the top rank of suppliers chosen for partnering initiatives. It is also important to create appropriate policies that enable and reward creative work in growing the MBE program in combination with other goals.

Companies also emphasized that it was important to establish a policy of phased competitiveness: for example a policy that allows Year One price premiums of (for example) as much as 10%. Within 2 years, the chosen MBE supplier has to be fully competitive. Chances are that such policy will succeed in “kicking the crutch” of non-competitiveness.

**Conclusion.** This report is an attempt towards analyzing the current status of the SDP in various industries and bringing the best practices together and sharing the knowledge for the benefit of the corporate community. The concepts and ideas are good on paper and gets even
better when it is implemented. Recognizing the fact that every industry is unique and has its own challenges and opportunities, the ‘best practices’ identified in the report may need to be synthesized as is appropriate on a case-to-case basis.

The research points to the fact that ‘Supplier Development’ is the weakest link in most companies’ Supplier Diversity programs. Supply managers need to dedicate more time and resources towards helping the minority suppliers grow and become more capable to better serve the needs of the customers. Although it may seem counter-intuitive, it is important to realize that in order to leverage the SDP in an industry it is essential to form a critical mass with the competitors and suppliers to support the ‘Supplier Development’ efforts. The mantra should be ‘Help your partners to serve you better’.