



Best Practices and Benchmarking for Supplier Diversity

Building strong programs starts with putting the right systems in place

When it comes to supplier diversity programming, chances are you're doing it wrong. Doubtful? In 2010, some 40 Global 1000 companies had their supplier diversity programs studied by The Hackett Group. The research pointed not to success or creation of world-class supplier procurement organizations, but to wasted resources and serious misalignment between goals and business reality.

"Many companies are taking the easy way out, and as a result aren't driving real supplier diversity benefits . . . they aren't showing the attention to detail required to create programs that have real impact," said Hackett's North American Procurement Advisory Lead Kurt Albertson. To create truly meaningful and useful supplier diversity programs, companies have to dig deeper in the strategic value of diversity to the business bottom line and the best long-term interests of their own business. This means additional thoughtfulness around key best practices for your unique corporate needs, picking out leaders for your industry, modeling practices that fit your culture, and continually measuring the success of your initiatives.

Real Key Best Practices

Getting diversity programming right relies on best practices. These best practices don't necessarily revolve around the easy points – corporate sponsorship at the top and funding. The truth is that diversity spending is at record highs and more than two-thirds of diversity executives report to a C-level executive according to Best Practices, LLC. Instead, best practices that truly drive results are rooted in objective measures independent of enthusiasm for the program or the name behind it.

Metrics dominate as a best practice since they drive accountability and provide milestones for year-over-year improvement. However, the programs at the top of the pyramid aren't looking strictly at 'spend' which can be subjectively defined. Industry leaders instead have multi-level scorecards that include elements such as percentage of projects that received a bid from the diverse community, company divisions with minority education plans, customized goals per business space, and community engagement numbers along with pure dollar metrics.

The next level of best practices link diversity programming directly to the business' strategic initiatives. The programming is not about winning awards in the diversity space, looking good at diversity events, or even fulfilling just the bare minimums of government requirements. Instead, truly strong programs are intertwined with where the business needs and wants to go in the future, eliminating any hint of being merely decorative or charitable in their aims. These are programs with meat, with teeth, and with every intention of advancing business aims.

Leaders By Industry

To identify which best practices should be emulated, it is important to study the leaders in each industry. What works in one space is not necessarily transferable to another, but what sets successful programs apart is their integration with the company's bottom-line needs and strategic



desires. These are programs who prove the business proposition of diversity programming and advance the cause with success stories each year.

Paul – I built this list from awards lists and our coverage over the last year. Please adapt as needed!

In the consumer packaged goods space, Pepsi Co, McCain Foods, and Kraft lead the way. Each company has a program that actively works to drive innovation in their supplier base, develop the capacity of their suppliers, and move the key goals of their firms through supplier optimization. With education, outreach, competitions, and business development these firms are creating world-class diverse procurement systems.

In the technology space, HP, Texas Instruments, and Northrup Grumman are key leaders. Their programming is unique in the way it educates and partners with emerging suppliers in the MWBE space, helping them grow to the next level while still being local standouts. Sharing innovation tools and working jointly to grow top talent in service delivery help these firms achieve a loyal procurement chain actively working on the next big thing.

In the financial and consulting space, BNY Mellon, Accenture, and Ernst & Young provide models for others in their industry. The firms are pioneering diversity throughout their organizations and pushing diversity programming in new directions, such as incorporating it with corporate responsibility initiatives or moving it into new markets. As a result, leading suppliers compete to do business with these firms.

Other spaces have their own leaders. The Port Authority of New York and New Jersey is a leader in the construction space, Novation leads in healthcare, and AT&T leads in communication. In every case, what sets these programs apart from others is a commitment to look beyond 'spend' to strategically engaged development of supply chain partners.

Fitting The Best To Your Culture

How can you determine what best practices and top programs are going to fit with your business? A key starting place is your own culture and strategy. You need to be clear on the character of your company and direction you want to pursue before putting any program in place to avoid wasting resources.

Once you have established your own culture and needs, look to the leaders within your own industry to set up your primary benchmarks. How are they moving the bar, and how does that connect back to what you need to do? Where exact programs don't fit, the spirit can be enough to guide you as you develop customized engagement and supplier development tools.

Continually Questioning Success

When you have your programming in place, you must remember that existence is not equal to success. Along with metrics to measure supplier development, it is important to measure change and corporate success as it relates to the ongoing operation of the program.



This is an area where many diversity programs are tempted to rely on spend as the proxy for success. Yet in diversity as in any other area of life, money does not equal the best strategic choice for your business. Monitoring additional success metrics and continually questioning the strategic merits of your work are key for program success.

This is especially true in the current economy. The “Greater Recession” is driving down spend worldwide as companies cut back in almost every area. For diversity programs that rely on spend as their only measure of success or failure, their entire supplier development framework is at risk since numbers are declining. Firms that have multi-layered scorecards can instead point to alternative areas of improvement, such as larger contract size per diverse supplier or increased utilization of diverse suppliers at the Tier 2 level.

In addition to building a program that is based on strategic systems with teeth, accountability needs to look beyond throwing money at the issue. Using best practices and benchmarking in the space can dig beyond just looking at spend, which The Hackett Group calls the easy way out. More thoughtful engagement and strategic ties will help programs evolve in the right way and meet business growth objectives even when economic conditions are hard.