

# **Diverse Suppliers are Agile, Cost-Effective, and Innovative – All They Need is an Opportunity**



# Why hasn't the needle moved in years in favor of diverse businesses in supply chains?



Despite numbering more than 50 percent of all firms in the United States, minority and female businesses represent only 6.1 percent of total annual revenue. Since 99.9 percent of all firms fall within the definition of small business, diverse firms also represent more than 50 percent of the small business population. **Of the more than \$30 trillion in annual revenue generated by all U.S. firms, nearly 60 percent is generated by a small group representing less than one-tenth of 1 percent of the U.S. business population.** While minority and female-owned firms represent more than 50 percent of the business population, these firms generate just over 6 percent of the total revenue. **What's even more troubling is the fact that the needle for minority firms hasn't moved since 1997.** While total revenue for all U.S. firms grew 65 percent between 1997 and 2008, from \$18.6 trillion to \$30.7 trillion, the portion of total revenue generated by minority firms only grew from 2.7 percent to 2.8 percent over the same period.<sup>1</sup>

**Most corporations have good intentions when they create a supplier diversity program.** It is proudly featured on their website. A senior executive is assigned to run a small department of corporate warriors that try and drive change across the enterprise. Forms are available for diverse suppliers to complete online for inclusion in RFPs and that is where progress stops! Frankly in most cases there is **NO** corporate wide commitment to hire or even consider these diverse suppliers. For minority-owned small businesses to survive, this will require a significant fundamental shift in how private, public, and government organizations work to support these essential businesses. However, diverse suppliers remain doubtful of how much private, public, and government organizations are changing their culture to include diverse suppliers in the future.

The standard identifier for diversity-owned small businesses is that they are at least 51% owned, controlled, and operated by ethnic minorities, women, and veterans.<sup>2</sup> Large corporations can find numerous organizations that work to certify diversity suppliers that meet standards. Like organizations for women (e.g., Women's Business Enterprise National Council — WBENC), minorities (e.g., National Minority Supplier Development Council — NMSDC), to name a few.





## **Working with diverse suppliers includes real tangible benefits.**

Research shows that 99 percent of all diverse suppliers meet or exceed expectations, dispelling any notion that quality and overall performance suffers. Simultaneously, small diversity suppliers are cheaper and more efficient, because they must work harder and smarter to win and keep the business.

Diversity-owned businesses compared to large-scale suppliers filled with multiple management layers, high overhead costs, and a less agile position when new directions need to happen quickly.

## **Diverse and women owned business enterprises are among the fastest-growing segments of the U.S. economy.**

Today women-owned businesses total nearly 300,000 and employ 2.4 million workers. 1.1 million minority-owned small businesses are employing more than 8.7 million workers.<sup>3</sup> Utilizing diverse suppliers

is a strategy that adds value and improves corporate success. The economy and world markets become more complex every day, and supply lines are taking a toll on companies that do not take advantage of diverse suppliers. Supplier diversity is driving economic growth precisely because it is utilizing untapped markets of skilled people to supply much-needed competition to the world's larger corporate supply chains.

## **Given these facts why is it that corporate buyers continue to favor large suppliers and pay them more?**

The bottom line is there is conflicting criteria used to qualify suppliers. Because diverse suppliers are typically smaller, they are excluded from consideration due to their size and lack of perceived strength. It becomes a self-fulfilling prophecy and a vicious cycle. I know my 35-year-old company has been subjected to this conflict consistently since the company was founded.

## **Minority and female-owned firms represent more than 50 percent of the business population.**

These firms generate just over 6 percent of the total revenue in the U.S.<sup>4</sup> Minority-owned companies have more than \$3 trillion in buying power. In comparison, women-owned businesses boast sales of at least \$3.6 trillion. So, success is already there – and no business isn't enhanced by partnering with existing successful suppliers. Companies putting time and money into supplier diversity programs experience no loss in efficiency, according to research from The Hackett Group.<sup>5</sup>

Women-owned small businesses bring advantages to the supplier table. Women business owners tend to place great importance on company mission and values. And they help their employees understand how they can contribute to the company's purpose. Purpose beyond profits sets women-owned small businesses apart. Women leaders score higher than men in a recent Harvard Business Review article with 84% of the qualities required for successful transformational leaders with characteristics such as honesty, integrity, resilience, bold leadership, relationships, and championing change.<sup>6</sup> Women-owned small businesses usually adopt a very collaborative and team style of leadership, where employees feel empowered in more visible decision making. As a result, many prioritize the work with marketing and support teams to create; trust, a relationship, agility to transform, and adapt to changing market needs.





# AT&T Puts Diversity Stake in the Ground

Earlier this year, AT&T committed to drive \$3 billion in spending for how it defines success within its Supplier Diversity Program. Their 2020 commitment aims to stimulate diversity job growth, improve opportunities for technical diversity development, and further foster the growth of diverse supplier community.

Susan A. Johnson, executive vice president – Global Connections & Supply Chain, AT&T. “With our renewed supplier diversity 2020 commitment, we will continue to develop creative solutions and work closely with all suppliers to foster economic growth and innovation within the communities we serve.”<sup>7</sup>



Today we live in a global and diverse economy that is continuing to change and reinvent itself. Research suggests several significant economic benefits of diversity. A greater variety of exports and related income, for instance, from ethnic ‘flavor’ products,

crafts, and job skills. Besides, diversity helps us all recognize and respect ‘ways of being’ that are not necessarily our own. How customers look at and engage with brands is also changing based on their social position, impact, cultural, and economic impact.

Brands need to commit to guiding principles, and inclusion of diversity when beginning to reshape their business model and operations. Applying more care is critical as a minority, and diverse consumers are now expanding in influence. More than ever, consumers are researching and buying products based on how they represent their personal and cultural identity. They are in control of what marketing messages they choose to interact with. Brands and companies need to engage them with empathy and communicate directly with them in a way that speaks to who they are as individuals.

Diversity and innovation go hand in hand; you cannot have one without the other. Innovation demands a new way of viewing things, and there is no way to think outside the box if everyone thinks, echoes, and acts like you. Diversity-owned small businesses set themselves apart from huge conglomerate suppliers. They strive to create approaches ahead of trends, are by nature, agile thinkers, adapters, and creators of new technology, and deliverers of unique products and services.

Diverse suppliers play a vital role in helping larger companies be agile, innovative, and responsive to changes in the market. For a complete list of considerations, the following nine points provide the rationale to work with diversity-owned small businesses.

## The Case for Supplier Diversity

- 1) Promotes innovation through the introduction of new products, services, and solutions.
- 2) Provides multiple channels from which to procure goods and services.
- 3) Drives competition between existing suppliers resulting in better prices and service levels.
- 4) Adds value to your supply chain through the ability to respond quickly to market changes.
- 5) You are mitigating risks by distributing dependency across suppliers.
- 6) Diversity-owned small businesses are acquisition candidates.
- 7) “Most Profitable Companies” based on sales from supplier-diversity initiatives — 11 out of 12 most successful Fortune 500 companies had strong diversity programs as a common factor.<sup>8</sup>
- 8) Boosts opportunities for increased market share where an inclusive employee base and an inclusive supply chain help increase the probability of success in multicultural markets and segments.
- 9) Social accountability and economic impact — The world is changing rapidly, and these changes represent a significant untapped opportunity for both U.S. based multinationals and the diverse suppliers in their supply chains.

## Diversity and Innovation: Leading by Example



**Paula Tompkins**

In 1985, she founded ChannelNet. She led the company’s creation of thousands of digital marketing and sales solutions for large enterprises in the financial services, home improvement, automotive, and retail markets. Paula Tompkins is a strategic visionary with a deep understanding digital customer engagement through data driven personalization. Her 40-plus-year career encompasses the full spectrum digital transformation in omnichannel environments.

For over 40 years, Paula has been driving digital transformation that integrates marketing, sales, and service channels to drive loyalty and retention across industries. She holds two U.S. Patents on her Engagement Platform and utilizes a Software as a Service (SaaS) model to create seamless ROI-driven customer experiences. Paula boasts a blue-chip roster of clients that use her engagement platform to drive retention and revenue in an increasingly digital and omnichannel business environment.

### Best Part of the Job

*“Being a change agent for our clients over the years and consistently getting results!”*

