Beyond Technology:
How the Right Partner Ensures Supplier Diversity Success
As emerging businesses grow and expand, additional opportunities to align and incorporate diversity into your company’s supply chain are available. Integrating minority- and women-owned businesses is more than meeting a financial target or percentage for demographic supplier representation. Rather, the idea is that emerging businesses in underrepresented communities can add value to your company through the building of mutually beneficial relationships.

The principal goal of a supplier diversity program is to institutionalize opportunities for small and diverse companies to compete to become a part of your supply chain. This is done through increasing competition among suppliers along with procurement buy in to open and find new opportunities available for diverse suppliers.

Manual administrative tasks such as tracking and reporting are time consuming and take away from the important roles of building relationships with suppliers, increasing awareness and accountability and identifying new and existing opportunities for inclusion.

No matter the stage of your supplier diversity program, collaborating with an experienced supplier diversity partner can help streamline and automate processes so you spend less time on manual tasks and you can focus on developing and advancing your company’s supplier diversity stage.
Beyond Technology: How the Right Partner Ensures Supplier Diversity Success

In a 2015 survey of nearly 40 Global 1000 companies and their supplier diversity programs, The Hackett Group found that, while companies with world-class procurement organizations are generally more successful when it comes to diversifying their supplier spend, this doesn't necessarily mean their supplier diversity programs are successful.

Create, track and measure metrics that one, align with corporate and procurement objectives and two, are accurate. When defining or analyzing your metrics it’s important to think about; Are they effectively demonstrating the ROI of your supplier diversity program? Are they tied to other departments goals/KPIs? Are you able to measure them effectively and regularly? You can’t be successful if you can’t track and monitor your results accurately. How do you know if your supplier data is accurate, therefore how can you effectively baseline, benchmark and report?

Areas to think about measuring are protecting and growing revenue, reducing costs, mitigating risk and increasing overall shareholder value. Some examples of metrics are average contract amount, cost savings and avoidance, revenue growth, category assessment and supplier rationalization.

You need to align with executives and generate buy in because in order to sustain and grow your program, like any department, you need resources and support with time, headcount, and tools. Most supplier diversity programs are run by a team of one, often only a part of their overall function within the company. So how do you leverage the time spent on a program as efficiently as possible when faced with multiple constraints? If goals tie in directly to executives they will be more likely to assist you internally with your efforts. Just as important, gaining a budget to be able to access the tools and technology needed to manage your suppliers and leveraging external support to assist you with time constraints you may face internally as well as expertise in defining all these key processes needed to produce a sustainable return.

WHAT A SUCCESSFUL SUPPLIER DIVERSITY PROGRAM LOOKS LIKE
Each case will be unique, and what it comes down to is determining what strengths and experiences you have internally, and from there leveraging a trusted partner can help work for you and your program in the best way.

**A broader and deeper supply chain can:**

- Reduce the risk of supply chain interruptions through a wider supply base
- Increase company innovation by working with partners across a broader spectrum of experiences and perspectives
- Lower the cost of procurement through competitive bidding
- Increase potential customer base through additional exposure within underserved communities
- Insight into new and emerging markets
New Programs

As with any initiative, creating a new supplier diversity program can be challenging. You are effectively seeking to change the way your company procures goods and services, often requiring reassessing and revising years of policies and habits.

While the framework is the most time consuming part in starting a supplier diversity program, it is the most crucial. Without setting the right parameters first before starting your program, will not allow the program to grow effectively and is extremely time consuming to go back and realign. For instance, you need to decide which categories of diverse businesses you will track and whether you will accept only certified diverse suppliers or include classified, self-reported diverse businesses. Your decision may be driven by external reporting requirements, such as Tier 1 firms which have significant relationships with the federal government and therefore are required to report a variety of “Federal” categories. Or perhaps you are requested to report your diverse spend as a prime contractor to one your customers.

Creating a baseline is critical to any program’s success. Identifying and leveraging current diverse suppliers, at minimum, the minority- and women-owned businesses, within your supply chain will jumpstart your program and help establish a performance baseline. From there you can begin to identify opportunities to set goals, increase spend and expand your supply base.
Established Programs

Established supplier diversity programs face their own challenges. After building the foundation and gathering initial data, it’s time to review and identify areas for improvement and growth. If your company already has a supplier diversity program in place, take a close look at your current initiatives and results. Compare them to your organization’s strategic goals; are there areas for improvement? How can you grow your supplier diversity program to drive business growth and economic impact? What challenges face the growth of your program? Is supplier diversity aligned with internal performance objectives across the organization?

Demonstrate how your supplier diversity program not only supports but drives business growth and increases shareholder value. Quantitative metrics such as amount and percentage of diversity spend alone cannot paint a complete picture for stakeholders, so consider measuring other metrics that show how diversifying the supplier base benefits your organization. For example, many companies find that their supplier diversity program results in enhanced brand loyalty, adding key strategic suppliers who inspire innovation, driving down costs due to increased competition among suppliers and/or supporting the organization’s workplace diversity initiatives.
Qualitative metrics that demonstrate the value of the supplier diversity program

- Enhanced brand loyalty
- Innovation from key strategic suppliers
- Increased competition among suppliers drives down costs
- Strengthening workplace diversity initiatives

Resources are an ongoing challenge. As your supplier diversity program expands, day to day operations of your growing supplier diversity program can tax any company’s resources. Administrative duties can be tedious and time-consuming, preventing you and your team members from more valuable tasks such as building relationships and identifying new opportunities. Meaningful, accurate reporting can be a challenge, especially when tracking Tier 2 suppliers. Ensuring that data is accurate is time-consuming and costly. You want to have systems in place that allow you to easily gather and verify data. The right partner coupled with quality technology solutions can alleviate pressure on resources and take your program to new heights.
Technology exists to help manage all areas of a supplier diversity program, from tracking spend to verifying suppliers to communicating with vendors about opportunities for new business. Putting easy to use, intuitive tools in front of your buying community can make inclusion of diverse suppliers quick and easy.

**Data enrichment solutions** are invaluable tools for identifying diverse suppliers within your supply chain. A large, accurate database of diverse suppliers can help you match and verify who you are currently doing business with which will allow you to baseline your current diversity program.

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A way to leverage a database of supplier information is to use a [supplier locator tool](#). This can help your internal teams, or even your prime suppliers, find diverse businesses by making it easy to locate potential MBE, WBE, LGBT, SDB, 8(a), HUBZone, veteran and small-business suppliers from a single repository. Instead of spending hours of time searching multiple source directories of certified or classified suppliers, utilizing a tool that consolidates these sources into one database will save you significant amounts of time and administrative headaches.

Another diverse supplier identification/qualification technique is to purchase or build a [supplier management portal](#) to find qualified suppliers to introduce into your supply chain. Diverse firms register via the portal and provide details about their businesses through a pre-qualification survey to determine if they are qualified to do business with your organization. Tools such as these can also save time by deploying an automated solution to track, collect and manage diversity certifications and small business affidavits.
Technology is not the complete solution, however. An experienced partner can bring needed expertise and insight to establish and grow your program. The right partner can help you with everything from internal and external reporting to supplier verification to demonstrating your supplier diversity program’s tangible value and ROI to executives.
When looking for a partner to help institutionalize or grow your supplier diversity program, first look for someone well-established in the industry. Do they have a good reputation? Do they have a proven track record of demonstrating results? Do they have knowledgeable and well-versed employees who understand the domain? Do they share the same goals as your organization? What technology solutions do they use? How can they measurably grow your program? Request references and/or testimonials and properly vet your potential partner just as you would a potential supplier.

Someone with experience at every level, from establishing new programs to growing well-established programs, will provide a wealth of knowledge and insight for your organization. Years of expertise, whether in a specific niche you are currently building or in the overall experience of growing a supplier diversity program, ensures that your partner has the depth and breadth of knowledge necessary to drive your program to new success.
It’s also important that your partner be accessible and available when you need them. Look for dedicated support and program management teams who can assist you regularly and are invested in the success of your program.

Another key factor in your decision making process involves your partner’s data. Data is the cornerstone of every successful program so ensure you deploy solutions and tools that rely on the foundation of quality and up-to-date supplier data and intelligence. Tools and technology needed to develop a successful supplier diversity program must correlate to a database that can verify, vet and validate supplier information. Important things to consider for a data partner; What sources do they collect data from? How often is it updated? What types of firmographic details can they provide? How is their data quality? Remember, your supplier diversity program is only as good as the accuracy of your reporting so it’s important to partner with a company who will give you the most reliable and comprehensive results.

**Important questions to ask when searching for a partner:**

- Do they have a good reputation within the industry?
- Are they well-established with proven results?
- Are your goals in alignment?
- Do they utilize top-notch technology in addition to premium data?

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Most supplier diversity programs are managed by one or two individuals within the procurement organization, a relatively small team for a BIG job. By partnering with a supplier diversity expert, your program can benefit from their guidance and consulting to grow your program and become an industry leader.

The right partner can empower you to overcome the challenges your organization faces by providing proven best practices and tools, developing specific and measurable goals in alignment with your organization’s strategic goals, and execute and achieve your growth strategy.

Collaborating with a supplier diversity expert can help your program at any level; whether you are just starting out or already have a well established program and are looking to take it to the next level. If executive buy-in is still unsecured, your partner might start with the basics by interviewing key stakeholders within your organization to evaluate and determine the business drivers for developing your program. From there, you can work together to develop your short and long term goals, incorporating benchmarking statistics within your industry, as well as providing proposed methods for measuring and reporting your success. With established benchmarks and goals, an experienced partner can then assist you with defining the ROI for your supplier diversity program and presenting the program to executive staff to achieve buy-in.

A partner fluent in supplier diversity best practices can help you develop certification policies. Deciding whether to report on spend with classified suppliers and/or small businesses, which certifications to accept, as well as determining which diversity categories to track are just some of the initial steps in defining your program guidelines. The right partner will work with your organization to develop and document the guidelines and framework of your program.

A proven successful method of achieving program growth is to partner with your key suppliers to convert their diversity status from classified to certified. A combination of the right partner and robust technology tools can help you determine which suppliers are most suitable for the project, then set up processes to ensure the transition goes smoothly.
Once you’ve outlined the scope of your supplier diversity program the next step is to establish a diverse supplier baseline to identify which of your current suppliers are diverse and/or small business enterprises through data enrichment. An experienced partner can review your enrichment results with you to provide an in-depth analysis on strategic areas where you can increase your diverse spend, as well as provide insight on ways to expand your supply base with new, already vetted diverse suppliers.

When you are ready to expand your program to include Tier 2 reporting, an experienced partner can help set up tracking and manage reporting. With the right technology and support, you can work with primes to set goals for Tier 2 spend and make it easy for them to report it to you. An experienced partner can provide you with necessary templates and tailored contract language to communicate these new Tier 2 goals and reporting requirements to your suppliers and assist in the collection of diverse supplier certification and affidavits.
CONCLUSION

Expanding your company's diverse supplier base and/or diversity spend yields benefits in innovation, market share and economic growth. By leveraging best practices, identifying and using the right tools and collaborating with an experienced partner, you can build a robust, effective supplier diversity program that impacts the diverse business community and supports your company's key strategic objectives.

About CVM Solutions

CVM Solutions, a Kroll Company, is the premier provider of global supplier data and supplier diversity solutions. CVM delivers data, services and technology needed to manage supplier data and advance Supplier Diversity initiatives to achieve corporate sourcing objectives. As a Data Aggregator and Data Originator for Tier 1 and Tier 2, CVM has partnered with more than half of the Fortune 100 and half of the Billion Dollar Roundtable members to leverage and consolidate supplier information, enabling our clients to increase their supplier diversity results and take their programs to the next level.

If you're interested in developing or advancing your supplier diversity program, request a free consultation with CVM Solutions.

For more information visit: cvmsolutions.com