

# Supplier Diversity:

## Moving Beyond Compliance Drive Meaningful Value

### The Hackett Group

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*Associate Principal, Procurement Advisory*

Geoff Peters  
*Principal, Sourcing and Procurement Transformation*

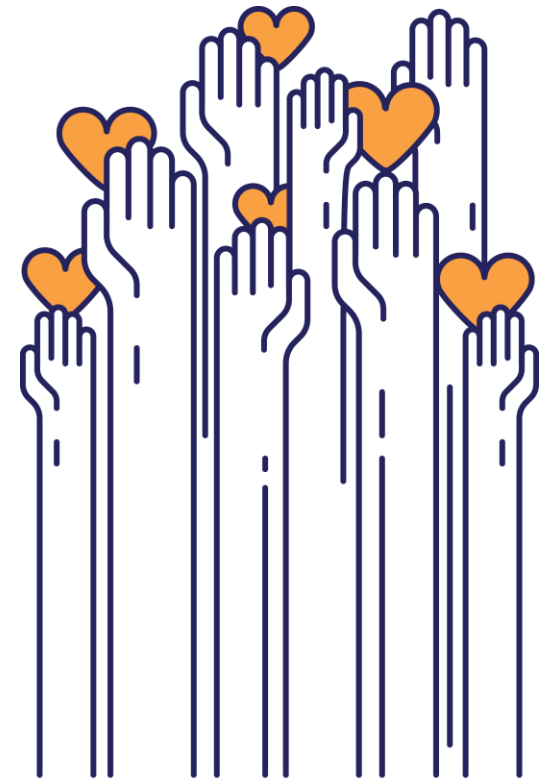
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## Supplier Diversity: Moving Beyond Compliance Drive Meaningful Value

Amy Fong - Associate Principal, Procurement Advisory

Geoff Peters - Principal, Sourcing and Procurement Transformation

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# Abstract and Learning Objectives

The Hackett Group will share the results of our 2019 Supplier Diversity study along with key insights into how organizations are managing their supplier diversity programs. The study focuses on measurement, objectives and value from supplier diversity programs. In this session, we will highlight practices diversity leaders are employing to drive more value from a diverse supply base and make a positive impact.

Participate in this session to:

- Learn about the critical enterprise objectives that supplier diversity programs support and the key elements of successful program design
- Gain insights on how organizations are measuring the value delivered by their supplier diversity programs
- Understand the top characteristics companies consider when engaging new diverse suppliers
- Learn more about the extent to which organizations are explicitly focusing on diverse supplier development and making a positive impact

# Today's Presenters



## ***Senior Procurement Advisor and P2P Program Leader***

Ms. Fong is an Advisor for The Hackett Group's Procurement Executive Advisory program. She has 17 years of experience in both industry and consulting with a focus on procurement, supply chain and organizational effectiveness. She has considerable experience in managing complex global supply chain partnerships, sourcing, supplier performance & relationship management, outsourcing evaluation and implementation, sourcing and cost improvement for the North American, Asian, and South Pacific markets. Ms. Fong holds an MBA from Vanderbilt University and a BS from Syracuse University



## ***Principal – Strategy and Business Transformation***

Geoff Peters is a Principal specializing in Procurement Transformation, Strategic Sourcing, Procure-to-Pay Operations, Benchmarking and Strategic Cost Reduction, and Expense Management. He combines extensive industry management experience with over 20 years of consulting to global enterprises - resulting in pragmatic solutions to complex operational issues. In industry, Mr. Peters and his team have been responsible for a diversified spend portfolio exceeding \$7 billion annually – and he has extensive experience in both performance management and driving significant cost economies when consolidating operations. He has an MBA from the Kellogg School at Northwestern University and has served as a Sourcing and Category Management trainer for multiple organizations around the globe.

# Agenda

- **2019 Supplier Diversity Study Results**
  - Intro and Study Objectives
  - Program Structure and Support
  - Diverse Supplier Identification
  - Program Performance and Value
  - Supplier Development and Tier 2 Spend
  - Key Takeaways

# What is Supplier Diversity?

**SUPPLIER DIVERSITY** is a business strategy that ensures a diverse supplier base in the procurement of goods and services for any business or organization. It emphasizes the creation of a diverse supply chain that works to secure the inclusion of diverse groups in the procurement plans.

## What Is a Diverse Supplier?

- There are approximately 16 categories used to identify diverse businesses. Common examples are small businesses, minority- and women-owned businesses.
- In order for an organization to record and report diverse spend, it is important to ensure its suppliers are certified through third-party certification bodies.
- Diversity certification is an important milestone in the life of a supplier because it authenticates that the business is owned, managed, and controlled by a qualifying diverse group. Certification also opens the door for opportunities to contract with the federal government, which has a mandate to increase the number of diverse suppliers within an organization's supply chain.

# Why is Supplier Diversity Important?

A common misconception is that diversity is a quota system or social program designed to benefit selected groups while adding little to no value to the bottom line. A supplier diversity commitment benefits a company because it:

Promotes innovation through the entrance of new products, services, and solutions

Provides multiple channels from which to procure goods and services

Drives competition (on price and service levels) between suppliers

Displays an organization's commitment to doing business in diverse markets

Showcases the company's commitment to the economic growth of all communities



# 2019 Supplier Diversity Study Objectives

***The 2019 Supplier Diversity Study focused on several key objectives that we felt would be valuable for our clients:***

1. Learn about the critical enterprise objectives that supplier diversity programs support and the key elements of successful program design.
2. Understand the top characteristics companies consider when engaging new diverse suppliers.
3. Compare the performance of your supplier diversity program against key metrics and best practices and identify improvement opportunities.
4. Gain insights on how organizations are measuring the value delivered by their supplier diversity programs.
5. Learn more about the extent to which organizations are explicitly focusing on diverse supplier development and making a positive impact.



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Compliance is no longer the sole reason for pursuing diversity. In fact, it doesn't even fall in the top three most important supplier diversity objectives

**Top three supplier diversity objectives**

SUPPORT CORPORATE DIVERSITY CULTURE

An icon representing corporate diversity culture, featuring six stylized human figures in various shades of green and blue, arranged in a group.

REPUTATION MANAGEMENT

An icon representing reputation management, showing two dark blue hands holding a dark blue heart.

INVEST IN LOCAL COMMUNITIES

An icon representing investment in local communities, showing a teal globe with a white map of the Americas.

# Organizations collaborate with key stakeholders, engage executives directly and effectively market diversity program value to obtain leadership support

## Common initiatives to obtain senior leadership support

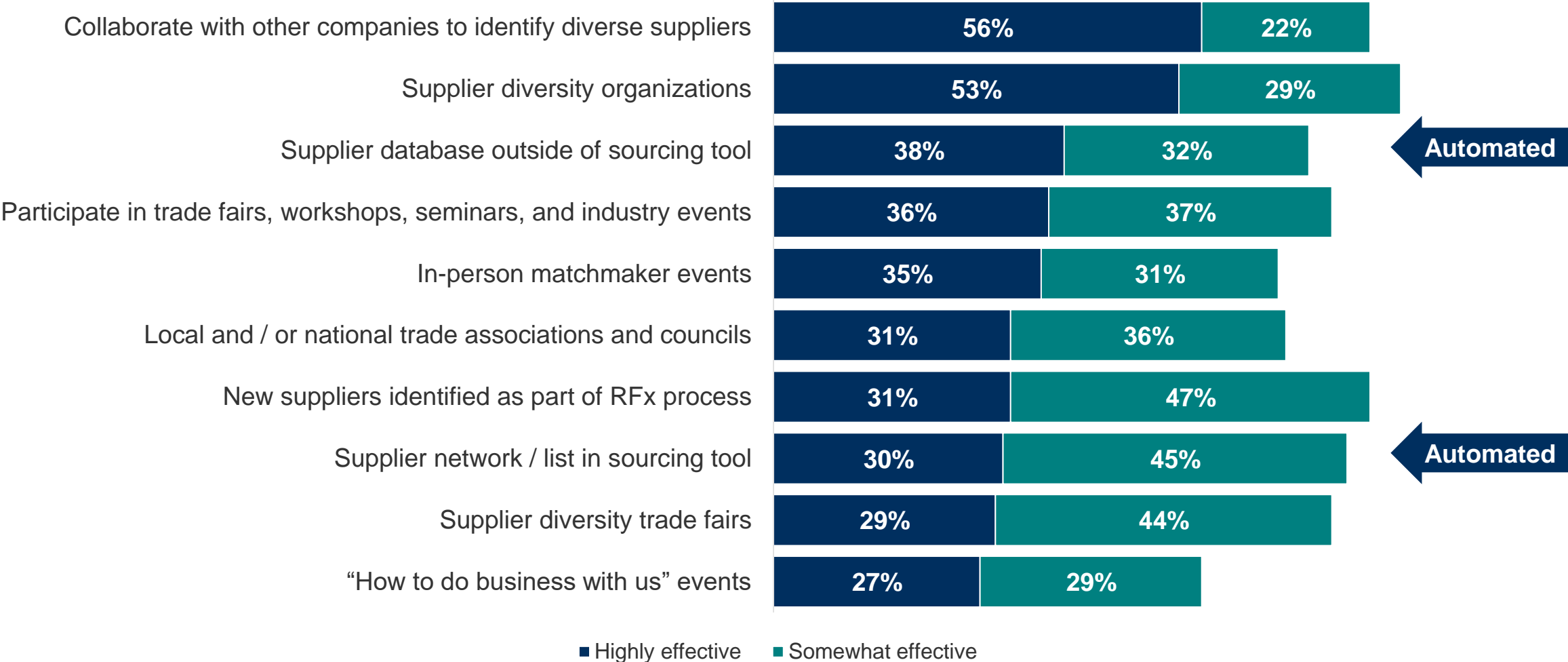


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# While many tactics are used, over 50% of companies rate collaboration with other peers and use of diversity organizations as highly effective to identify new suppliers

## Top 10 tactics to identify and recruit diverse suppliers



# Tools used in diverse supplier identification

Databases and tools save time in supplier identification

## SOURCING TOOL-BASED SUPPLIER NETWORKS

Supplier networks are available as part of sourcing solution provider's functionality

## THIRD-PARTY SUPPLIER DATABASES

Providers enrich a company's supplier spend data and identify diversity spend, which can be leveraged for future diversity spend activity

## THIRD-PARTY SUPPLIER REGISTRATION

Diversity information is captured at the time of onboarding/registration using supplier portals which can be used to identify diverse suppliers for future needs

## SUPPLIER DISCOVERY TOOLS

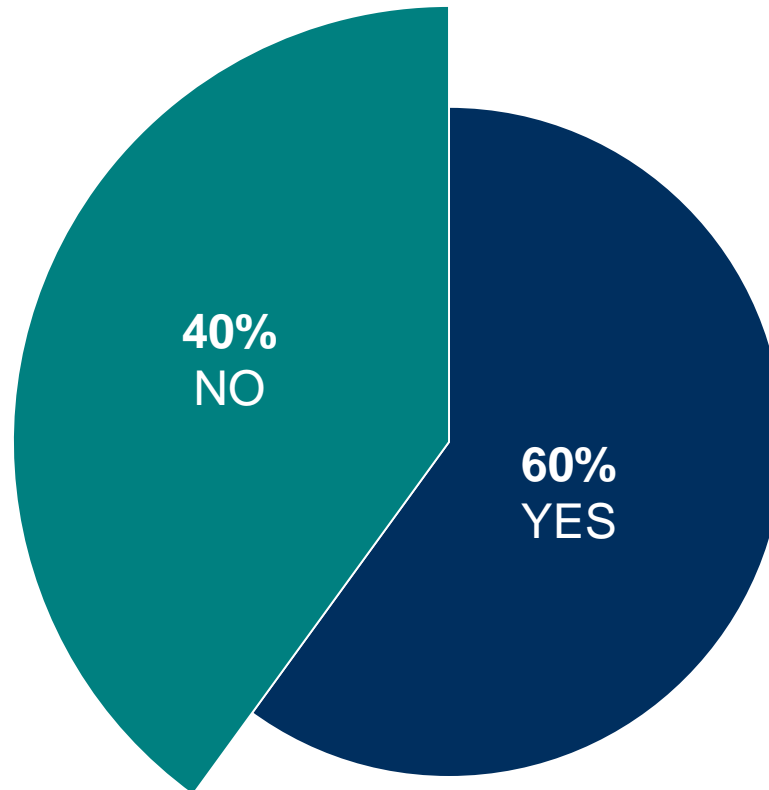
Supplier portals and software used to easily identify diverse suppliers, offered by both supplier diversity-specific software and other general supplier discovery tools

## COMPANY SUPPLIER DIVERSITY PORTAL

Company diversity program website/registration portal used to capture new diverse supplier information to support future procurement needs

# 40% of sourcing teams cannot easily identify diverse suppliers for a category using their internal sourcing tools

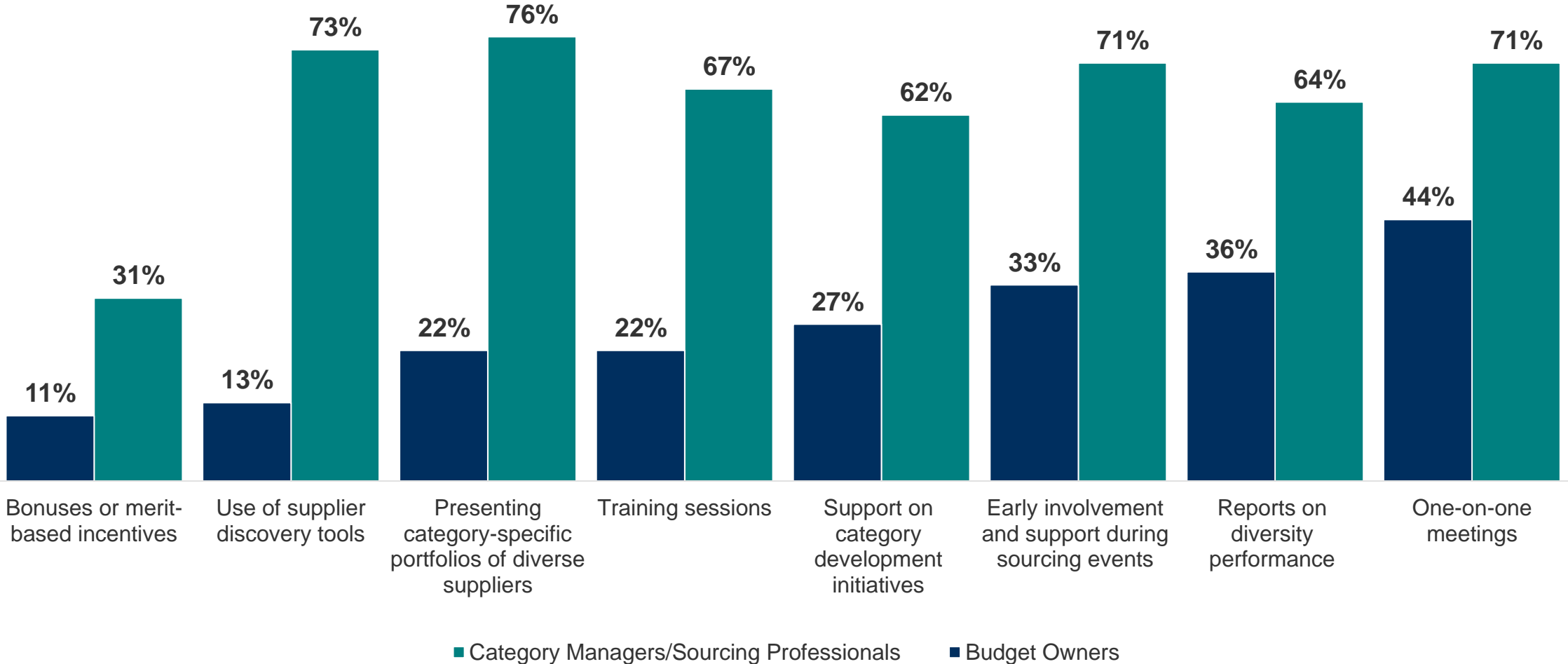
Percent of organizations that can easily identify diverse suppliers in internal sourcing tools





# Supplier diversity teams use various practices to drive use of diverse suppliers; typically working with category managers and sourcing teams over budget owners

Practices implemented to drive use of diverse suppliers and support diversity program objectives



# Organizations value diverse suppliers that understand their business and can offer flexibility, lower costs, innovation and a true commitment to adding value

## Importance of supplier characteristics when determining which diverse suppliers to do business with

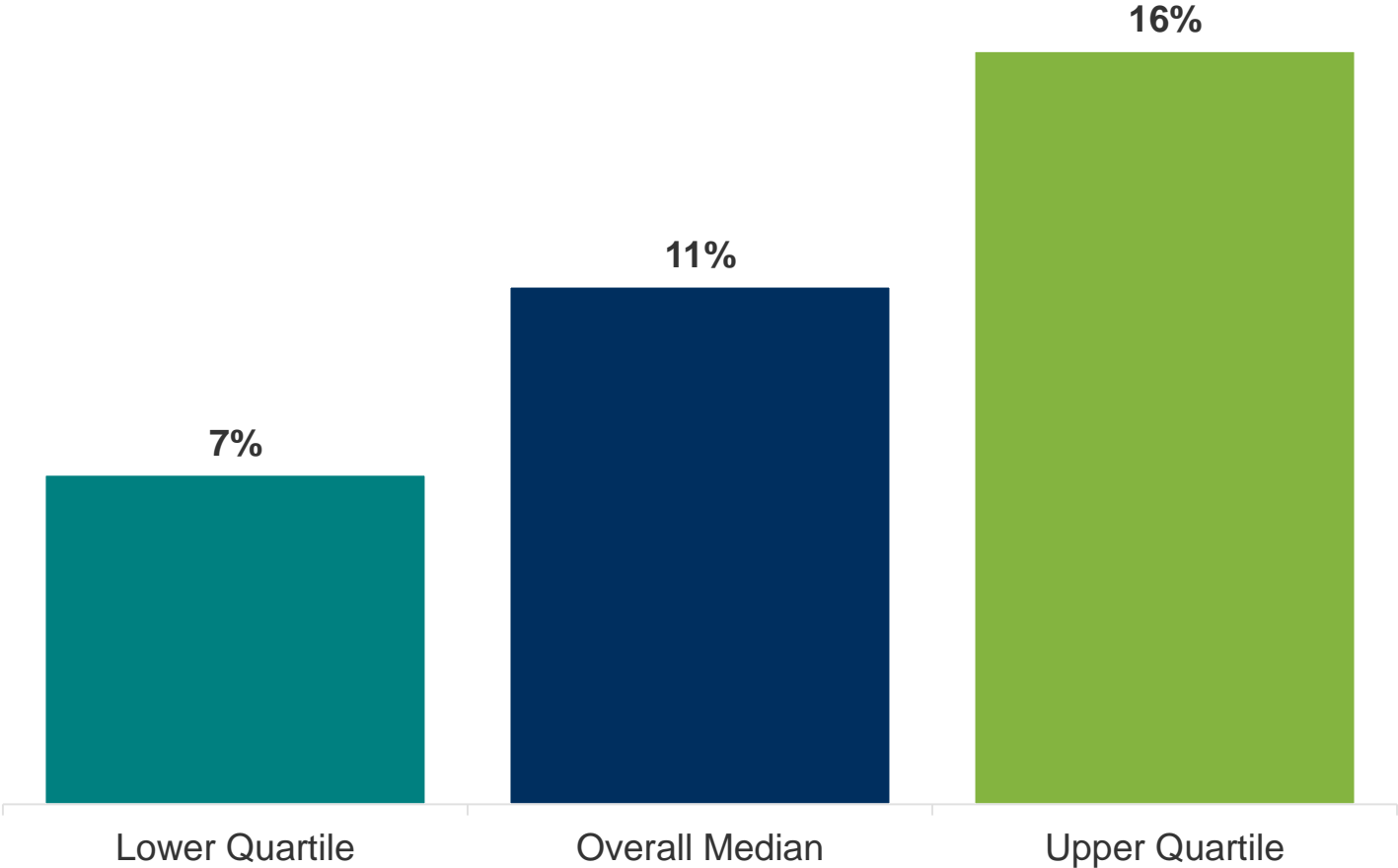


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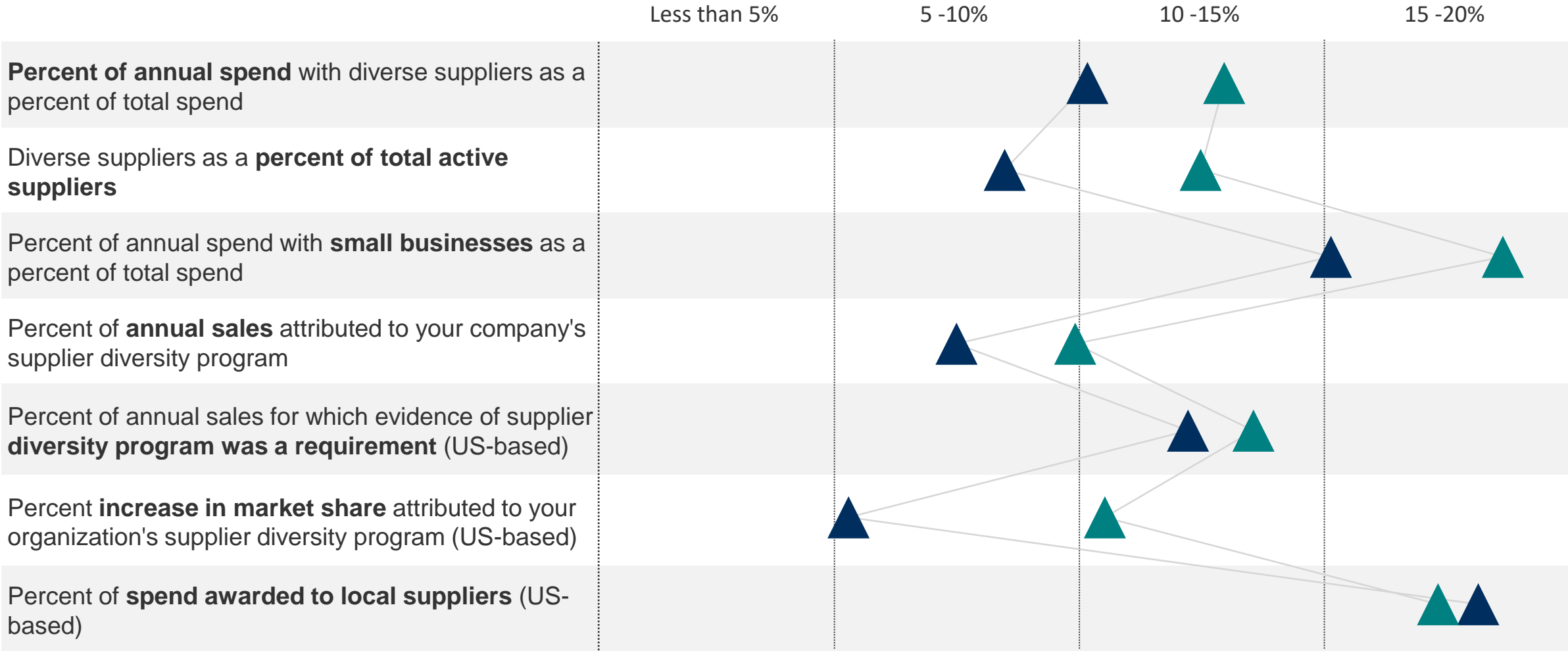
The median diversity spend as a percent of total spend is 11%, but this varies notably when looking across all organizations

Total US diversity spend (Tier 1 & 2) as a percent of total US spend



# Current performance for most metrics is short of reported targets, including the most commonly used metric of 'diversity spend as a percent of total spend'

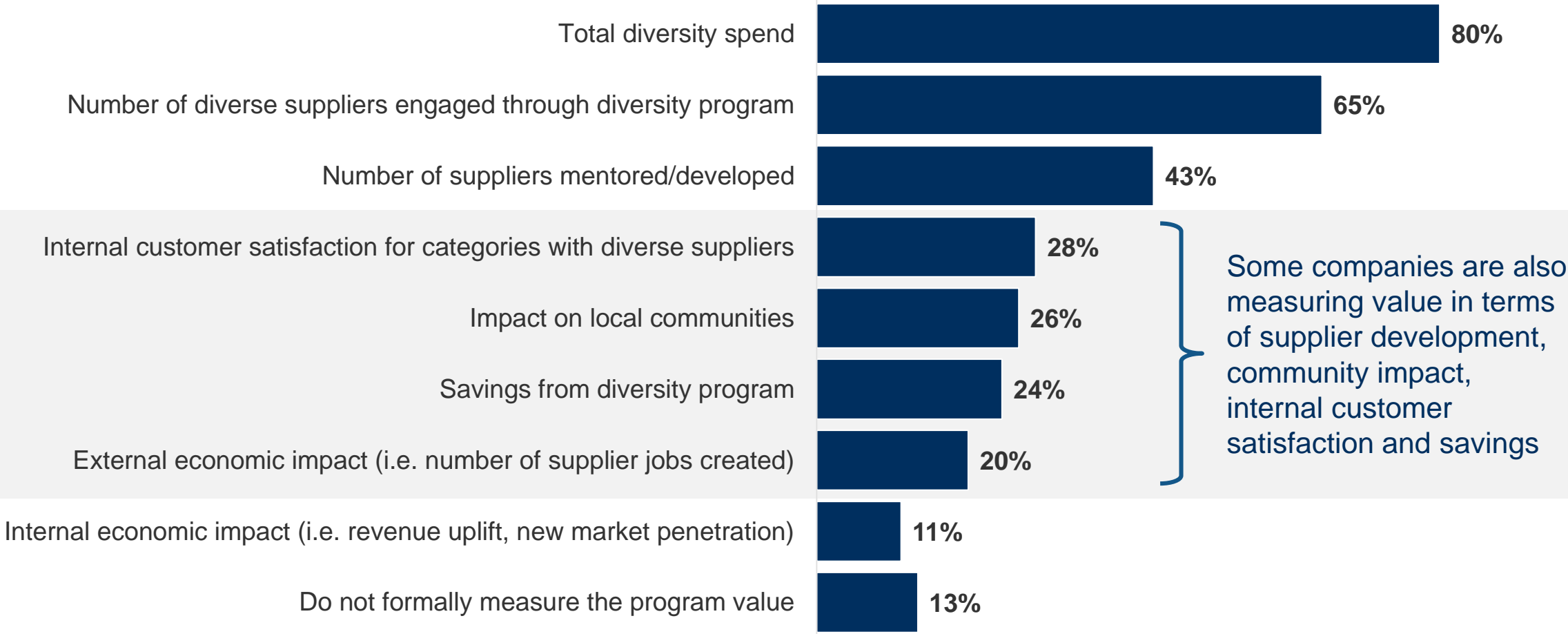
Current and target performance for key program metrics



Current Value  Target Value 

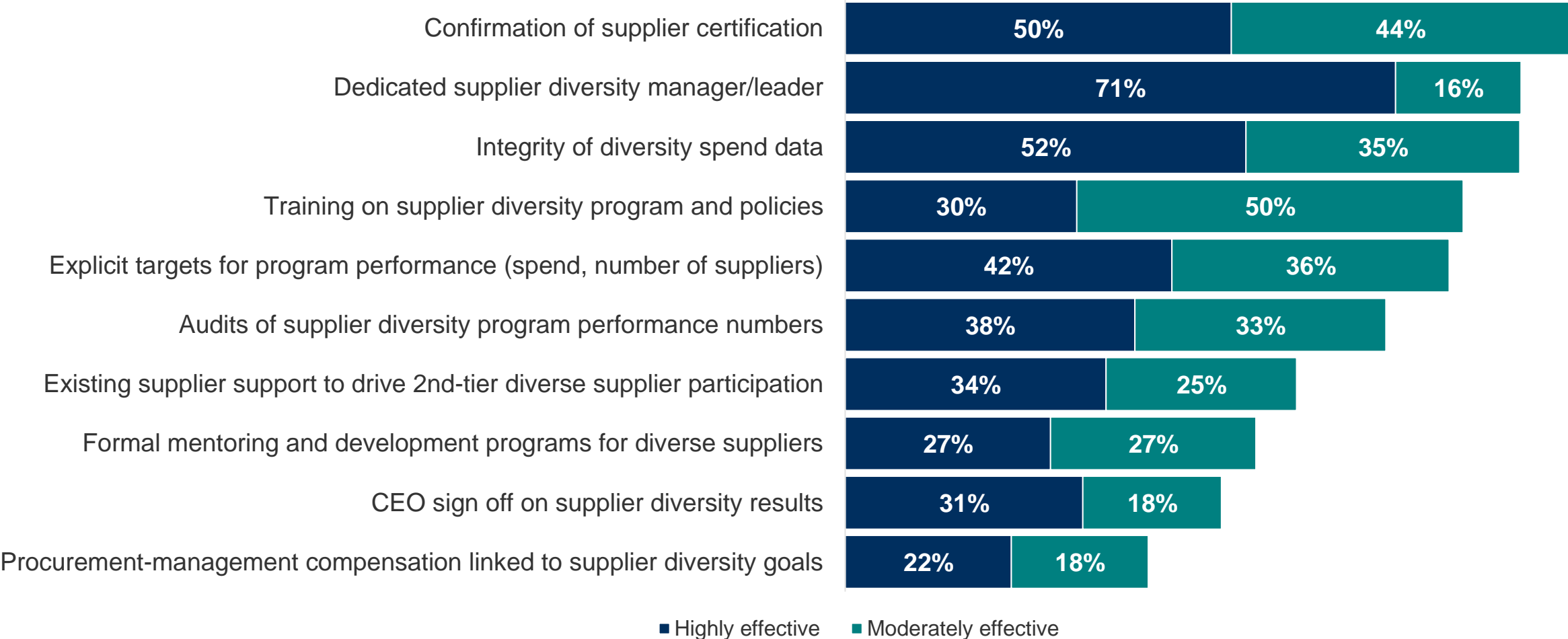
# Program value is most commonly measured as the increase in diversity spend and diverse supplier usage

Ways organizations measure value delivered by supplier diversity program



# Dedicated program leadership, data integrity and explicit performance targets are the most effective practices in ensuring the success of supplier diversity programs

Effectiveness of practice at ensuring success of supplier diversity program



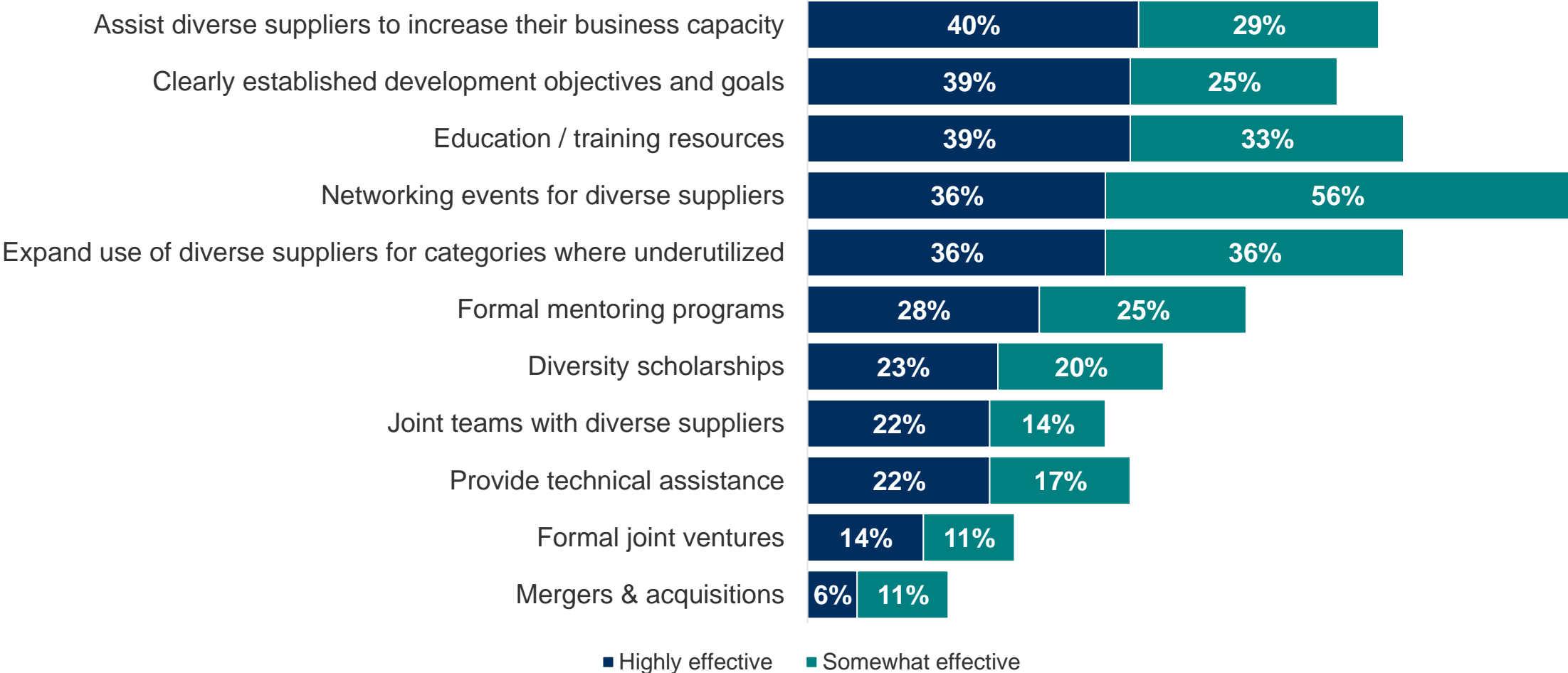


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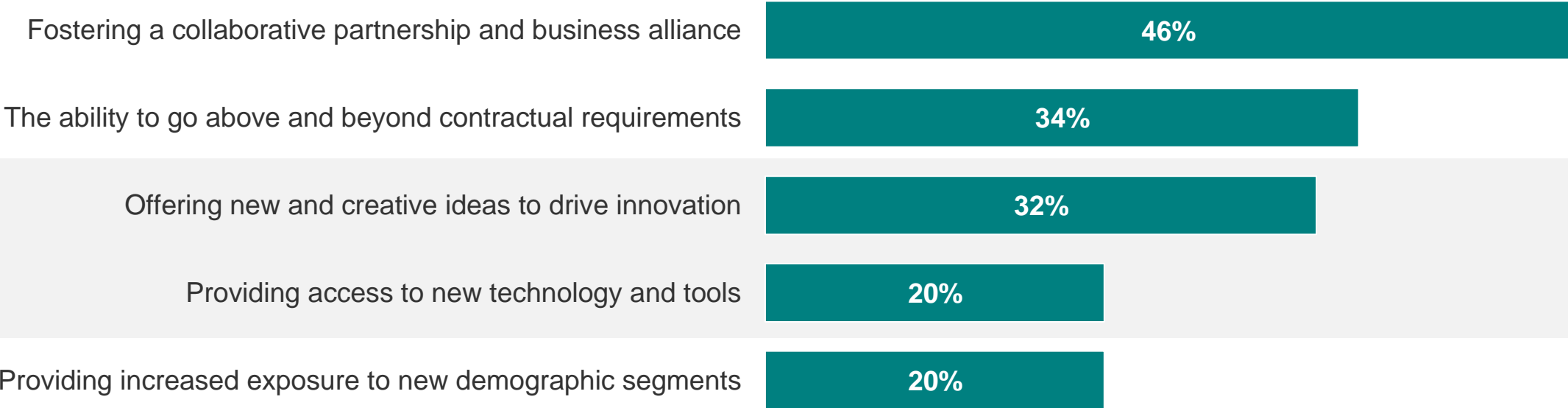
# Companies developing diverse suppliers are focused primarily on increasing business capacity, providing education/training and supporting networking events

**Activities used by organizations to develop diverse suppliers**



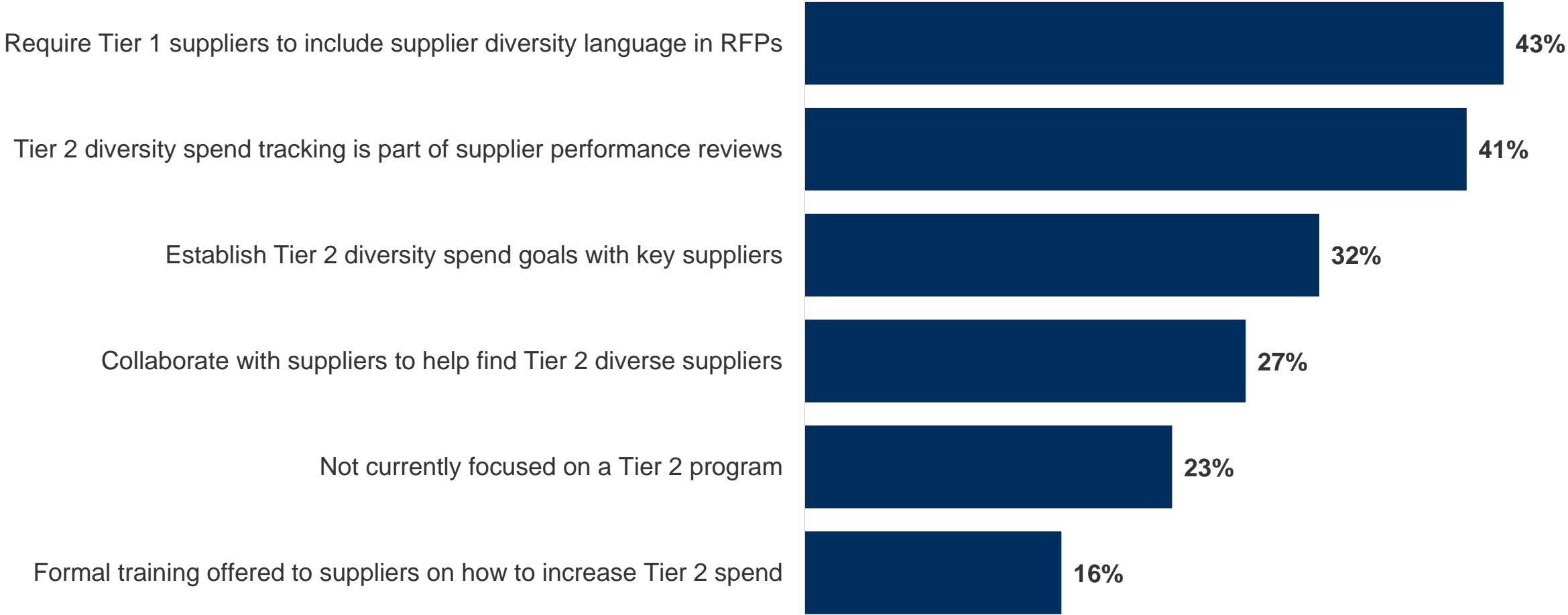
# Supplier partnering can be the source of added benefits, including cost savings, process improvements and product innovations

## Level of satisfaction with the services diversity suppliers provide today



# Organizations are setting clear goals and specific sourcing and reporting requirements with their Tier 1 suppliers in order to expand Tier 2 diversity spend

## Practices implemented to expand diversity in Tier 2 supply base



# 2019 Supplier Diversity Study Key Takeaways

## Program Objectives and Support

- Traditional objectives remain as the primary drivers for diversity programs, but many organizations also consider business value-related drivers to be very important.
- CPOs are the highest level of leadership support for 37% of supplier diversity programs today.
- Organizations collaborate with key stakeholders, engage executives directly and effectively market diversity program value to obtain leadership support.

## Diverse Supplier Identification and Characteristics

- Over 50% of procurement organizations rate collaboration with other peers and use of diversity organizations as most effective to identify new suppliers.
- Organizations value diverse suppliers that understand their business and can offer flexibility, lower costs, innovation and a true commitment to adding value.
- 40% of sourcing teams cannot easily identify diverse suppliers in their internal sourcing tools.

## Program Performance

- Current performance for most metrics is short of reported targets, including the most commonly used metric of 'diversity spend as a percent of total spend'.
- Dedicated program leadership, data integrity and explicit performance targets are the most effective practices in ensuring the success of supplier diversity programs.

# 2019 Supplier Diversity Study Key Takeaways

## Measuring Program Value

- Program value is most commonly measured as the increase in diversity spend and diverse supplier usage.
- Some procurement organizations are also measuring value in terms of supplier development, community impact, internal customer satisfaction and savings.

## Diverse Supplier Development

- Study respondents developing diverse suppliers are focused primarily on increasing business capacity, providing education/training and supporting networking events.
- Organizations are setting clear goals and specific sourcing and reporting requirements with their Tier 1 suppliers in order to expand Tier 2 diversity spend.



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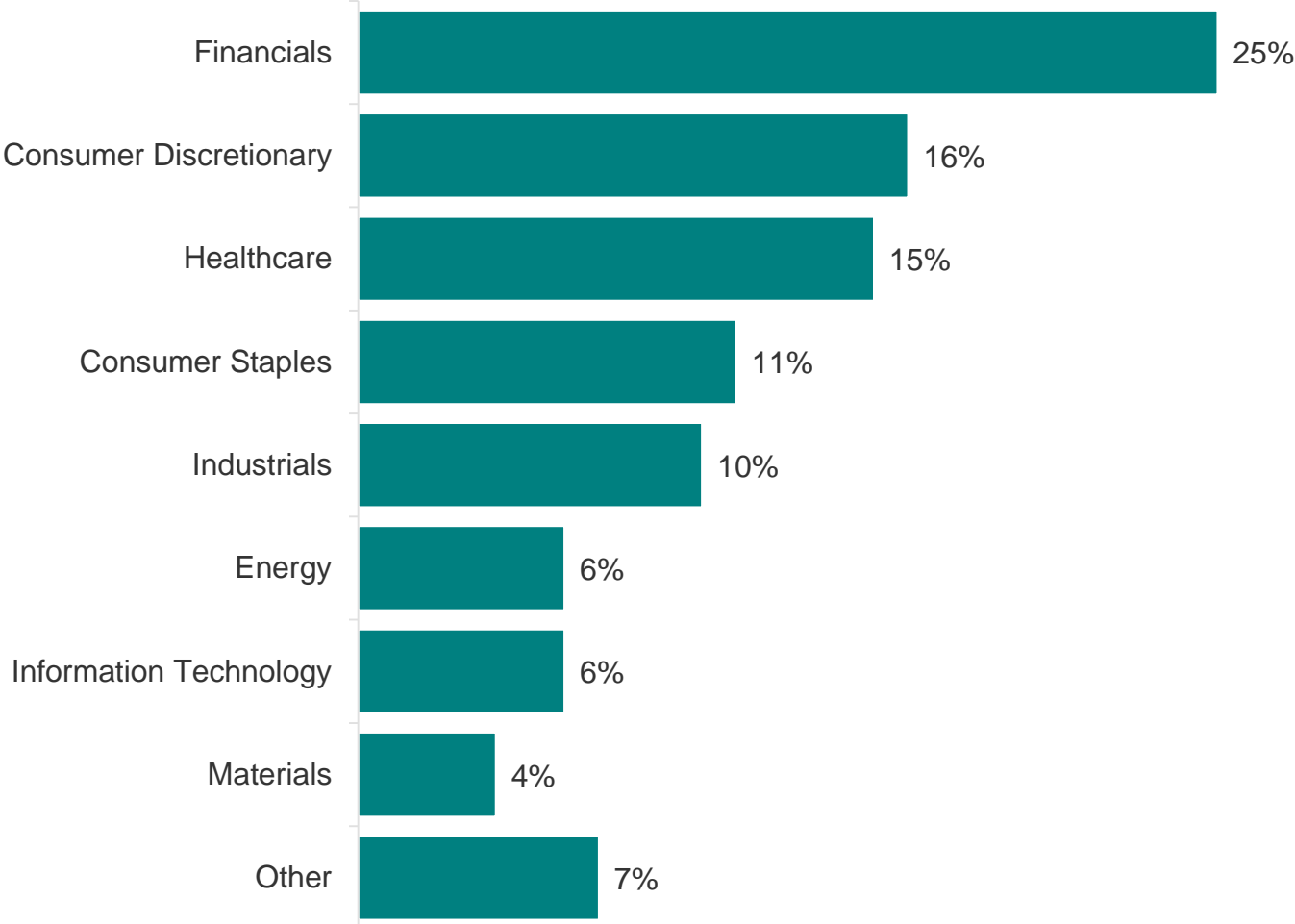
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# Who participated in the performance study?

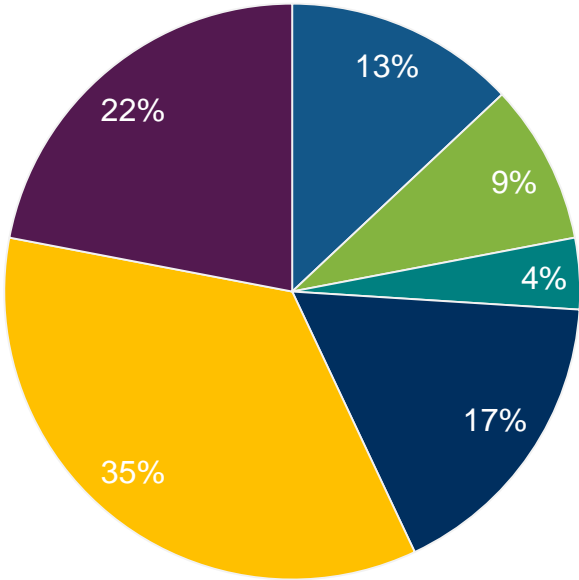
Percentage of participants by industry sector



Q1.1 What is your company's primary business activity?

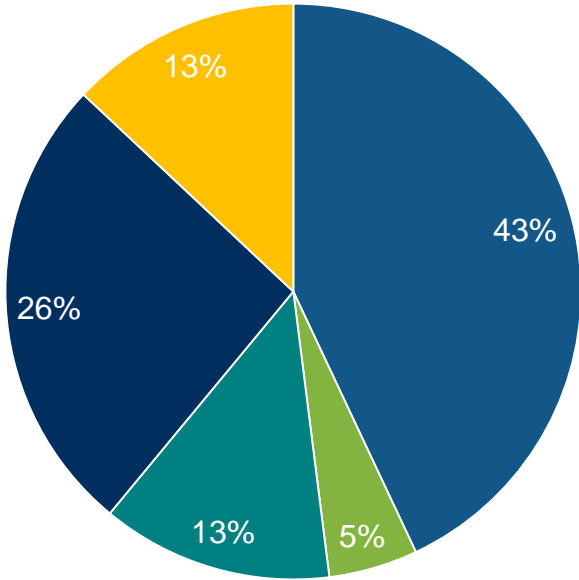
# Who participated in the performance study?

Annual revenue (\$US billion) Global



- Less than 2 billion
- 2-5 billion
- 5-10 billion
- 10-20 billion
- 20-50 billion
- Greater than 50 billion

Annual spend (\$US billion) Global



- Less than 2 billion
- 2-5 billion
- 5-10 billion
- 10-20 billion
- Greater than 20 billion

Q1.2 Please estimate your company's annual total revenue and spend.

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