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BEST PRACTICES FOR INCLUSION

Steps towards supplier diversity at the 2014 SCMA Conference in Edmonton

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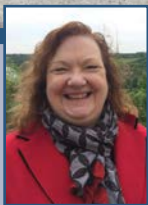
Best Practices For Inclusion

How to establish a supplier diversity program

by Michael Power



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Cassandra Dorrington
President and CEO
CAMSC

Supplier diversity can provide a return on investment to organizations that work to build an inclusive supply chain, while also creating opportunities for businesses owned by Aboriginal peoples and minorities. But for the uninitiated, getting started with a supplier diversity program can be daunting. Procurement practitioners might not know where to look for best practices or may lack an understanding of the steps for engaging diverse suppliers. Implementing supplier diversity requires an understanding of these best practices before customizing them to fit a particular organization.

To discuss the issue, *PurchasingB2B* held a panel in partnership with The Canadian Aboriginal & Minority Supplier Council (CAMSC) at the SCMA National Conference in Edmonton on June 13. Participating in the panel were: Cassandra Dorrington, president and CEO of CAMSC; Indy Sian, director, business strategy development, procurement and supply chain management at TELUS; Marcia Seymour, senior manager, procurement and corporate responsibility at TD Bank Group; and Jamie Crump, director of strategic sourcing and supplier diversity at United Rentals. Michael Power, *PurchasingB2B*'s editor, moderated the session.

To set the stage for the discussion, panelists talked about what the term "supplier diversity" actually means. From her perspective, Dorrington said that supplier diversity represented a "proactive program" to ensure inclusion in the supply chain. "You traditionally have major partners that you worked with and within this new definition it's, 'let's try to make sure that you're being inclusive and provide opportunities for different groups that you might not normally have done business with that can bring solutions to the table,'" she said. "For us, diversity is about broadening that scope."

Diversity means more than expanding a supplier base, but also includes focusing on a return on investment, said Sian. Small, diverse suppliers can often provide new ways of solving problems. As well, they potentially provide a faster time to market because they're located across the country and don't need to be flown in to do the work, he noted.

“From a geographical point of view, they understand the landscape a lot better. They would know how to move faster and where to secure more products for you,” he said.

For her part, Crump was quick to point out that supplier diversity didn’t represent a social program or set aside for suppliers that fall into the “diverse” category. Rather, it’s a business initiative that needs to produce results in order to be viable. “I have just as much responsibility showing the return on that value as I do for any other project that’s funded within the organization,” she said. “We want a supplier base that represents our customer base and allows us to better understand and serve our customers and the companies that we deal with.”

Sian agreed, noting that it helps to think from a broad perspective when looking for the ROI of supplier diversity. Diverse suppliers must still win an RFP based on their business merits, he said. But since diverse suppliers can sometimes lack experience working with large corporations, introducing them into the supply chain can represent an investment in the supplier that brings value to the organization. “That ROI is long term—it’s an investment that can come back,” he said. “At the end of the day, it’s thought leadership that’s coming back so it’s a multi-fold return on investment.”

When TD Bank Group launched its supplier diversity program, the organization already did business with several suppliers that were diverse, said Seymour. But the organization lacked a program to identify them. Actually identifying those diverse suppliers showed that they were already reliable and that, in several cases, they had been in business for several years. “We’re looking for suppliers that deliver the service we ask for on time, that are competitive in price but that also bring to the table their own values and cultures that match our organization,” she said. “That’s another part of the ROI that we can’t underestimate—doing business with suppliers that match our organization in efforts on diversity and inclusion.”

It takes a budget to run a supplier diversity program, added Crump, and each year that budget must be justified just like any other cost. That means the program needs value and an ROI to continue operating. Organizations can measure their program in terms of dollars spent, but also number of suppliers that are engaged across different areas to ensure the customer base is represented well. “If it’s 90-percent women-owned business then we’ve got some work to do,” she said. “It’s great that we have those, but we want to make sure that we’re looking across the supply chain at all of the different types of diversity that there is.”

Getting support

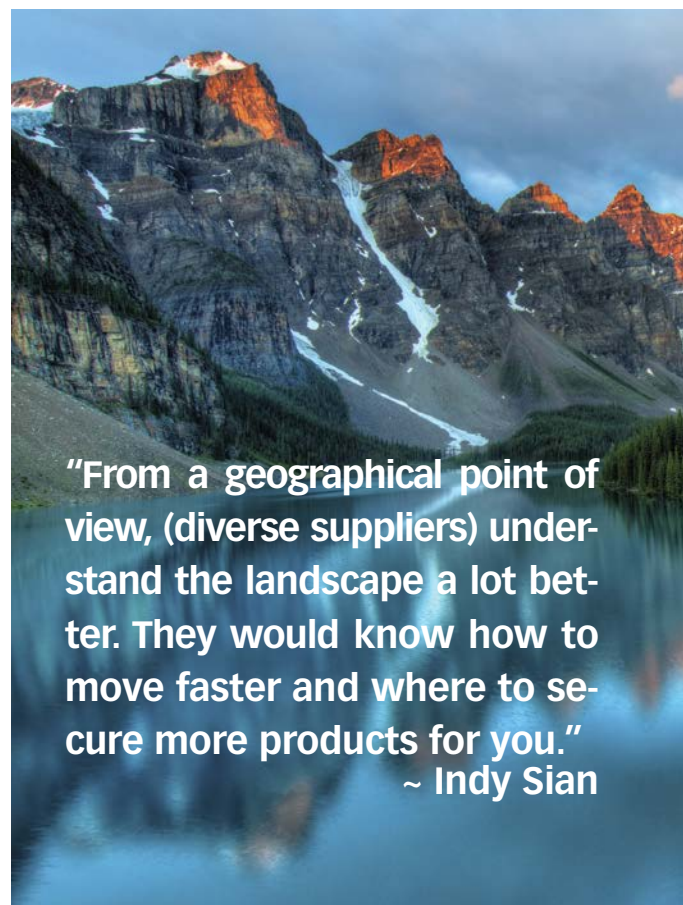
An important step in creating and maintaining a supplier diversity program includes getting support for supplier diversity policies from within the organization. Again, when it

comes to funding resources, that support is necessary, Crump noted. From that standpoint, support from the top of an organization is crucial. “You have to gain it from the outset, but then you have to keep it,” she said. “That’s where the accountability and the reporting and the metrics come in, because it’s a business initiative. You have to understand the culture of your company and what’s important to them. You have to understand what you can leverage.”

Sian noted the importance of both market research and learning from supplier diversity in the US. Although not everything will apply to the Canadian market, programs south of the border are often quite mature, Sian noted. He stressed the importance of getting a program framework built to get support from the CEO to the front line, as well as continual education and communication.

“When your CEO and your board are approving it, that means they see value in it as well,” he said. “It’s a change in management culture. Once that framework is instilled it’s like everything else, it grows within the corporation. That culture is motivating and, at the end of the day, it’s change management.”

Dorrington was quick to note that supplier diversity isn’t simply a procurement initiative. And when she approaches organizations to discuss the topic, she targets the C-suite for discussions. Buy-in at that level is crucial, she said. From there, supplier diversity can become part of the cul-



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~ Indy Sian

ture of an organization. That way, a supplier diversity program can survive despite personnel changes within the organization. “Once it gets embedded into the organization, into the strategy, then it becomes part of what gets done on a regular basis,” she said. “When it permeates across the organization then you know you’re going to have success and you know it’s going to be ongoing.”

Having confidence in a supplier diversity program is important to ensuring that program gets rolling, Crump told the audience. Don’t be afraid to call on champions for the program once you find them, she advised, and ensure that support comes not only from the C-suite but from colleagues at all levels. “If you don’t believe in it, then you shouldn’t be trying to do it,” she said. “Figure out what your doubts are, address them, and then go with gusto.”

Seymour agreed on the importance of supplier diversity champions, noting that internal sourcing groups are a good place to begin looking for those champions. She recommended inviting people from the sourcing group to events and providing opportunities to participate in dinners, conferences and other events related to supplier diversity initiatives. As well, she suggested working with employee resource groups already involved with diversity to see what initiatives they’re involved in. “The third way is to look for those business owners who have had a really great experi-

ence with diverse suppliers that are ready to share that experience with other business owners who may have doubt,” Seymour said. “Taking those opportunities to tell the story about it are the things that you have to continue to do to build those champions.”

As internal stakeholders deal more frequently with diverse suppliers they see the value in working with them, thereby building those stakeholders as champions, Sian said. Business unit partners can therefore become program supporters. When an RFP or contract is awarded to a supplier, it can be communicated within the entire corporation, he noted. If a conference or event related to supplier diversity takes place, he recommended inviting not only procurement practitioners but also sales staff so they can see supplier diversity first hand. “Champions come in multiple forms,” he said. “It’s not just one champion that’s going to be a supplier or supply base, it’s going to be around you and you’ve got to look for it. But you’re going to have to educate and promote it.”

An easy way to promote supplier diversity within an organization is to deal with another organization that’s already working with diverse suppliers and can present the business case, said Dorrington. The points resonate more clearly if one business tells another what the benefits are. Experienced businesses can lay a roadmap and explain what the challenge of supplier diversity programs, she noted.

Diverse supplier engagement

There are also several ways to engage diverse suppliers that many people might not know about, Dorrington said. Organizations like CAMSC can help connect businesses to diverse suppliers, since CAMSC has a database of several hundred such suppliers across Canada, she told the audience. The organization has also recently released a supplier diversity “playbook,” that lays out step-by-step how to get a program started. Most organizations starting down this path will begin with small steps rather than jumping into a full program, Dorrington said.

As well, Seymour described the process that TD Bank Group went through when it became involved in supplier diversity. The organization focused on the minimum requirements needed to put a program in place. From there, they looked at where they wanted the program to be a few years into the future. And while those steps are similar for most organizations, the process will also differ from one company to another based on how they source, what their strategies are and other factors.

The organization also had to decide which organizations to join, such as CAMSC, in order to gain access to diverse supplier databases. The bank also began regular interactions with the sourcing team to stay abreast of what it was doing, Seymour told the audience. “It really was like almost



any other initiative, laying out your plan, reporting against it—are we on track, are we off track? What have we got to change? And then setting the stage to continue to build that next three-year plan,” she said.

When it comes to determining whether a supplier is diverse or not, Dorrington noted that—contrary to common belief—organizations within Canada are able to ask whether a company’s ownership is diverse so long as the question is linked to initiatives like supplier diversity programs. “Most times, you’ll be very surprised that you actually have diversity in your supply base, but you just don’t know it yet,” she said. “That becomes your benchmark that you start to build a base on.”

“One of the things we’re starting to look at a little bit closer is, if diverse suppliers aren’t making it in, why aren’t they making it in? We’re starting to put a little bit more vigor into trying to categorize reasons.”

~ Marcia Seymour

When TELUS launched its program, Sian said, the company laid out a three-year plan looking at its supply base to determine which ones were diverse. The company also does “supplier matching” involving interviewing diverse suppliers as part of the marketing research, which vendor managers can consult when looking at suppliers. Suppliers can also sign up as a new supplier on TELUS’s website and check a box that identifies them as diverse. By working with CAMSC, the company doesn’t have to verify those suppliers are diverse, Sian noted. “As long as they have their certification we know they’re a diverse supplier,” he said.

It’s important to use performance metrics when looking at a supplier diversity program, the panel agreed. That includes basic metrics such as how much gets spent with diverse suppliers, said Crump. Measuring the number

of suppliers, including across different categories, is also useful. Since she works closely with the sales department, Crump noted that she has also reported on how many companies she has provided reporting to, among other areas.

Seymour noted that she tracks the number of requests received from the sourcing teams where they’re going to RFP and how many they receive, as well as how many diverse suppliers they’re able to provide to those sourcing teams for consideration. They then track if the RFP went out, how many got included into the RFP, whether they were successful and, if so, how much business they won. “One of the things we’re starting to look at a little bit closer is if diverse suppliers aren’t making it in, why aren’t they making it in? We’re starting to put a little bit of vigour into trying to categorize reasons why they weren’t,” she said.

Sian agreed that understanding why some diverse suppliers weren’t successful when they responded to RFPs was important. Many small vendors might not understand how to participate in an RFP and may even be intimidated by the process, he said. TELUS has partnered with other organizations in a joint mentoring program to educate diverse suppliers. The company held a one-day workshop to teach diverse suppliers how to write an RFP, which in turn resulted in TELUS receiving higher quality RFPs.

“It doesn’t guarantee them any new options, it doesn’t guarantee them awarding RFPs, but it tells them how to interact,” he said.

To wrap up the discussion, panelists looked at challenges that organizations face with a supplier diversity program. Crump advised such organizations begin small, with a program that’s easy to control. Trying to do too much, too soon can dilute efforts, which can make the program more difficult to promote internally, she said. “The biggest challenge is just trying not to get crazy with trying to be the be-all-and-end-all,” she said. “Do what makes sense for your company and for your culture.”

Another major challenge was figuring out where the gaps are in a supplier diversity program, Seymour noted. It can take a long time to dig into the supply chain to see what products a company is looking to buy that don’t have diverse suppliers available. “And then we need to find a way to feed that to CAMSC and other organizations to say, ‘we have business to give, can you help find the suppliers in this base?’ I think that’s probably the continued evolution of supplier diversity in Canada, really starting to fill those gaps.”

Starting a supplier diversity program isn’t a race, cautioned Sian, and sticking with a plan takes time. It’s also important to continually communicate the program to stakeholders to ensure that efforts continue to grow within the organization. “If you don’t communicate it and you don’t enforce it and you don’t stick to the plan, you will get derailed very quickly,” he said.

While supplier diversity has challenges, there are also advocates and supporters that can help organizations with the process, Dorrington noted in closing. “Whether it’s organizations like mine, whether it’s corporations, there’s always a way to be able to work through that and someone at the other end of the phone or email will help you,” she said.

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