

Business Diversity Playbook

Expand beyond supplier diversity into a business diversity ecosystem

October 2023





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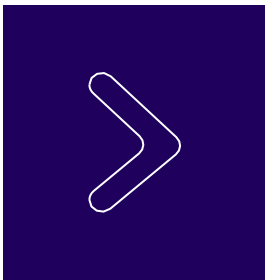
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Business Diversity: An Intentional Strategy and Practice

Business diversity is the practice of intentionally cultivating and supporting diverse and disadvantaged business owners by expanding the scope of a company's sourceable spend. This strategy requires the collaborative engagement between the entities that create and maintain contractual relationships between purchasing organizations and diverse suppliers.

Although supplier diversity programs have been around for decades, they have been largely underfunded and not prioritized. Commonly cited difficulties include locating and accessing minority-owned suppliers, and challenges in compiling and reporting supplier diversity data. The cumulative effect leaves purchasing organizations unable to transform supplier diversity from a "program" into a natural way of doing business.

A corporation's inability to incorporate business diversity into their supplier relationships harms minority-owned businesses and contributes to a significant wealth gap between Black and white Americans.



The median net worth of white families (\$188,200) is over seven times higher than the median net worth of Black families (\$24,100).¹

While the Black-white wealth gap has traditionally been associated with home ownership, business ownership is another form of significant wealth.

By transforming traditional supplier diversity programs to a business diversity strategy, corporate America can help mitigate obstacles that impede the growth of Black businesses.

Entrepreneurship as a Path to Wealth Creation

With business ownership as a major tool for building wealth, it is important to acknowledge that different kinds of businesses build wealth at different levels and in different ways.

Black-owned businesses, for example, tend to be in social and service sectors for the simple reason that these sectors often require lower start-up costs and developmental support than other industries; and Black business owners—especially just starting out—lack access to capital (bank loans or credit) more readily available to their white counterparts.

Still, while social and service start-ups require less in the way of seed money and funding than industries like wholesale or tech, they also tend to generate less revenue.

¹ Bhutta, Neil, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu (2020). "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, September 28, 2020, <https://doi.org/10.17016/2380-7172.2797>.

When corporate America chooses to create an equitable business environment and help Black businesses generate more revenue, the cumulative positive effect is noteworthy. One example of this is Black businesses tend to hire locally— meaning they hire more Black employees. So, as they grow, their businesses create jobs and reduce unemployment in their communities, while generating wages that fuel local economies.

This Playbook

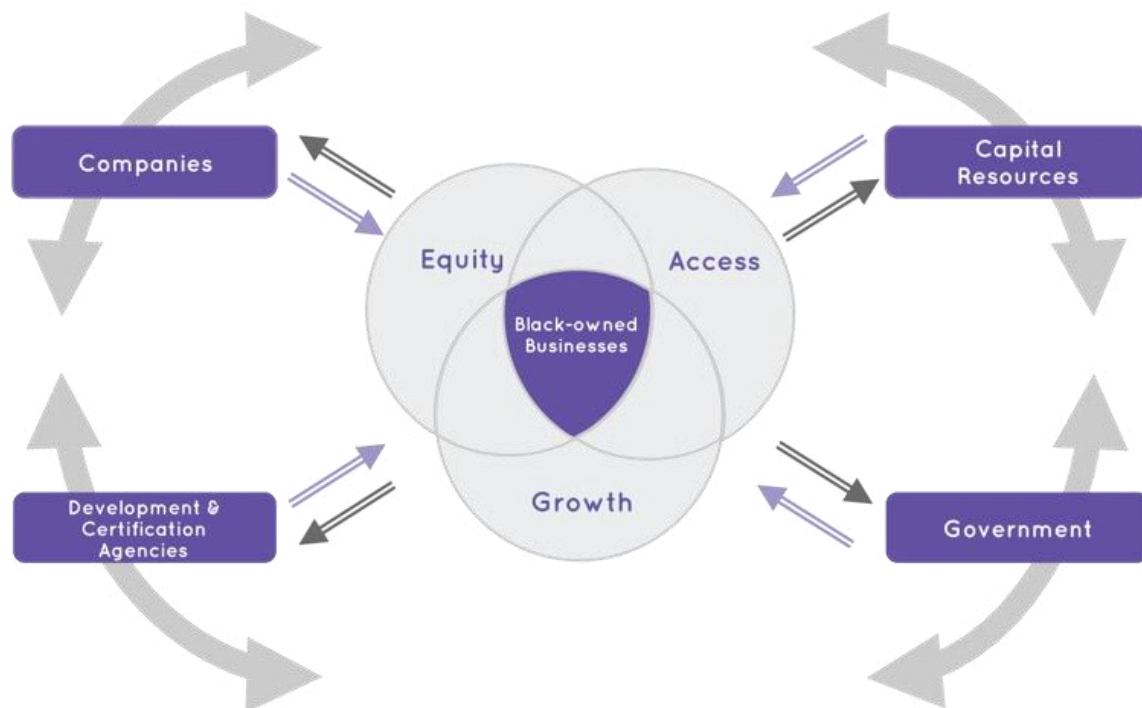
We created this playbook knowing that CEOARE signatory companies are seeking ways to strengthen their supplier diversity pipelines and increase the corresponding spend.

As you go through this playbook, you will find actionable ideas for transforming your supplier diversity program into a business diversity strategy.

The CEOARE Fellowship’s vision

Working together, CEOARE seeks to improve the quality of life for our country’s 47M+ Black Americans through advocacy in advancing solutions that seek to end systemic and structural racism.

Our focus on Black-owned businesses demands a business diversity ecosystem that can create and sustain a symbiotic relationship between businesses, companies, certifying agencies, government, and capital resources across the business diversity ecosystem.



Re-envisioning Supplier Diversity

In traditional supplier diversity models, Black-owned businesses absorb the burden of navigating buying entities, certifying agencies, capital resources, and government entities. Likewise, buying entities talk about the difficulty of having to “go it alone” as they try to improve the supplier diversity process.

The lack of visibility, access, and transparency precludes opportunity on both sides. We should develop approaches that put Black-owned businesses at the center of a holistic experience that facilitates working together for mutual benefit—with buying entities aligned with certifying agencies, leveraging access to capital resources, and pushing for governmental policy change.

By harnessing the power of the collective, signatory organizations can lighten the heavy lifting on both sides — bringing together critical stakeholders while promoting equity, access, and growth. The goal is to evolve companies from treating supplier diversity as a “program” to recognizing it as an embedded practice in which collaboration and intentional inclusion can bring forth benefits to both supplier and buyer. In this way, we move the needle from supplier diversity to a business diversity strategy - a win/win for all.



Business Diversity Maturity Continuum

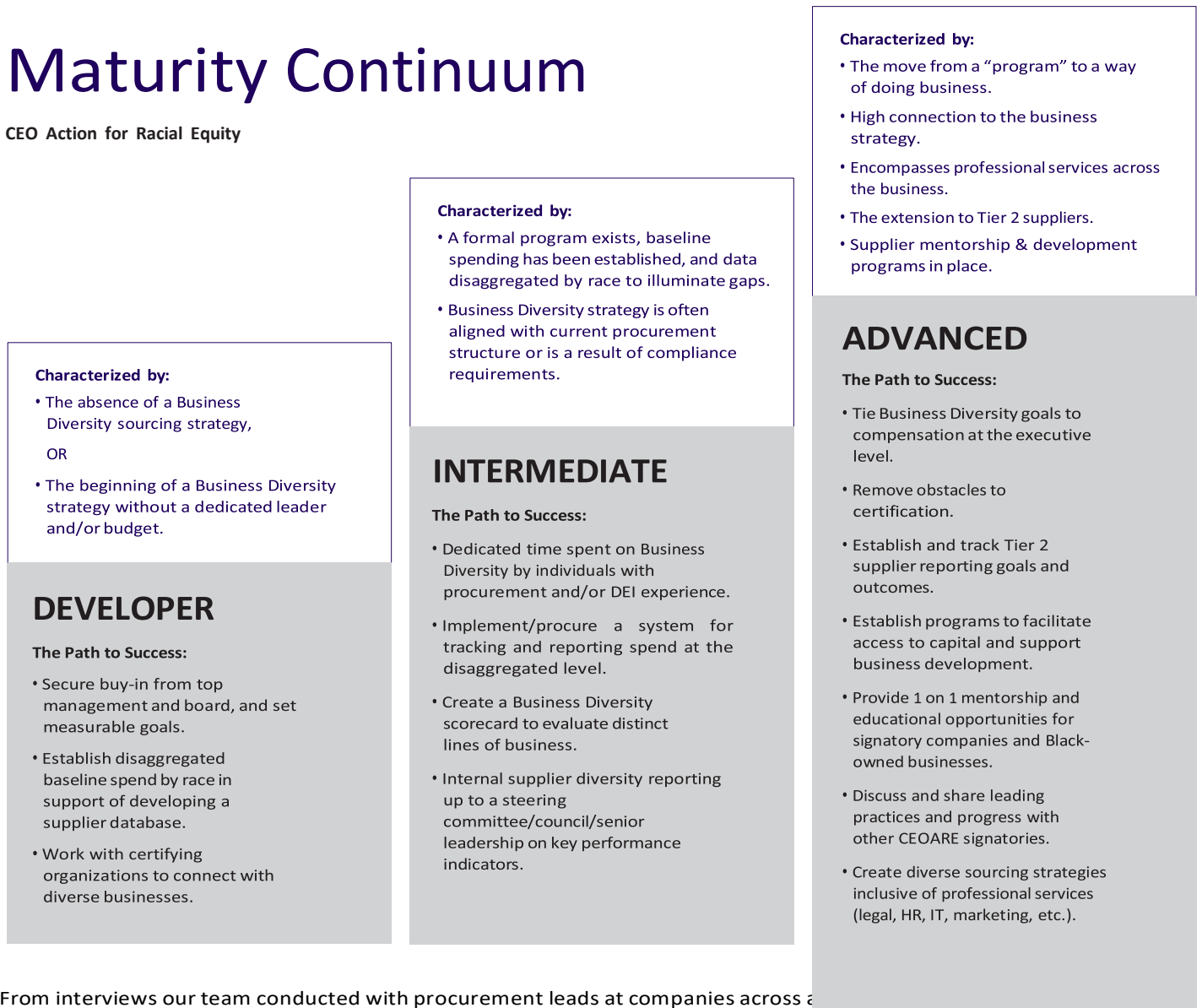
Our Business Diversity continuum approach simplifies the maturity journey by focusing on meeting companies where they are and showing them a path to greater maturity. It allows for more flexibility, recognizing that corporations are not on a linear path and can build capability in many areas of business diversity simultaneously.

Finally, this approach provides room to continuously improve and evolve the end-state as we collectively push the boundaries of traditional supplier diversity to that of a business diversity ecosystem.

Corporations can consider these leading practices as they forge a path forward.

Maturity Continuum

CEO Action for Racial Equity



From interviews our team conducted with procurement leads at companies across all points of their supplier diversity journey, we were able to capture descriptions of the different stages within the maturity continuum.

> Developer

Starting out

Companies at the start of the business journey fall into two categories: Beginner and Novice.

At the Beginner stage, a company has no real strategy or concrete plans around diversity sourcing and inclusion. Often there is general buy-in to the idea of supplier diversity but no developed path to implementation.

At the Novice stage, an organization may have some supplier diversity awareness based on regulation, stakeholder demands and/or a stated commitment to diversity, equity, and inclusion (DEI). But with limited strategy or support from senior management, it is impossible to put ideas into action.

Characteristics

Beginner:

- Supplier diversity is not a priority of senior management; nor is it integral to corporate strategy or culture.
- No dedicated leader or staff to support such initiatives.
- No budget or resources allocated to supplier diversity.

Novice:

- Senior management has not yet advanced supplier diversity as a key business strategy.
- Procurement, Community Affairs or Human Resources “owns” the process or program.
- Limited tracking of diverse supplier data.
- Limited or no outreach to diverse suppliers.
- Limited or no participation in Minority/Women Business Enterprise trade fairs.
- No external marketing of the program to signal interest to diverse suppliers.
- No program budget.

> Intermediate

Making Progress

In the intermediate stage, the business has developed and begun to implement an intentional program, empowered by a person or team with strategic sourcing/procurement backgrounds that include exposure to DEI.

Usually, business diversity strategy is aligned with DEI strategy, in support of the organization’s overall values, and business goals. The organization has already established a baseline spend and has disaggregated racial data that illuminates spending gaps.

At this stage along the continuum, corporations are actively seeking opportunities for growing their roster of diverse suppliers.

Characteristics

- Dedicated supplier diversity personnel with procurement background and exposure to DEI reporting.
- Strategy is aligned with regulatory or contractual compliance.
- An understanding of Tier 1 & 2 baseline spend within the organization and across lines of business.
- Use of internal resources, including a technology platform, to analyze spend data.
- Clearly outlined goals in supplier diversity spend.
- Internal diverse supplier catalog shares information with internal buyers, influencing RFIs, quotes, proposal and/or bid (RFX) processes.
- Efforts in place to seek alignment of internal and external resources.

- Collaboration with the organization's DEI function in developing processes to remove obstacles within current supplier diversity system.
- Review process for vendor selection to remove obstacles to engagement.
- Organization-wide quarterly reports include activity logs, inclusion analysis, good faith efforts and outreach, as well as statistical and industry analysis.
- Established relationships with certifying bodies and key external business collaborators, e.g., state, and federal minority business offices, help to identify diverse suppliers.
- Participation in major national supplier diversity initiatives such as matching services and recruiting events.

> Advanced

Getting There

In the mature stage of the Business Diversity continuum, CEOs recognize supplier diversity as the “smart thing to do” for business. Their clear and unwavering support of the program is openly communicated shaping attitude and actions throughout the organization.

The company has defined and amplified its supplier diversity value proposition and has allocated the resources needed to sustain it. The company has also empowered its supplier diversity leaders and managers to use these resources—leveraging them in mutual wins for the company and for diverse businesses.

With buyer and key executive training programs in place to reinforce the company's commitment, all are engaged in company-wide support. By now, among senior management, business diversity planning and reporting are viewed as standard business practice.

Characteristics

- Supplier diversity manager as key contributor to the company's overall management strategy.
- Diverse suppliers are included in professional services and outsourcing opportunities.
- Engagement enlivens collaboration between category management, strategic sourcing, marketing and sales, sustainability, and the community.
- Strategic plans that enable collaboration between procurement and service lines help in sourcing spend with diverse suppliers.
- Spend analytics and procurement teams collaborate to disaggregate data to improve supplier diversity reporting.
- Regular reporting to internal stakeholders, key clients, and government compliance agencies helps to identify and close gaps.
- Senior and executive leadership are given frequent reports on trends, benchmark data, emerging practices, and corporate/industry impact.
- Established goals by spend category.
- Continuous identification, expansion, and intentional engagement with Black-owned business enterprises.
- Continuous outreach strategy to build quality and quantity of diverse supplier relationships.
- Strategies to drive accountability with Tier 1 suppliers for Tier 2 reporting with the goal of increased diversity spending.
- Company-wide training to reinforce the organization's commitment to supplier diversity while cascading this to their Tier 1 suppliers.
- Robust Business-to-Business (B2B) training strategy for all staff internal training makes everyone accountable.
- External DEI training for Tier 1 suppliers— requesting that their suppliers go through similar training, too.
- Mentoring to expand engagement, communicating opportunities, fostering connections, and increasing community presence.

Paths to Success

The elements of the Business Diversity continuum are foundational and the paths to success below represent leading practices of companies that have taken business diversity to the next level. They are provided as examples to consider as you develop your business diversity strategy.

> Developer

Communicate the Benefits of Business Diversity

Secure buy-in from the CEO/executive team and key stakeholders, including management, by making a value-based case for business diversity. Use data to reinforce benefits like collaboration, innovation, promotion, multiple procurement channels for goods and services (that can help reduce supply chain risk), increased competition, price reduction, community and economic impact, talent recruiting and retention, and access to diverse networks.

Set measurable goals

With approval for implementing a business diversity initiative, the next step is to set performance targets. Begin by establishing a baseline that reflects the current state of your strategic sourcing strategy. Next, identify and record upcoming bid opportunities and commit to including diverse suppliers for participation. A third party can help with the perspective needed to identify gaps and suggest adjustments as you go.

For diversity spend, it is a good idea to set 'SMART' goals (specific, measurable, attainable, relevant, time-bound) early on. Establish a baseline and commit to increasing your company's spend with Black-owned businesses. You can also set SMART goals around the number of Black suppliers to include in the bid process. Also, decide how often—e.g., monthly, or quarterly—to evaluate goals against performance.

It's useful to align the strategy with more general corporate goals involving cost savings and new revenue, increased market share, penetration of diverse markets, risk mitigation, and an improved corporate image.

Collaborate with other organizations

Once goals are set, it is time to act. It is important to be intentional in identifying Black-owned businesses and exploring and following up on ways to engage with them. There are numerous governmental and nonprofit entities charged with aiding minority enterprises that can help in this process. Organizations like the Minority Business Development Agency (MBDA), Small Business Administration (SBA), and National Minority Supplier Development Council (NMSDC). These organizations hold conferences, networking events, and other outreach initiatives for the purpose of connecting diverse suppliers with corporations looking to do business with them.

Implement a supplier database

Invest in a technology platform, a supplier database, that captures relevant supplier diversity information by industry, goods, or services, as well as annual revenue, number of employees, past participation in request for proposal, quotation, information (RFX)s, current contracts, diversity status and certifications, and performance feedback.

Get the word out. Let Black-owned businesses know you are interested in engaging directly. Create links on your company's websites to organizations like those listed above. Invite Black-owned businesses to provide company information that feeds directly into your supplier database.

Promote diversity, equity, and inclusion

Strong business diversity solutions call for sustainable collaborative relationships between corporations and Black-owned suppliers. As you grow relationships with Tier 1 suppliers, hold them accountable for developing, implementing, and reporting their spend with Black-owned and other historically disadvantaged businesses.



» Intermediate

Use technology to track and report diversity spend

Data software and services can help companies and suppliers build and manage more diverse and inclusive networks.

Technology can be an accelerator. For example, once you have agreed on a standard of reporting, use it to collaborate with peers and develop insights that can grow your program.

Disaggregating data early on can help raise awareness and identify gaps. As long as each line of business is tracking regularly and reporting its spend, you can analyze this data to determine next steps.

Engage members of the procurement and/or DEI teams

Make business diversity a strategic priority through your words and actions. Some companies designate a dedicated Business Diversity team (specific FTEs). Others assign shared responsibility across members of existing procurement/DEI teams. Close relationships and coordinated efforts between procurement and DEI are essential to success.

Communicate the commitment of senior leadership

Without CEO and senior leadership involvement and support, a business diversity program can quickly become irrelevant. Operations and business units need to recognize that leadership will hold them accountable; that performance assessment is tied to successful integration.

Talk about your commitment to business diversity; make it known across the organization and publicly. When your people and stakeholders understand its impact on both their performance and company goals, they will be much more likely to do what it takes to achieve it.

Enterprise-wide commitment through awareness and training

Beyond the commitment of leadership, winning enterprise-wide buy-in requires raising awareness and training. To get there, corporations may consider having awareness training for all employees regularly, with more specific training for procurement, strategic sourcing, and contracting personnel, through live, virtual or e-learning.

Corporations may also consider instituting policies that would encourage inclusive bidding slates and creating procurement and contracting processes that require at least one Black supplier (or a written explanation for a lack of such requirement). In this way, you make business diversity intentional with an expectation for everyone involved in the process.

Use scorecards to evaluate progress

Develop a scorecard—a report comparing, over time, key performance indicators to performance targets. Make metrics a core competency in driving change—stressing the relationship between accountability and results.

Capturing Tier 2 spend

Evaluate master service agreements to decide if they need to incorporate language requiring Tier 1 contractors to track their diversity utilization and spend with Black-owned businesses.

➤ Advanced

Tie supplier diversity goals to executive compensation

Promote supplier diversity across the organization through goals and metrics that tie accountability directly to variable compensation at the senior executive level.

You might set a specific supplier diversity goal or include supplier diversity in broader DEI goals. Some companies have tied as much as 30% of variable compensation to DEI and/or supplier diversity outcomes.

Remove obstacles to certification

The certification process can impose a significant burden on the Black business owner. Consider implementation processes that can alleviate and even remove some of that burden.

Some companies have created an affidavit process that allows Black business owners to self-certify, i.e., document their minority business-owner status in their efforts to do business with you.

Create transparency in supplier diversity data

Successful supplier diversity programs require Information, data, and metrics. Leading practices enable data transparency across the enterprise and directly to businesspersons who make final purchasing decisions.

Full transparency educates decision makers, helps drive accountability deeper into the organization, and improves decision-making. In some cases, it helps to provide direct access to supplier diversity systems to business leaders, too.

Top-down, bottom-up culture

Strong successful supplier diversity programs happen when senior management is engaged and accountable. Companies with advanced supplier diversity programs also leverage internal employee groups and networks to help drive the culture forward.

By bringing your employee base into the strategy, you can empower them to influence purchasing decisions with an eye toward inclusion of diverse suppliers.

Using Technology to Power the Ecosystem

Supplier diversity professionals are turning to dedicated technology solutions for program management and reporting. Supplier diversity technology solutions offer:

- Data scrubbing to identify diverse suppliers within a company's supply chain.
- Tools for sourcing targeted diverse suppliers.
- Supplier certification and registration.
- Analysis of Tier 1 and Tier 2 supplier spend by race, ethnicity, gender, and LGBTQ status.
- Community platforms that help buyers promote their supplier programs and sellers promote their products and services.
- Reporting and analysis tools.

Some companies that provide a core suite of supply chain management services have added diverse supplier functions. Others offer sophisticated stand-alone solutions that expand the range of available functionality.

These supply chain systems are playing an ever-increasing role in changing the way companies make decisions about suppliers.

CEOARE Business Diversity Pledge

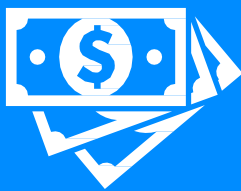
Core to an effective business ecosystem, business diversity can mitigate or remove the structural obstacles to business-building that have hindered the growth of Black businesses.

With greater corporate engagement increasing the number of contracts with Black businesses, along with the corresponding spend, we can begin to close the Black-white wealth gap. For Black businesses, increased revenues can result in greater growth opportunities and positive economic impact within their communities.

We are asking you, as signatories, to commit to the fair inclusion of Black suppliers in your procurement activities by pledging to:



Increase equity for
Black suppliers across
all services




Create more access to
capital and networks for
Black suppliers



Develop growth and scale
opportunities for Black
suppliers

Join us to collectively build and share leading practices, resources, insights, and data regarding progress.



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