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Rumors of My Death Have Been Greatly Exaggerated

How Supplier Diversity Will Thrive in 2024 and Beyond

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1. The global outlook

On June 29, 2023, the U.S. Supreme Court struck down affirmative action in college admissions at Harvard University and the University of North Carolina. It has generated a lot of discussion around supplier diversity and what the effects will be. This comes in addition to conversations about the many companies who took a public stand on Black Lives Matter, maybe donated, and then were never heard from again. A recurring question is whether supplier diversity will be able to weather the winds of risk and backlash?

Yet, while the U.S. conversations continue, supplier diversity is finding new life in the areas of ESG (Environmental, Social and Governance) and DEI (Diversity, Equity, and Inclusion). So, what's the state of supplier diversity on a global scale? Let's take a look.

United States

The political polarization taking place in the U.S. today has divided the country more than it has experienced since the 1960s. This divide has empowered a resurgence of outspoken racism and the denial of everything from climate change to erosion of the constitutional rights that Americans have long held dear. It often seems that any headway made over the last 50 years is being undone. Roe v. Wade, which provided a woman's right to an abortion, was overturned at a federal level in 2022 after nearly half a century. LGBT persons are seeing their ability to live authentically ebb away in state after state.

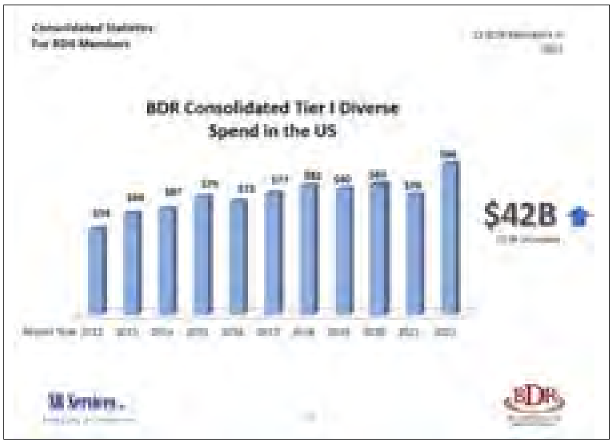
The 2022/2023 school year saw a sharp increase in banned books. Pen America tracks book bans in four categories:

1. Banned in libraries and classrooms: instances where individual titles are off-limits in school libraries, classrooms, and curricula.
2. Banned in libraries: in this case, the book is removed from school libraries but may still be available for curricula. It may also be removed from a middle school but placed or remain in a high school library.
3. Banned in classrooms: in this instance, while the book may or may not be in the school library, school boards or other school authorities have barred individual titles from the classroom, curricula, and/or optional reading lists.
4. Banned pending investigation: while this category sounds innocent enough, this is by far the largest category and there are no limits as to how long a book can be held here. In many cases, months drag on while the book remains unavailable. In the time period of July – December 2022, over half (52%) were in this group.

The list includes items such as Slaughterhouse Five by Kurt Vonnegut, Jr., John Grisham's The Fugitive (one of several Grisham novels on the list), Harper Lee's classic To Kill a Mockingbird, and The 1619 Project by Nikole Hannah-Jones which chronicles the timeline and repercussions of slavery. Others include books about art and artists such as Matisse, Monet, and Cezanne. You can peruse the full list here.

In addition to books, there have been laws enacted by many states to restrict what can be taught in both K-12, as well as college curricula. Restrictions cover all types, from teaching critical race theory to making anyone feel guilty about slavery. Other states seek to expand the curricula – and so it goes with the American political polarization. Non-profit news agency Chalkbeat specializes in covering education and has created a spreadsheet of all that is legislated on the topic in the U.S. It can be viewed here.

As the birthplace of supplier diversity, is it any wonder then that there's a question as to whether it can stand up to the current trends? It's not all bad news. Not all American companies have backpedaled their support. In fact, there are more who support than those who don't. Membership with U.S. certifying bodies is at an all-time high. The Billion Dollar Roundtable, a group of companies who have spent a minimum of $1 billion with certified diverse suppliers, welcomed their 32nd member in 2022 and celebrated $96 billion in spend.



The bulk of certified companies globally reside in the U.S. NMSDC for minorities, WBENC for woman-owned, Disability:IN for disabled, NGLCC for LGBT+, USPAACC for Pan Asian American, and NVBDC and NaVOBA for veteran business. The need for this comes from consumers and employees, U.S. government support, a long list of companies who require supplier diversity commitment, and 50+ years of development.

North America

The U.S. may have been the first in supplier diversity, but Canada has taken to it with great fervor. It began with recognition of the Indigenous Peoples in Canada who were displaced, but has continued to all disadvantaged groups. They have looked to the U.S. for guidance, but there is nothing much left to teach them. They have moved forward without the benefit of the government requirements that the U.S. has. They have active and vibrant certification organizations for all categories with CAMSC for minorities, CCAB for aboriginal companies, CGLCC for 2SLGBT+, IWSCC for disabled and veteran owned companies, and WBE Canada, who introduced the first formal program for corporate members with their Accelerator program in 2020.

A concern has been the ongoing discussion of whether certification is truly necessary. Companies in search of more business enterprises that count towards diversity spend have given this conversation oxygen and have some looking at self-certification and even discussions about diverse-led companies (so General Motors would count as a WBE?) adding to the count. The U.S. found out the hard way why certification is an absolute necessity. The cost is minimal and organizations, such as NMSDC in the U.S., have begun programs to help cover the cost of certification.

Unfortunately, the same is not true for Mexico. There has been some interest in supplier diversity by companies in Mexico, but they have been few and far between. The Export Consulting Group and the Government of Canada published a study in December 2022 about where supplier diversity stands in Mexico. The Diversification of Suppliers in Mexico shows that, while interest has not been at the level it is in other countries, it is gaining some traction.

Europe / UK

It wasn't that long ago that there was no supplier diversity in Europe and the UK. One would run across a company now and again, usually a U.S. based company who wanted to do the same abroad. MSDUK was established in 2006 for ethnic minority-owned businesses. They service the UK, Belgium, France, Ireland, the Netherlands, Germany, and Sweden.

Under the leadership of Mayank Shah, they recently broke the 100 mark in corporate members. They have also put forth an actionable effort to partner and work with other organizations on a global basis and it has paid off. In less than twenty years, they have certified over 300 diverse-owned businesses.

The missing link in diversity services in Europe and the UK is solid representation for other groups. While LGBT chambers provide the broadest global representation, women, veteran, and disabled companies have little or no representation. Until all disadvantaged groups are represented, Europe and the UK will be playing catch-up.

Asia

Asia has been slow to get on the supplier diversity bandwagon. There is currently an organization in China, MSD China, for minority businesses (the definition of what a minority is varies from country to country). Unlike other organizations, MSD China covers all the disadvantaged groups. That's the good news. The bad news is that, while they certify companies, they also let companies register (i.e., self-certify) so the 3,000+ companies they boast can be a bit of a misnomer if you're looking for certified companies. That said, the combination of all groups is something that should be considered, especially by those organizations that are still relatively early in their establishment or areas where coverage is less than full (yes, MSDUK, I'm looking at you).

India has a bit of a different approach. The Asia Indian Chamber of Commerce is based out of New Jersey and the concentration is about development of companies in India that the U.S. does business with. However, companies in India are referenced back to the U.S. certifying bodies. The Chamber doesn't list how many companies have been certified, but it does eliminate the "I didn't know" conversation.

Japan is a bit of a surprise. Japanese automakers have done stellar work in the U.S. with supplier diversity, but not on home turf. They have done some work for woman-owned businesses with WE Connect, an organization based in Washington DC. No problem, but like China, WE Connect allows self-certification. Given that Japanese companies like Toyota are winning awards in the U.S. for their strategies and execution, it causes one to wonder why Japan lags in the supplier diversity arena.

Taiwan has had a few starts and stops towards supplier diversity. There are currently no certifying bodies located in Taiwan but there have been discussions and roundtables. In November 2021, Carnegie Endowment for International Peace published a study written by Evan A. Feigenbaum and Michael R. Nelson titled Taiwan's Opportunities in Emerging Industry Supply Chains. The paper was predominately about the supply chain crises brought on by the pandemic and what opportunities might exist for Taiwanese businesses. One of the items for discussion included cultural challenges like supplier diversity.

Other countries in Asia do not have any structured supplier diversity organizations. There have been some one-off wins driven by U.S. companies. CBRE has published about work they have done in Vietnam and the Philippines, but there is nothing driven in other Asian countries that has gotten any traction.

Australia

Australia, like Canada, began their supplier diversity journey with their Aboriginal- and Torres Strait Islander-owned businesses. This group is certified and assisted by Supply Nation. They do not certify any other type of company.

Another organization in Australia is Diversity Council Australia. They do not certify but do provide services for all the groups that supplier diversity encompasses.

South Africa

Black owned businesses in South Africa are certified through SASDC (South African Supplier Diversity Council). Established in 2011, they service more countries than the five UN-defined countries of South Africa. Countries include Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. South Africa does not currently have certifying bodies for other supplier diversity groups. There are LGBT chambers in Africa and South Africa that cover a host of services for LGBT citizens and travelers. If you're looking for traditional supplier diversity support, research the chamber for your location of interest. Also, be aware that some countries in Africa do not welcome LGBT individuals or businesses. In fact, they can be jailed or, in some cases, put to death.

Global Overall

There is no question that supplier diversity has opportunities for expansion and improvement in every country around the globe. However, there has never been a time when so many groups have had as much representation as exists today AND are being sought out by as many companies as today. Regardless of the political ramifications in each country and at any given time, supplier diversity is here to stay and continues to grow globally. There are also several factors on the horizon which should continue this growth in the months and years to come. So, while you may hear that supplier diversity is on a downward spiral, be assured that this is not the case.

2. The customer is always right

No matter the country, the industry, or the culture, satisfying the customer is always top priority for most for-profit companies (at least those who intend to stay in business). This is true regardless of who a company's customers happen to be. Those customers are more and more concerned with diversity and how well they see it reflected in their own employers and the companies they do business with.

B2B (Business-to-Business)

Business-to-business are companies that sell primarily to other businesses. They may do some individual retail but most of their revenue comes from other companies. This is the sweet spot for supplier diversity. While the start in the U.S. began with government, it was the acceptance and insistence by industries like automotive that moved it forward.

My introduction to supplier diversity came at a bank in Detroit. GM and Ford did a presentation to the executives on supplier diversity, and it was clear that those who chose to ignore this initiative did so at the risk of their bottom line. My boss brought me the deck, threw it on my desk and told me to let him know what I needed to get our procurement department on board and to do it better than the other banks in town. So began my B2B experience and it has lasted throughout my career. Unless your company is strictly a retail or government provider, B2B is going to impact your operations the most.

B2G (Business-to-Government)

Business-to-government happens in all countries. But the U.S. government has some precise requirements related to supplier diversity. How tightly those requirements are enforced has a lot to do with what you sell, and which department of the government is buying it. Small businesses, regardless of ownership, are at the top of the pecking order. It's a case of simple math. Small businesses employ more people and generate more dollars than any other type of business in the United States. The government is heavily invested in making sure they work and receive the support they need.

Minority- and woman-owned businesses are next and are the first categories for supplier diversity. Minority-owned companies were the cornerstone of supplier diversity and, eventually, women were added to the government mix. Next in line are veterans. Disabled and LGBT groups are not part of the government supplier diversity strategy at the present time. The most common way a company sells to the government is through a GSA (General Services Administration) Schedule. There are also MAS (Multiple Award Schedules) through GSA to streamline repeat purchases. Part of getting a GSA contract includes setting targets for minority, woman, and in many cases veteran spend. 8a (small business mentoring program) and HUBZone (businesses based in disadvantaged geographic regions) are also included to support those government programs.

In short, if you are doing business with the U.S. government, you are doing supplier diversity. So why not get on board with a good strategy? How well those targets are enforced can have a lot to do with the political party in office. Former President Trump, for example, removed the ability for a government entity to spend tax dollars on diversity, equity, and/or inclusion training of any kind, so it's not necessarily consistent. But for now, it is there.

B2C (Business-to-Consumer)

Business-to-consumer used to be a mixed bag as to whether companies who were only B2C participated in supplier diversity at all. Consumers were viewed as not caring if the price was low. One canned food maker liked to tell me diversity was a consideration until the price of the can was two cents more and then no one cared. But that has changed.

Many consumers are more thoughtful about where they do business. Single mothers don't want to spend their hard-earned money with a company who doesn't support women. LGBT people don't want to buy from a company who donates to anti-gay political candidates or doesn't support their right to marry. More commercials on TV are appearing in Spanish for the Latino population. Companies have long searched for ways to appeal to the various demographics that make up their market. Diversity of company, strategy, and supply chain go a long way with the diverse groups that make up markets worldwide.

The Generational Consideration

There has been a change in the generations over time. The traditionalist generation (born 1925-1945) and baby boomers (born 1946-1964) were not as inclined to demand a company they did business with or worked for aligned with their primary beliefs. But this is changing. Boomers are the generation shaped by the Vietnam War and the civil rights movement. Sixty-five percent of boomers expect to work beyond age 65 and they are learning from the successive generations they are working with. Their expectations as employees and consumers are aligning more with later generations.

Gen-Xers (born 1965-1980) currently represent one third of the workforce. They are motivated by diversity, and favoring diversity is primary in their world view. By 2028, Gen-X will outnumber baby boomers. They also represent 55% of startup founders – the highest percentage.

Millennials (born 1981-2000) are open-minded on diversity and are civic-minded as well. They are motivated by unique work experiences and expect challenge, growth, and development as part of their work experience. By 2025, they will make up 75% of the global workforce.

Gen-Z (born 2001-2020) are starting to enter the workforce and, while they only represent 5% of the total today, they are the group coming. They are entrepreneurial, progressive, and motivated by diversity. By population, this group represents 25% of the total, more than in the baby boomers' generation.

Social Media Impact

Back in the day, companies were strict about not commenting on anything happening that didn't directly involve whatever product or service they were selling. That has now gone the way of the iPod. Topics such as diversity, support for women's rights, LGBT+, or Black Lives Matter would never have been allowed in the 90s.

Whether you expect to employ or sell to the various generations, diversity and human rights need to be present to be successful. And the constituents will know if companies are supportive or not. Twenty years ago, if two black men had been arrested in a Starbucks store in Philadelphia, it might have garnered a paragraph on page six of the local newspaper. But in April 2018, that very thing happened and was captured on video. The video went viral on social media and #BoycottStarbucks began trending on Twitter.

Starbucks issued an apology on Twitter. This was followed by a personal apology by CEO, Kevin Johnson. This was followed by over 8,000 Starbucks stores closing so that their associates could receive anti-bias training. Finally, a curriculum of twelve training modules was rolled out – six for managers and above and six for every employee, covering topics such as cultural perspectives, building diverse teams, and engaging with empathy.

The point is, consumers and employees are not held to the company-provided storyline as to what kind of global citizens an organization might really be. Social media allows for all sins great and small to be on video and trending.

If a company begins to backpedal on their support for diversity, everybody knows about that too. Anheuser-Busch and Target managed to anger both sides this year when they altered or withdrew aspects of their PRIDE program. At the end of the campaigns both companies found themselves with $15 billion+ less value than they had at the outset and almost no one happy with either company. The lesson – if you come out in support of either side of the diversity discussion, make sure the company knows why they are taking that line of support and then buck up and stick with it. Oh, and know what the true impact is. The group safehome.org keeps track of what is most feared in their annual American Fear Study. Fear of transgender rights initiatives came in fourth from the bottom, just ahead of 70) Ghosts; 71) Zombie Apocalypse; and 72) Abduction by aliens.

3. Every dollar is a vote

We have seen that there's a lot of attention being paid to what companies are doing in terms of diversity, but what about individuals? Is there anything a mere mortal can do to move the needle? Funny thing about capitalism - we get to vote with every dollar that's spent. And many put forth admirable efforts at work with the company supplier diversity strategy and then leave it at the door when they go home.

21st Century Decision Drivers

How much movement would we see if we knew who supported supplier diversity and who did not in every purchase we make? I added a diversity designation on the e-store for promotional items at a company I worked for. We didn't change the items; we just added the designation. The first quarter our overall spend didn't change. Promotional products are budgeted for by the business units and total spend didn't change a lot in the category. But the spend with diverse-owned companies went up 38% in the first quarter we identified it. By the second year, we were in the high 40s and it leveled off there. The message? If you let people make informed choices, most of them will try and support the good stuff.

We have seen that individuals want to do business with companies that are aligned with their goals. What happens when there is no diverse-owned business to fill a particular need?

In 2014, I made a commitment to do business with diverse-owned businesses where possible. For everything else, I would do business only with companies who supported supplier diversity within their own walls. This meant that when I put gasoline/petrol in my car, I would buy it from a company that I saw at NMSDC, WBENC, NGLCC, Disability:IN, and NVBDC (these links take you to their corporate member list, you're welcome). I got to know who the corporate members of these organizations were. I looked at their websites to see what they were saying (if anything) about supplier diversity. And then I periodically checked the sites again for any who had drifted away from what I considered important and adjusted accordingly.

I started looking at who made my favorite foods and snacks. I made changes to where I shopped, what cereal I ate, I travel a lot, so I looked at airlines, hotels, ground transportation, and restaurant chains. I began looking for the diversity designation that Amazon puts on their site.

I needed a new car that year – a major purchase. I was driving a Hyundai Sonata, and I really loved it. The warranty had gotten me in the door, but they had sold me with a comfortable car at a decent price. Their service was great! Imagine my disappointment when I could find nothing on their website about supplier diversity, found no memberships listed with certifying bodies. I was not going to be able to do business with Hyundai. I ended up with a Ford Escape and love it as well. And it was a company that I knew had a great supplier diversity team because I know some of them personally.

How Favorite Companies Stack Up

Being a data nerd, I started tracking the Fortune 100, then 500, on where they stood on memberships and support. I found it interesting to see companies that were supporting minorities but not women, women but not LGBT. I adjusted my buying habits accordingly. I shared my spreadsheet with some fellow advocates, and it created some great discussions about selecting where we spend our money.

When I started learning about ESG, I added a column for that. I found that it didn't take a lot of my time to be purposeful about almost every dollar that I spend. Now if I get off the freeway to get gas and none of the supportive companies are there, I get back on the expressway and go to the next exit. I don't look at it as a sacrifice; it's an investment in companies who operate in a way that aligns with my values.

Now, consider if the 6,200+ people who were at NMSDC in Baltimore this year all did the same thing. Would that move the needle? Would it happen if they all got their fellow employees and family and friends to?

The next time you pull out your credit or debit card, ask yourself who you are voting for.

4. ESG

Power company Arcadia put the definition of ESG well in their white paper ESG101. “Environmental, Social, and Governance (ESG) is a criterion for evaluating a company’s operations in regards to [SIC] socially conscious policies. Investors use these standards to screen companies for potential investment opportunities. Environmentally, investors will look at how they are working to offset their carbon footprint and evaluating the efforts being made to reach net-zero emissions. Socially, investors take into consideration how a company manages its relationship with employees, customers, suppliers, and their community. Lastly, they examine the governance of a company, including executive pay, shareholder rights, internal controls, and audits.” There are a number of reasons why there is suddenly so much interest in getting ESG reporting.

A big incentive is that the government of the European Union has enacted legislation that requires reporting of ESG factors. The timeline currently looks like this (timeline courtesy of The National Law Review’s *European Union Advances Mandatory ESG Reporting Standards*):

“**2024:** Large, public companies that were already subject to reporting obligations under the precursor to the CSRD (Corporate Sustainability Reporting Directive), the Non-Financial Reporting Directive (large listed companies, large banks, and large insurance undertakings, all with more than 500 employees), as well as large non-EU listed companies with more than 500 employees.

2025: All other large corporations, including large non-listed companies, for which two of the following three criteria are true: (1) an annual average of 250 employees or more, (2) total assets of €20 million (which would increase to €25 million under the Commission’s recent amendment), or (3) €40 million in sales (increased to €50 million under the Commission’s amendment).

2026: Small and Medium Sized Enterprises (SMEs) should be subject to reporting starting in 2027. However, the EU has not yet adopted reporting standards applicable to SMEs, which has led to some doubt as to the timing and scope of reporting obligations that will eventually apply to SMEs. Listed SMEs may eventually report using less intensive standards that are currently under development by EFRAG (European Financial Reporting Advisory Group). Listed SMEs may also opt out of reporting requirements for two additional years, meaning they could wait to start reporting as late as 2029. Non-listed SMEs are not within the scope of the CSRD, but in the event they receive requests for sustainability information from investors or other stakeholders, they may opt to report under a trimmed down set of voluntary standards that EFRAG is also developing.

2028: Companies located outside the EU with subsidiaries or branches within the EU where sales exceed €150 million in the EU area over two years are either (1) a large or listed subsidiary, or (2) a significant EU branch (over €40 million in turnover). The CSRD provides an opportunity to satisfy the reporting obligations for non-EU companies through “equivalent” reporting, but there is no guidance yet on what will be deemed equivalent.

For each of these phases, subject companies must submit reports consistent with the CSRD and ESRS (European Sustainability Reporting Standards) beginning the year after they become subject to the CSRD.”

This has driven an interest in the investment community which we will address later in this publication. Safe to say is that ESG may have begun as something for companies who cared about the environment, but it has turned into a business strategy on a global basis.

The Role of Supply Chain

One of the first things you learn when diving into ESG is that no company can seriously move the climate needle on their own. There just isn't enough infrastructure to make reduction of water, elimination of waste, proper lighting, and HVAC practices within their own walls to budge the overall number. How do you move the needle? You must engage your supply chain. Your supply chain, from the capture of raw materials to manufacturing to assembly, must be conscious of ESG factors.

Then and only then, will a company be able to make a difference in the three primary areas of ESG – environmental, social, and governance. There are many good places to learn about ESG if you're just dipping your toe into that particular pond. A particularly good place to start is a paper by EcoVadis, the premier provider of ESG ratings for companies. It's called EcoVadis Ratings Methodology Overview and Principles and it provides a clear and concise framework. The EcoVadis Resource area on their website is rich with data and information. If you'd like to understand ESG better, a day spent perusing their resources is an excellent investment of your time.

Environmental Diversity

Another group that has published a fair amount is The Motley Fool. We will borrow some of their definitions and measurements to quickly hit what each area encompasses. Environmental keeps track of the following:

- Climate Change
    - Carbon emissions
    - Product carbon footprint
    - Financing environmental impact
    - Climate change vulnerability
- Nature Capital
    - Water sourcing
    - Biodiversity and land use
    - Raw material sourcing
- Pollution and Waste
    - Toxic emissions and waste
    - Packaging material and waste
    - Electronic waste
- Opportunities
    - Clean technology
    - Green building
    - Renewable energy

This is by no means an exhaustive list, but it does give you a good indication of what is involved. Environmental is where the lion's share of resources in measurement and reporting are coming from at present. This is because the data requirements and reporting templates have been fragmented in terms of what companies needed to do. As we get closer to the EU reporting requirements, better requirements have been identified and the resulting data collection processes are underway.

What does ESG have to do with supplier diversity, you may ask? Well, in addition to diversity requirements in the next section, ESG has also offered opportunities for diverse-owned companies who could assist with data collection, and created some new spend categories that supplier diversity hadn't already mined. This is an area ripe for apps, data, and reporting techniques that will evolve over the next 5-10 years, not to mention ways of getting those numbers where they should be for reporting purposes.

Social Diversity

Social is a term that gets a bad rep in the United States. Almost everywhere else on the planet, social relates to labor, safety, and what is being done to make the world a safer place. Social in the U.S. has a much softer meaning, more along the lines of community service, philanthropy, and charitable projects, etc. This meaning has caused some to browse through the section quickly and miss just how important it is to ESG overall, and diversity in particular. Social keeps track of the following:

- Human Capital
    - How labor is managed
    - Health and safety practices and protocols
    - Worker training
    - Supply chain labor standards

- Stakeholder Opposition
    - Controversial sourcing
    - Community relations

- Product Liability
    - Product safety and quality
    - Chemical safety
    - Consumer financial protection
    - Privacy and data security
    - Responsible investing
    - Insuring health and demographic risk

- Social Opportunities
    - Access to communication
    - Access to finance
    - Access to healthcare
    - Opportunities in nutrition and health

- Supplier Diversity
    - Supply chain moves the needle

This section encompasses two of the most active areas related to diversity – DEI (diversity, equity and inclusion) in a company workforce make up, and supplier diversity that takes the same approach as the rest of ESG – you need to engage the supply chain to move the needle on what is being measured and reported.

Governance Diversity

The final primary area of ESG is governance. It is made up of the following:

- Corporate Governance
    - Board composition – diversity and independence
    - Executive compensation
    - Ownership
    - Accounting practises

- Corporate Behavior
    - Business ethics
    - Tax transparency

This is where the company provides, in effect, assurance that what is being reported in the other two sections is being managed and directed ethically, and that there is sufficient oversight by a diverse and independent group of people.

The EU has gone the farthest in getting ESG reporting, but they are not an island. Legislation is already underway or being discussed in dozens of other countries including the UK, Ireland, Canada, and the facets of the U.S. who are not trying to wish climate change away as a fake news item.

Not only does ESG open opportunities for the entrepreneurs that operate diverse-owned businesses, but it also shines a light on what companies are doing for diversity internally and in their supply chain. As reporting takes hold and companies seek to improve the reporting metrics they are publishing, companies who have already embraced supplier diversity will have a distinct advantage, not only in the metric results, but also in executing strategies that manage and improve them.

5. Investors

I am asked a lot about what I think the future of supplier diversity is. Will it be able to overcome the conservative backlash that is taking place in the U.S.? Will it be able to survive the removal of affirmative action? I always say yes, I believe it will. One of the biggest reasons for that is because the investment community has gotten on board with supplier diversity, whether on its own or as part of ESG. And if there's anything I have learned over the course of my career, it's that it doesn't matter what is legislated where, who is president, what political party has a majority in a given country – if the investors are interested, everyone else will eventually get with the program. As Sherlock Holmes would say, follow the money.

Banking

Financial institutions have long been great supporters of supplier diversity. If you look at corporate memberships, you will have plenty of banks to select from to do business with. When the pandemic hit, it was banks who stepped up to work with legislators and, in the U.S. SBA (Small Business Administration), to get money into the hands of small business owners. You can nay-say how well that worked, but considering what they were trying to accomplish in such a short space of time, I was impressed. I know a few people at SBA, and they were on calls from 6AM to midnight trying to work through the details and get things communicated, set up to work on websites, and then document the details of how business owners could take part. It was the same at the banks. Banks were also some of the first to go on record when movements such as #MeToo and Black Lives Matter started spreading across the globe. Whether you support banks with deposits or interest paid, there is no reason why it can't be with a financial institution that supports supplier diversity.

Private Equity

Private equity firms had been pretty absent from the diversity community. That started to change in 2020. In response to his frustration at the killing of George Floyd in May of that year and continuing events, Alejandro Guerrero with Act One Ventures was moved to create the Diversity Rider. The rider calls for firms to make a commercial best effort to include as a co-investor in the financing at least one Black person or member of another underrepresented group, including, but not limited to LatinX, women, and LGBTQ+. He floated the Rider out to his network and initially there were 22 firms who signed on. Alejandro wrote an article for Fortune in October of 2020 and began to track firms that were willing to sign on, publicly, to include the Rider in all of their deals. All companies who agree to use the Rider are listed on the Diversity Rider website. At present, there are 124 firms listed.

This type of approach has had ripple effects I never expected. It started other conversations about supplier diversity. I began to get calls from companies who had never heard of supplier diversity. But one of their investors had told them they needed to get on board and so they came looking for help to implement a strategy for their company so their funding would not be in jeopardy.

Exchanges and More

Once portions of the investment community began to get involved, it was only a matter of time before others came online. ESG reporting got the attention of investor groups because this now became part of an investment decision. No one wants to invest in a company doing business in the EU, which isn't ready to provide the required reporting, or will be reporting what a terrible job they are doing.

Many sounded alarms when the SEC (Securities and Exchange Commission) removed ESG from the 2024 Audit Priorities. It had been on the list since it was added in 2021. For more information, check out Jon McGowan's article on the topic in Forbes.

But fear not. The SEC is currently at work on two rulemakings related to ESG, one regarding corporate disclosures and the other involving advisory and fund disclosures. So, while it may not have made this year's priority list, it has not left the offices of the SEC.

NASDAQ (National Association of Securities Dealers Automated Quotations) announced ESG ratings and a consultancy practice to help companies get where they need to be. The NYSE (New York Stock Exchange) has published *ESG Guidance: Best Practices for Sustainability Reporting*. D&B (Dun & Bradstreet) also provides ESG ratings. These are not groups that invest in fly-by-night practices.

Consulting Houses

If you really want to follow the money, you need only look to the big consulting houses to know that ESG is here to stay. Not only do the big four consulting firms (Deloitte, KPMG, PwC, and EY) have an ESG practice, so do Bain, McKinsey, Boston Consulting, Accenture, and the list goes on. Most of these companies also have a strong supplier diversity practice within their own organizations. Do you know which ones do not?

6. The great integration

Integration is something all companies work to perfect within their organizations. Companies work at this because they do a lot of mergers and acquisitions or are attempting transformations of business units. They may be bringing in new technology, or just want to do a better job at execution, implementation, and/or change management. Regardless, integration will be a topic. Companies have an opportunity to knock integration out of the park with areas that have been working (some well, others not so much) on parallel projects.

Supplier Diversity and DEI (Diversity, Equity, and Inclusion)

The social unrest and supply chain disruption from 2020 forward caused a lot of companies to begin moving DEI higher up within the organization. You saw new positions such as Chief Diversity Officer or Chief DEI start to show up across several industries. Most of these positions reside in Human Resources or with the Chief People Officer and a lot of them stuck to what they knew – diversity in the company workforce. I talked to a lot of supplier diversity execs who had never met the Chief Diversity Officer at their company, or they had coffee the first month they were there and that was the end of it.

By 2023, we started to see the CDO moving to a different company, or even a third. The job postings for the position began to fade. Some articles suggested it had been a fad that was coming to the end of its fifteen minutes of fame. I couldn't understand why this hadn't been a boon for DEI and for supplier diversity. Then I remembered something.

Supplier diversity usually sits in the procurement or finance organization. They have to work with supply chain to get diverse-owned suppliers in the system. Human Resources doesn't usually have a relationship with procurement. They are one of the internal stakeholders that procurement often struggles to get to the table with on RFx and contracts. It wasn't necessarily that these people didn't want to work together, they just didn't know what the other one was doing. In some cases, they didn't know they even existed. Almost without exception, if everyone gets around a table (real or Zoom), good things happen in both areas. Supplier diversity knows how to do things like stakeholder engagement, setting objectives, and finding participants (diverse-owned businesses). DEI knows how to get the ear of the workforce, how important diversity is for successful recruiting, and how to find the right candidates. Put them together and both sides improve their game dramatically.

Supplier Diversity and ESG

As goes DEI, so goes ESG. Supplier diversity could work wonders on their "S" while resources figured out the "E". ESG also brings a discipline that can be very useful to supplier diversity. ESG comes with great metrics and measurement methodologies. This is something supplier diversity sometimes struggles with once they go beyond dollar spend. ESG also brought credibility to their reporting. Supplier diversity doesn't have a set list of items that need to be reported. Some companies reported their dollar spend with diverse-owned companies. Others reported the percentage of total spend. Still others never made any results public, or changed their metrics so you couldn't tell how they were doing year over year.

Somewhere along the way someone thought "addressable spend" was a good way to report. Addressable spend removes spend dollars that aren't in procurement, or don't have diverse suppliers in the mix, or aren't up for bid this year and so could not be addressed. Suddenly companies were reporting 62% diverse spend, in their addressable spend. All of this served to dilute the credibility of the numbers that were reported.

Finally, ESG brought back third-party reporting validation. Many supplier diversity professionals were expected to get the reporting numbers from their own systems and had to manually compile the reports. This allowed for inconsistencies and errors. Again, the credibility of the numbers took a hit. Third-party reporting not only leaves a mountain of time and resources to work on other aspects of the supplier diversity strategy, but it also gives the report the same credibility as financials and well, ESG.

Supplier Diversity and Procurement / Supply Chain

Supplier diversity and procurement have worked together. But they haven't always had some of the tools the DEI folks and ESG colleagues can bring to the table to get everyone working as one team. That integration can also bring procurement face to face with people they haven't been able to get to otherwise (like human resources) so everyone begins to bring their best skills to a bigger table.

Supplier Diversity and AI (Artificial Intelligence)

Supplier diversity and procurement have worked together. But they haven't always had some of the tools the DEI folks and ESG colleagues can bring to the table to get everyone working as one team. That integration can also bring procurement face to face with people they haven't been able to get to otherwise (like human resources) so everyone begins to bring their best skills to a bigger table.

You can hardly open your inbox without offers to show you how AI can make your job/career/life better. IT, another of those groups that can be difficult to pin down, has a powerful new tool to work all that data we've been collecting for the past few years but didn't know what to do with. Unless you are managing all your business units manually, data has come into its own. Now we have some tools to do something with it. Let's take that data out for a spin and see what it gets us. If supplier diversity isn't enough to get IT's attention, try going in with DEI and ESG.

In short, put supplier diversity, DEI, and ESG into a room for a few hours and I dare you to not have a better business plan when you are done. This is an integration that has the potential to move ALL of the needles in a good way.

7. Affirmative action and supplier diversity

As mentioned in the first paragraph of this publication, affirmative action was struck down by the Supreme Court in the U.S. this past June. Affirmative action has not traditionally been part of the discussion about supplier diversity because they are two different things. Affirmative action as it was applied in the college admissions process was to provide additional benefits to students who had been disadvantaged before getting to college. Drawing a line in the sand and saying that everyone is being treated the same from today forward doesn't put everyone on an even playing field. The admissions scenario was that the disadvantaged students, whose schools and education received "to date" were not the same, needed consideration given to level that up over time. As such, those advantaged, such as white students applying to Harvard, would always beat out the Black students. Affirmative action provided additional points and/or considerations for the disadvantaged or in some cases simply established a number or quota of slots that would be provided to disadvantaged students regardless of the admission criteria. The lawsuit, in essence, says we don't need that anymore and having it now places white students at a disadvantage because of the slots being designated to another group.

Supplier diversity in the U.S. government does have something similar to that. They have the set aside program which states that when the government is spending money, a targeted percentage amount will go to minority- and woman-owned businesses. There is a lot of discussion taking place around that portion of supplier diversity and whether it will remain. It will likely stay during the current administration but, if the GOP wins the next election, I expect it may indeed be in jeopardy.

None of that, however, speaks to almost every other supplier diversity strategy that exists in the corporate environment. I have overseen over a half-dozen programs personally and never did I operate under a set aside, a quota, or extra consideration being given just because a company was diverse-owned. Corporate strategies have been based on the premise that diversity of thought and people makes companies more profitable, more innovative, and more likely to sustain higher customer service levels. That is also true of a company's supply chain. The purpose of supplier diversity is to ensure that companies who have that diversity are part of the mix of suppliers who compete for the business. Diverse suppliers are vetted the same, they receive the same RFx documents, and they do not receive additional points or consideration for the RFx response they submit.

There are several reasons why companies wish to ensure this happens with their supply chains.

1. They believe that diversity of people, thought, and approaches are critical to providing the best solutions and want to ensure they take advantage of that.

2. They have customers, either other companies or individuals, who want to do business with people like themselves and they expect their suppliers to show that they do so.

3. Studies also show that when competing for talent, potential employees want to work for a company who values diversity and, if they don't see that (or see it in the competition), they will either not accept the position or leave to go to a company that values what they value.

You wouldn't want to do business with a company using technology from ten years ago. You wouldn't want a drug released to the market that was only tested on a small sample of a narrow demographic. Why would you want to do business with a company where any critical components of success are missing? The sourcing process takes a host of items into consideration when defining what makes a good supply chain partner. Supplier diversity is one of them. The difference with supplier diversity is that ethnicity, gender, orientation, etc. are polarizing and often emotional topics. It has become one of several shiny things for political candidates to distract with. Because here's the thing, at the end of the day, even if a company were run by old, white, male bigots – it would still make sense to have diversity in their employee base and their supply chain because it would provide a better product and make more money.

If a company had been providing an extra 25 points to diverse-owned company RFx responses or mandating that a certain percentage of spend must be spent with a specific group in every contract, then yes, an argument could be made that the legal protections for companies doing so have wavered with the setback to affirmative action. There will continue to be discussions around that aspect of supplier diversity and there are groups who will seek to see this overturned. There is no federally mandated requirement that a company only sell to individuals with a credit score of X or a company with a D&B rating of Y. Yet each company has policies that set boundaries on what makes the best sense for them. This is, in my opinion, much the same.

Gartner recently published a Board update SCOTUS *Affirmative Action Ruling: Potential Implications for Supplier Diversity*. The report had some good data in it such as what the driving forces are for companies to do supplier diversity in the first place. They had some templates that would be useful to any supplier diversity professional that show foundational and leading activities. There were some fantastic metrics suggestions on what can be measured to show how the strategy is progressing and to expand a strategy. Metrics is a particular challenge for many supplier diversity professionals.

But then Gartner provides a suggested action if a company wants to unwind supplier diversity. They suggest recentering the program around small business, as in, no diversity aspect to the program. I have the utmost respect for Gartner and their research but must differ with them on this one. Not only would a company highlight that they are abandoning supplier diversity, but it is also a knee-jerk reaction to affirmative action, something that has little to do with supplier diversity. In the interest of full disclosure, the only corporate membership I found for Gartner in the supplier diversity community was with Disability:IN. Their website has an entry for DEI about their workforce and their ERGs (Employee Resource Groups). I could find no mention of supplier diversity on their site. It could be that they view this through the lens of government programs as discussed earlier.

8. Rumors of my death

Supplier diversity is not only still alive, but it can also flourish in the coming years. It is time for professionals in DEI, supplier diversity, and ESG to join together. There is so much overlap in these areas, it is a disservice to a company to not work together. In addition, I think they will each find that the strengths of one would complement the challenges of the other. Finally, the data needs of each would together produce a robust amount of information and insights for the company's benefit.

What are five things that can be done to keep supplier diversity alive and thriving?

1. Get your data in order – data drives every business strategy and the discipline of ESG reporting will work to the advantage of supplier diversity.
2. Go meet your counterparts – if you don't have a relationship with the people in your company working on DEI, ESG, and AI, make it happen. Go to them, have a Zoom, make it easy. Start with one-on-one meetings until you see how invested each group is to move forward.
3. Review your metrics – are you measuring things that will help the strategy progress? If not, how can you do that?
4. Get to know your stakeholders. If you have ERGs, get on the mailing list for each of them. These are ready-made advocates that are scattered throughout the company. If there is a business unit that's a mystery, find someone in the group to meet with.
5. Treat every dollar as a vote. Make informed choices.

Supplier diversity is a business strategy, the same as sound financials or a robust marketing plan. It is easy to get distracted by people's beliefs, values, bias, etc. As one mentor told me, "When the company implemented a new accounts payable system, no one tried to ensure I felt warm and fuzzy about it. It was good for the company and it's what we did. Why do we keep discussing supplier diversity like everyone in the company has to join hands and embrace it? It's a business strategy, go make it happen."

Long live supplier diversity.

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Better Decisions.
Better World.

Scoutbee drives better business outcomes by giving companies the actionable insights they need to perfect the supply base and advance strategic initiatives, such as risk management, ESG and innovation. The Scoutbee Intelligence Platform (SIP) uses graph technology and predictive and prescriptive analytics to deliver holistic supplier visibility that helps procurement make confident supplier decisions, drive cross-functional efficiency, and optimize their existing technology investments. Scoutbee's AI-powered data foundation connects teams to any data point – internal, external, third-party, and more – and any data combination necessary to orchestrate a resilient, competitive, and sustainable supply base.

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