



## Billion Dollar Roundtable 2007 Policy Paper

# ESTABLISHING THE BUSINESS CASE FOR GLOBAL SUPPLIER DIVERSITY

*Prepared by M.V. Greene*

### SUMMARY

This paper is a report of the initial findings of the Billion Dollar Roundtable on the subject of global supplier diversity. The paper represents a beginning and a jumping off point in developing the business case for global supplier diversity. The paper will assist the BDR in charting a course for further thought and project design. The development of the business case for global supplier diversity is in its early stages as the global economy continues to expand and gain definition and as organizations adapt and transform themselves. Given changing global demographic and population trends and market forces, along with corporate procurement requirements to reduce costs and to enhance productivity, the emerging business case for global supplier diversity is vibrant and relevant. The BDR believes the business case needs to be clearly articulated and closely linked to corporate strategic imperatives. Corporations will need to think differently about the roles key diverse suppliers can play in reaching a variety of constituencies. Economic and social factors will prompt corporations to embrace global supplier diversity as

demanding by today's knowledge-based economy that recognizes education and skill as the measure of future success and economic viability.

"The Business Case for Global Supplier Diversity" expects to provoke ideas and discussion, provide direction and stimulate best practices. Drivers that will move global supplier diversity activities will include executive commitment, the integration of supplier diversity into the supply chain, economic conditions, technology, political and regulatory factors, social and lifestyle factors, global conditions and sourcing strategy. The benefits for global supplier diversity will be clear — enhanced operations, bottom line results, competitive advantage, corporate image, business excellence and an integrated supply chain. In a knowledge-based, global economy, diversity is recognized as a strategic asset. Enlightened corporations will understand that global supplier diversity is part of business strategy and corporate culture. These companies will support and collaborate with diverse firms on global initiatives and opportunities. They will foster international market development in conjunction

with diverse firms and empower domestic and global communities. As minority customer bases proliferate worldwide and demand new products and services, diverse firms increasingly will be positioned to engage these new customers and markets. The BDR will continue to examine the business case as it evolves.

### ABOUT THE BILLION DOLLAR ROUNDTABLE

The 14-member Billion Dollar Roundtable brings together major U.S.-based corporations that make meaningful and measurable contributions to the economic growth of diverse companies. Founded in 2001, the BDR draws from the experiences and forward thinking of its members to accomplish the organization's mission — "to promote supply chain diversity excellence through research, education and best practices." Don McKneely, president and chief executive officer of *Minority Business News USA*, and Sharon Patterson, a former supplier diversity executive with Kraft Foods, serve as BDR chairman and CEO, respectively.

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Each BDR corporate member spends \$1 billion or more annually for a broad range of goods and services on a first-tier basis with diverse companies, whose majority owners are minorities and women. Members' spend is audited annually by an independent third party. The BDR encourages corporations to grow their supplier diversity programs by fostering the expansion of increased commitment and spending levels each year. Members justly are role models to other corporations seeking to achieve the \$1 billion level of diversity spending. In September, the BDR's efforts in the supplier diversity arena were recognized during a program for the 25th MED Week anniversary, the annual celebration of minority business hosted in Washington by the U.S. Minority Business Development Agency.

Serving as a "think tank" for best supplier diversity practices, the BDR each year selects for further study and development a supplier diversity issue of common concern and importance to its members. The BDR's process is to study and to debate, utilizing members' long history of supplier diversity engagement and relative successes to grapple with an area of spend or a particular supplier - diversity issue that calls for better solutions. The BDR's goal is to develop ideas and approaches that will result in increased opportunities and greater success for diverse suppliers, along with better, more innovative and sustainable business solutions for the BDR member corporations.

In promoting and sharing best practices in supply-chain diversity excellence, the BDR sponsors various activities, including an annual summit held each May in New York City. The 2007 summit attracted more than 100 participants who included corporate procurement executives, supplier diversity executives, academics, owners of minority and woman businesses, consultants and others in a daylong examination of the business case for global supplier diversity. In February 2008, to examine further the business case for global supplier diversity, the

BDR is co-sponsoring an international summit in London, England.

Annually, out of the summit deliberative process, the BDR produces a policy paper to convey the information, insights and ideas for future action that were the conclusion of its efforts. This year's policy paper, the fifth produced by the BDR, is titled "The Business Case for Global Supplier Diversity." *Minority Business News USA* publishes the policy paper each fall and it is distributed to policy makers, governmental officials and other interested parties. In 2006, the BDR examined the longstanding challenge of how to include diverse businesses in the enormous area of corporate advertising spend. "Opening Opportunities for Diverse Suppliers in Advertising" is the title of the 2006 paper.

The current BDR members are:

- Altria Group, Inc.
- AT&T Corporation
- The Boeing Company
- Chrysler Corporation
- Ford Motor Company
- General Motors Corporation
- IBM Corporation
- Johnson Controls, Inc.
- The Kroger Co.
- Lockheed Martin Corporation
- Procter and Gamble Company
- Toyota Motor North America Inc.
- Verizon Communications, Inc.
- Wal-Mart Stores, Inc.

## OVERVIEW

### Scope

The advent and proliferation of globalization is dramatically changing the way corporations do business. Corporations today are moving beyond their own domestic shores to serve an increasingly diverse base of consumers on an increasingly competitive global landscape. In global companies, management is being challenged to think differently about the roles key diverse suppliers can play in reaching a variety of constituencies. Enlightened managers of global business understand that linking global ambitions

to robust supplier diversity initiatives presents competitive advantages, delivers critical, sustaining business and creates new business opportunities.

Samuel J. Palmisano, chairman, president and chief executive officer of BDR member IBM, advocates that the global corporation of the future is driving new approaches on a number of fronts, including regulation, education, trade and commerce. Supplier diversity also fits that paradigm. Palmisano commented the May/June 2006 issue of *Foreign Affairs*, which is published by the Council on Foreign Relations Inc., about recognition of the globally integrated enterprise. "The globally integrated enterprise offers a promise of delivering huge economic benefits to both developed and developing nations where leaders in business, government, education and all segments of civil society must learn about its emerging dynamics," Palmisano wrote.

Central to the globally integrated enterprise is the full participation of diverse suppliers. Getting diverse companies prepared to compete on a global stage is a key to success of the global economy, Palmisano said. The globally integrated corporation of the future requires a broadening perspective about diversity, according to Palmisano.

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Samuel J. Palmisano



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“These companies are the mainstream of the global economy – both in their racial, ethnic and gender make-up, and because they are among the rising tide of smaller and more entrepreneurial businesses driving global growth. Such companies bring a new dynamism and spirit, and offer new ideas and points of view – providing innovative alternatives and aggressively filling niches being abandoned by larger suppliers. This is why we have globalized our supplier diversity efforts to ensure we identify and do business with dynamic, diverse suppliers around the globe,” Palmisano said.

Alexis Herman, former secretary of labor in the administration of President Bill Clinton and former director of the Women’s Bureau in the administration of President Jimmy Carter, which expanded governmental initiatives for women’s business owners in the late 1970s, said globalization is bringing about rapid change in the way business is conducted today. “The changes we are seeing are unprecedented, both in terms of the rapidity of the change, but also how the change itself is so revolutionary. It is one thing to say it has changed and it is no longer A and it is now B. What we’re saying is it is not A and it is no longer B. It’s now C and D and E and F. The pace of the change is what makes business so incredibly different today,” Herman said in an interview with *Minority Business News USA*.

The Migration Policy Group, an independent Brussels-based organization committed to improving policy development on immigration and the related issues of diversity and anti-discrimination through the promotion of facilitated exchanges between key stakeholders in Europe, North America and the international community, highlighted the imperative for international supplier diversity in a 2002 paper, titled, “Supplier Diversity: The Case of Immigrant and Ethnic Minority Enterprises.” According to the Migration Policy Group, “In a globalising economy, with enhanced mobility of persons, goods, services, cap-

ital and information, diversity is an asset from which the private sector could benefit more by strategically incorporating diversity principles into employment, marketing and purchasing policies.”

Linking global supplier diversity to corporate strategic imperatives is fraught with demands and challenges, which this paper examines through deliberations and subsequent recommendations of participants at the 2007 BDR Summit at the Marriott Marquis Hotel in New York City, and through other sources. For all corporate suppliers, including diverse suppliers, globalization is having a pro-



Alexis Herman

found impact and brings with it continuous pressure on corporate supply chains to emphasize the lowest cost of labor and capital and place the highest priority on best quality and innovation in the procurement of goods, raw materials and services. Simply, sourcing is going overseas as U.S. corporations pare down supplier lists in search of favorable supply chain economics.

The plus side of globalization is that it opens up many opportunities for virtually any U.S.-based business to sell goods and services throughout the world, said Leonard Greenhalgh, a professor of management at the Tuck School of Business at Dartmouth College, who is

faculty director of programs for minority- and women-owned business enterprises. But the flip side of globalization means that opportunities as well are being presented to business people from low-cost countries to do business in the United States, often denying corporate business to diverse U.S. firms, Greenhalgh said, a presenter at the 2007 BDR New York Summit.

The U.S. entrepreneurial economy will suffer going forward if American minority- and woman-owned companies fail to benefit and thrive from the promise of globalization, Greenhalgh said. Entrepreneurial companies, including diverse firms, historically have fueled innovation and U.S. economic growth. The challenge of globalization, as corporations master new international market realities, dictates that the dynamic entrepreneurial economy remains vibrant, scalable and innovative — essential drivers for future U.S. economic growth. Entrepreneurial companies help to sustain the U.S. economy through job creation and economic and community development, according to Greenhalgh — noting that many of today’s major corporations, including Microsoft, Apple and Wal-Mart, all began as small, not large organizations. “If we are not supporting minorities in the entrepreneurial economy, we are going to be face-to-face with withering competition from China and India, where the wage rates are a tiny fraction of what we have to pay people in the United States. If that sourcing goes away from all of those small firms, then we will have a workforce dilemma. It behooves larger companies to use smaller companies to make sure that they stay in business. The small companies are a vital part of this economy,” Greenhalgh said in an interview.

An October 2002 examination of the entrepreneurial economy by the Kansas City, Missouri-based Ewing Marion Kauffman Foundation supports Greenhalgh’s point. The study, “American Formula for Growth: Federal Policy & the Entrepreneurial Economy, 1958-1998,” noted that “once, small

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James O'Neal

entrepreneurial companies changed the world as they created whole new industries or radically changed the course of the established industries they entered. From a macro-economic perspective, these small entrepreneurial companies have been important drivers of economic growth in the United States." The Kauffman paper further noted that entrepreneurial companies create two-thirds of all new U.S. jobs, more than two-thirds of the innovation in the economy, and account for two-thirds of the differences in economic growth rates among industrialized nations. "They have been the change-agents in the economy and society, forcing the country to new productivity levels and radically transforming whole industries," according to the paper.

James O'Neal, retired former president and chief executive officer of Frito-Lay International, the unit of PepsiCo, and a former chairman of the executive committee of the National Minority Supplier Development Council, said globalization parallels the rapid conversion of U.S. industry from one that was manufacturing-based to a knowledge economy, which shifts the emphasis of

workers to education and skill. As demographic forecasts show, minority-group individuals, many of whom are employed by diverse businesses, increasingly are the dominant factor in the workforce. "Globalization is a fact. If people try to get in the way, they are going to get run over. If they try to build walls around countries, it is going to cause a big depression. People are going to have to learn to live with it. It's about education and skills. While it is creating lots of confusion on how [one competes], on the bright side there has been a lot of people lifted out of poverty. The world is a better place as a result of it," O'Neal said.

Indeed, economic and social factors are combining to encourage corporate executives, supply chain managers and public officials to rethink their approaches to supplier diversity. In February 2006, the World Diversity Leadership Summit, a New York-based nonprofit membership organization that addresses corporate and community challenges globally in the field of diversity, gathered corporate officials, experts and policymakers in Prague, Czech Republic, to focus on global diversity practices. The

conference theme was "Leveraging Local Diversity for Global Profit" with participants examining global and trans-Atlantic diversity activities to drive cost savings, productivity gains and new revenue opportunities. Key was bridging the world's two largest economies, the European Union and the United States; both economies face major competitive threats from developing nations, but they also contain diverse populations that will influence the workplace, entrepreneurship, consumer and financial markets. World Diversity Leadership Summit Founder Douglas Freeman commented: "The EU and U.S. need to become closer trading partners to maintain global competitiveness. Diversity is potentially at the center of this new partnership. From our aging demographics, to our Western culture, both markets have greater similarities than differences." Another organization, Brussels-based European Supplier Diversity Business Forum, is composed of multinational corporations that help funnel business opportunities in Europe to companies owned by ethnic minorities, immigrants, women or disabled people. The forum provides procurement and diversity managers with strategic and practical support for building supplier diversity programs. Other forum goals include building capacity of members to deliver supplier diversity programs in Europe and enabling members to measure their programs against best practice benchmarks. The initial focus has been on France, Germany, the Netherlands, the United Kingdom and Sweden.

In tackling international business opportunities, diverse suppliers will need to prove their value and insinuate themselves into corporations' total supply chains, clearly articulating and closely linking a business case for global supplier diversity to corporate strategic imperatives. Global companies, meantime, are challenged as well to think differently about the roles diverse suppliers can play in reaching a variety of emerging constituencies through integration of supplier diversity initiatives into overall global

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corporate strategies.

Herman said diverse firms need to develop a “global mindset” — understanding that they cannot be U.S.-centric about what it takes to do business in today’s global economy. “We need to be prepared to travel outside of the country and inspect and investigate other countries where you think there is an opportunity and where you can have the right partnerships. We have to do more work in this country with global trade associations, working more closely with international communities within the United States to build those relationships that can help you with those bridges that you need to do business with other countries,” Herman said.

Global diversity-supplier spending is minimal and largely undocumented. Additionally, little consistent support exists to compel the implementation of supplier diversity programs globally, and information about supplier diversity’s impact on the global bottom line is lacking. The World Diversity Leadership Summit pointed out that while the vast majority of Fortune 1000 companies employ diversity programs in the United States and operate globally, less than 15 percent actively pursue diversity strategies and practices outside the United States because regulatory and social environments do not require them to do so. Therefore, leading companies, like those belonging to the Billion Dollar Roundtable, focus on the profit potential as a business imperative for global diversity.



### BDR NEW YORK SUMMIT

In the spirit of promoting and sharing best practices in supply-chain diversity excellence, the BDR convened its 2007 annual summit May 23 in New York City. More than 100 participants pursued a day-long examination of the business case for global supplier diversity, buttressed by



Ralph Moore

presentations from experts in supplier diversity and deliberations among participants in breakout groups.

Summit objectives were as follows:

- Provide thought leadership around global supplier diversity
- Explore the business case for global supplier diversity
- Identify elements of the business case
- Determine ways to encourage corporate executives to embrace global supplier diversity
- Share best practices

### PANEL DISCUSSION

A panel discussion, “Establishing the Business Case for Global Supplier Diversity,” set the stage for deliberations at the 2007 BDR Summit in New York — and subsequent recommendations contained in this paper. Consultant Ralph Moore of Ralph G. Moore & Associates (RGMA), a Chicago based management consulting firm, served as moderator. Presenters discussed various perspectives about the business case for global supplier diversity, including views from academia, corporate, government and best practices. The five presenters were Leonard Greenhalgh, a professor of management, Tuck School of Business,



Leonard Greenhalgh

Dartmouth College, and faculty director for programs for minority and women-owned business enterprises; Wes Bean, director of strategic sourcing, global procurement, Wal-Mart, a veteran of global procurement who has worked in more than 20 foreign countries; Daniel Heath, associate director, White House National Economic Council and expert on small business and entrepreneurship; Barina Opong-Owusu, chief operating officer for Bridgewater Interiors LLC, an automotive interior parts company, an economist and accountant who has worked in global purchasing and supply chain risk management; Michael K. Robinson, program director, IBM Global Supplier Diversity, whose unit operates in the United States, Latin American, Canada, Asia and Europe.

Here is a summary of each presenter’s presentation:

**Leonard Greenhalgh, Dartmouth College:** Greenhalgh linked the business case for global supplier diversity to demographics and the U.S. system of education. There is no question that the demographic makeup of the United States is changing dramatically, where today’s minority groups will make up the majority of the workforce by 2050,

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Greenhalgh said. This shift will create implications for future U.S. economic growth, wealth building and entrepreneurial vitality. Greenhalgh cautioned that if the nation remained on its current trajectory regarding poverty and eroding educational opportunities for minorities, the promise of the global economy will pass the nation and its citizens by. "Education is the key to prosperity. Where we are today, and tomorrow, is that the knowledge economy is rising in prominence. It really has some tremendous implications for the workforce and the entrepreneurial sector of the economy," Greenhalgh said. With U.S. urban high school dropout rates exceeding 50 percent, Greenhalgh said minorities would not possess the knowledge or skills to take their places in the global economy. "We are going into a knowledge economy with an increasing proportion of minority workers and entrepreneurs who don't know how to do this stuff (technology, computers, biotechnology, etc.). That's the reality. With the knowledge economy, it's not about having strong backs and weak minds for industries like agriculture and rust-belt manufacturing, but how much do you know," according to Greenhalgh. That places corporate future workforces in jeopardy when compared with emerging economies in China and India, which produce 350,000 trained engineers annually compared with 65,000 in the United States. "You have a highly literate technical workforce overseas. As we look into the future, you've got an undereducated major proportion of the U.S. population that is never going to get there on the trajectory where we are now. If this doesn't make the business case for global supplier diversity, I don't know what will," Greenhalgh said. Entrepreneurial growth serves the economy by replacing large companies that are no longer competitive or relevant with up- and-coming companies, Greenhalgh said. "You need to have that constant revitalization. Companies don't compete business-to-business anymore. They compete integrated-value-



Wes Bean

chain versus integrated-value-chain," Greenhalgh said. "You need suppliers and go-to-market partners to be as good as they can be. In the future, many of those are going to be minorities."

**Wes Bean, Wal-Mart:** Bean discussed the world's largest retailer's approach to assuring supplier diversity in its massive supply chain that includes more than 61,000 U.S. suppliers serving more than 7,000 retail stores in five different retail formats in 13 countries. Wal-Mart's buying organization includes more than 2,000 different retail buyers. Wal-Mart does not have a formal, global supplier diversity program that crosses each of its 13 markets, creating a corporate challenge on how to drill down and establish relationships on a personal level "to get more granular," Bean said. "Now that we have scale, our challenge is "how do we begin to understand the local communities that originally supported us and helped us grow and become relevant in those particular markets?" Given that breadth, Wal-Mart focuses on educating diverse suppliers initially at the buyer's level about how to do business with the conglomerate, Bean said. Wal-Mart takes an analytical approach, employing data to understand market demographics where it operates in order to seek the



Daniel Heath

appropriate partnerships with diverse suppliers. Because small suppliers are often intimidated by Wal-Mart's scale and believe they lack the might to supply the corporation, Wal-Mart, through its buying organization, works often with suppliers to service one store or region at a time, Bean said. Wal-Mart's "Store-to-Community" concept allows managers to understand the role they play within their communities in order to support the customer base and manage the merchandising mix. The corporation's pursuit of business in the U.S. urban menswear segment, for instance, led to successful partnerships with diverse suppliers, Bean said. "As we begin to enter new urban markets, we are looking for the right supplier partnerships that can help us understand what are the trends and where they are going," Bean said.

**Daniel Heath, White House National Economic Council:** With his perspective from government, Heath said supplier diversity in the United States is no longer viewed like in the past as assuaging discontent, being charitable or pursued by corporations as good public relations and marketing strategies. Nations of the world, including the United Kingdom and South Africa, are seeking to catch up with the United States on supplier diver-

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Barina Opong-Owusu

sity and the competitive and entrepreneurial opportunities it creates. Supplier diversity is a theme “that is robust and developing and one that suggests real opportunity now for supplier diversity to be in a prime position in the discussion,” Heath said. In the United States, demographic change is imminent — as “the minority population becomes the majority” — and has a profound economic impact, Heath noted. The Office of Advocacy of the U.S. Small Business Administration, for instance, reported that minority-owned businesses is one of the nation’s fastest growing economic segments, growing at a rate that is six times that of all U.S. businesses in the country. Revenues and job creation for these firms are increasing correspondingly as well, government statistics show. Minorities are needed to sustain national strength and growth not only as owners of business, but also through management ranks, supply chains and as workers who think in an entrepreneurial way, Heath said. “It becomes, for policy thinkers, an issue for national security. It becomes not just an issue of balancing the budget and being strong economically, but how that translates into [strength] around the globe to defend American interests and American values. Chief among those values is multiculturalism that is a tradition



Michael Robinson

in this country. We may not always brag about it, but compared to other countries, particularly European countries, where they are basically tribal nations, we have a genuine history of all cultures feeding into the national character and the national ethos. We have an inherent advantage in the United States. That is something we should be building upon, rather than resting upon,” Heath said.

**Barina Opong-Owusu, Bridgewater Interiors:** Opong-Owusu said Bridgewater, a minority-owned company formed in 1999, epitomizes why diverse companies should be nurtured and supported. Bridgewater, which manufactures interior seating and overhead systems for automakers, including Jeep, Cadillac, F-150, Honda and Lincoln Navigator models, has established a record of contributing to workforce and community development in Detroit. Company annual revenues exceed \$1 billion, Opong-Owusu said. Bridgewater also has benefited from a significant partnership with BDR member Johnson Controls, and Opong-Owusu is a former executive at JCI. Of its 1,400 workers, 58 percent are African American and 39 percent are female. “We are one of a living example of diversity,” Opong-Owusu said. He said corporate strategies that fundamen-

tally enhance global competitiveness must include expanding the practice of supplier diversity internationally. Opong-Owusu outlined three imperatives for expanding supplier diversity: the global demographic is changing in the marketplace, workplace and community; elements of the success of the business case for supplier diversity in the United States also apply internationally; and alignment of supplier diversity activities with strategies of key stakeholders is critical. “The elements of the business case for supplier diversity apply wherever there are historically underutilized population groups,” Opong-Owusu said, citing demographics, economics and competitive advantage. Corporations can collaborate with diverse companies for a competitive advantage when incumbent suppliers have poor performance, lack engineering/design capability, refuse to follow businesses processes and fail to participate in cost reduction strategies, Opong-Owusu continued. “Today, customers all over the world have a choice and consumers have to be targeted for their business,” he added.

**Michael K. Robinson, IBM:** Robinson is program director for IBM global supplier diversity, part of IBM Global Procurement, with corporate responsibility for implementing supplier diversity programs and measuring the success and growth of these programs’ diverse groups. IBM’s Supplier Diversity Program spans the globe by promoting the utilization of diverse suppliers in every country where the corporation operates. Additionally, IBM adheres to the local laws and regulations regarding the implementation of global supplier diversity objectives. IBM believes that building and maintaining a community of diverse suppliers increases the corporation’s opportunity to hear new ideas, apply different approaches and gain access to additional solutions that respond to customer needs. IBM Global Procurement requires its U.S. purchasing

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managers and global commodity teams to submit strategies and objectives, in percentages and dollars, for purchases from diverse suppliers. IBM operates Global Commodity Councils to source goods and services strategically through a network of international, regional and emerging suppliers for IBM's varied businesses. Robinson's program fulfills corporate policy through IBM's commitment to expand relationships with certified diverse firms. Each Global Commodity Council has a diversity advocate assigned it by the corporate supplier diversity manager. In his presentation, highlighting best practices in global supplier diversity, Robinson said IBM began in the late 1990s and early 2000s to move procurement spending offshore for competitive reasons. Simply, corporations go offshore for sourcing for new opportunities, according to Robinson. He encouraged supplier diversity managers to be sure to measure and report their offshore sourcing activities. Robinson said while all foreign markets are not open to diverse firms, it is incumbent on minority and woman managers to understand how to break into markets and follow through. In 2003, IBM launched its Global Supplier Diversity outreach program to provide supplier education, development and outreach events around the world.

### Breakout Groups

Deliberations and recommendations of summit breakout groups contribute greatly to the summit thought process. Each breakout group, typically composed of about 10 members, concentrated on a specific area of discussion. BDR CEO Sharon Patterson set the stage for how deliberations were to occur and what results were expected. As a spur to deliberations, groups were to envision *Minority Business News USA* preparing an in-depth article on why the successful improvement in supplier diversity on a global basis has been so dramatic over the past 10 years. The article publication date would be May/June 2017. Groups would articulate major reasons why the business case for global supplier diversity is firmly entrenched in corporate strategies in 2017 — whether through breakthrough strategic thinking about global supplier diversity, the establishment of large diverse businesses with strong capabilities that have been integrated into the global supply chain or that the use of emerging domestic markets as growth engines for diverse businesses and major corporations became commonplace — Patterson explained.

Within this context, each group was tasked with exploring the components of the business case for global supplier diversity. Patterson encouraged group

members to “change and/or break” established rules necessary to developing a future point of view. The goal was for innovative ideas to emerge by looking ahead and devising a best-case scenario. Patterson encouraged group members to be practical, yet push boundaries of thought. In looking forward, participants conversely are planted ideas that are actionable today. Each group prepared a summary of the highlights of their discussion for consumption and review by all groups and participants.

The group topics were:

- Impact of Changing Demographics
- Certification and Cultural Change
- Changing Supply Chain Sourcing Needs
- Identify Key Drivers
- Competitive Advantages
- Benefits and Values
- Opportunities/Threats/Challenges
- Next Steps

Here is a sample of deliberations from each breakout group, keeping in mind the mythical landscape for global supplier diversity is 2017:

#### Group 1: IMPACT OF CHANGING DEMOGRAPHICS

- Communication and knowledge are seamless and more proactive in meeting customers' needs
- Demographics are changing, not just in the United States, but also in Europe
- Access to information will be standardized, via media like Web browsers and software
- Technology lowers communication barriers
- Sourcing will shift in Asia from China to countries like Vietnam to be more cost effective

#### Impact of Changing Demographics in the United States

- Diversity is the nation's greatest



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national asset, not just in the spoken language, but the ability to understand people in other countries

- Diverse suppliers will not be seen as a burden, but as a great asset
- Diverse businesses will take corporations multinational
- A behavioral change will occur as diverse businesses no longer think of themselves as disadvantaged businesses
- Technology and communication enhancements will distribute
- Requests for Proposals across the globe and across borders
- Talent will surface regardless of location
- Demographic changes will spur new ideas from diverse suppliers
- Business necessities demand inclusion of minorities and women

Perspective: Select countries in each of the world's regions will see the value of supplier diversity. By 2017, half of nations will understand the impact of supplier diversity on their governments including the impact on job creation and economic growth, though some countries, such as China, will not comply without external pressure.

### Group 2: CERTIFICATION AND CULTURAL CHANGE

Statement: In 2017, supplier diversity will be globalized on a region-to-region basis, contingent on cultural, religious, gender and ethnic sensitivities with overall principles of inclusion and fairness.

#### Certification

- Standards for supplier diversity will be clearly defined
- Standards will be openly communicated
- Standards will be accepted by organizations doing business in the region
- Global federations of certifying bodies will ensure standardization

Perspective: In 2017, the BDR will be the \$10 Billion Dollar Roundtable and encompass globalization.

### Group 3: CHANGING SUPPLY CHAIN SOURCING NEEDS What is needed to be a global player in 2017

- Bicultural and bilingual capabilities
- Increased revenue
- Reduced costs
- Increase buying power and wealth management
- Lower cost via diverse suppliers will help achieve objectives
- Quality standards
- Reduction in cycle times
- Education of domestic and global suppliers
- Domestic and international partnerships within the diversity arena
- Understanding of complex diversity models
- Development of Tier 3 procurement in the supply chain
- Internal corporate awareness of the global diversity process

Perspective: Countries will have their own diversity councils to define underutilized populations and track results. Auditing bodies will certify results.

### Group 4: IDENTIFY KEY DRIVERS

Statement: Global supplier diversity has to be market-driven around the world and be sustainable.

#### Elements of success

- Must prove the value proposition
- Pilots and incentives have a role
- Define what is "diverse" or "historically utilized"
- Micro-financing
- Recognition of third-party organizations by government and corporate sector, based on local factors

#### Outcomes

- Established standards
- Successful corporations are driving

standards of acceptance

- Mainstreaming the "reciprocity principle"
- Successful minority- and woman-owned enterprises are reciprocating successful outcomes with other diverse businesses
- Technology transfers to diverse businesses

Perspective: U.S.-based supplier diversity initiatives have to grow for international programs to flourish (and not be short-circuited).

### Group 5: COMPETITIVE ADVANTAGES

#### Key drivers

- Provides diverse suppliers the ability to enter/retain ability to manage global supply chain
- Allows corporations to stay relevant within local marketplace globally

#### Implications

- Requires technically capable suppliers
- Requires diverse suppliers of scale that can add value to the supply chain
- Bureaucracy within corporations allows diverse suppliers to provide ideas
- Understanding of social/economic challenges
- Understanding of market dynamics

### Outcome of Using Diverse Suppliers Globally

- Increases ability to penetrate global markets
- Creates, enhances brand loyalty
- Broadens consumer branding
- Economic advantage to local markets

### Group 6: BENEFITS AND VALUES Definition - U.S. and Offshore

- Stronger corporate value chains
- Stronger economies
- Education and familiarity with different cultures

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### Stronger economies will bring

- Education of diverse suppliers and supplier management through sophisticated business models
- U.S. population is forced to embrace other cultures
- Increased thought process driven by G7 nations

### Benefit to corporations

- Facilitating international growth because U.S. suppliers understand corporate culture standards
- Forces diverse supplier management to embrace change and risk taking
- American standards (wages) may be translated to improve other (foreign) lifestyles
- Facilitates diverse supplier sustain ability and growth

Perspective: If corporations drive the growth, they can ease and shorten the learning curve for diverse suppliers because the corporations know what they need

### Group 7: OPPORTUNITIES/THREATS/ CHALLENGES

Statement: Globalization of supplier diversity depends on a proven domestic track record of success – service delivery, pricing, value add, strategic partnerships.

### Elements

- Capacity
- Infrastructure
- Local market knowledge and competency
- Financial wherewithal
- Technology competency
- Certifications

### Implications

- Corporate structure has the ability to operate in foreign countries
- Tax/legal requirements
- Human resources (holidays, vacation, local customs)
- Certifications

- Rules of engagement (the art of listening)
- Government stability/volatility
- Upgrading of the management team

### Expected Outcomes

- Multiple sourcing opportunities
- Supply chain efficiencies
- Increased revenue
- Diversification
- MBE-to-MBE increased growth and spend

### Group 8: NEXT STEPS

#### Communication of Recommendations in the BDR policy paper

- Forward copies to CEOs of the National Minority Supplier Development Council, Women's Business Enterprise National Council and other groups, along with governmental organizations that serve small, minority- and woman-owned business, including the U.S. Small Business Administration and Minority Business Development Agency, and regional, national and global media
- Present findings at NMSDC national conference
- Articulate findings through public service announcements
- Promote the BDR

### Integration

- Establish best practices
- Mentorship among CEOs
- Educational components (i.e. Kellogg, Tuck schools)
- Create champions to carry message

### Legislative Support

- Inform local, state and national legislators and legislative organizations

### Diversity Training

- Product offerings to educational institutions, regional supplier development councils, supply chain managers
- Train supplier diversity professionals
- Train user groups and industry groups
- Offer Web site training

### 2008 London Summit

In February 2008, the BDR will further examine the business case for global supplier diversity through co-sponsorship with the mayor's office of the city of London during an international summit on establishing the Business Case for Global Supplier Diversity. Others in the United Kingdom assisting in the event are the London Development Agency, Confederation of British Industry and British Chamber of Commerce. The city's

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supplier diversity initiatives are promulgated through its Diversity Works for London campaign, which engages public and voluntary sectors in promoting equality and workforce and supplier diversity. It seeks to enable businesses to ensure that all levels of their workforce reflect the diversity of London's population, and promotes best business practices.

The principal aim of the summit will be the strategic, high-level engagement of United Kingdom companies and major public procurement agencies with the BDR on the issue of supplier diversity. The summit will invite top executives of companies with substantial United Kingdom supply chains. Heads of ethnic-owned businesses will also participate.

Specific summit objectives include:

- Providing thought leadership regarding international supplier diversity
- Presenting the business case for international supplier diversity
- Identifying elements that support the growth of international supplier diversity
- Encouraging London-based corporate principals to embrace supplier diversity
- Sharing best practices
- Helping support the involvement of diverse suppliers in the building of 2012 Summer Olympics facilities

Supplier diversity initiatives in the United Kingdom are primarily public-sector based largely in health, education and social services, according to London officials. Formal supplier diversity initiatives in European countries are acknowledged to lag those in the United States by many years. Private U.K. corporations typically do not direct specific dollars in supply-chain procurement to ethnic companies. The U. K. views supplier diversity more in the context of "fair access" in the public sector rather than as affirmative action, according to officials. Additionally, much of the terminology of minority supplier development in the United States, such as "multiculturalism" and "affirmative action," is new in the

U.K. and sometimes contentious. Issues of diversity and fair access to sourcing are more problematic than in United States from a legislative perspective.

London's Mayor Ken Livingstone is eager to address corporate supplier diversity, London officials said, and looks forward to input from the BDR. "It is vital that London's business community takes a leading role in promoting diversity, not only for reasons of legal compliance, and not only because the principles of fairness and a level playing field are so fundamental to sound business practice, but because in the global marketplace diversity is good for London. I look forward to seeing many more of London's businesses benefiting from the diversity and wealth of talent that London offers. I look forward to seeing companies benefit from taking part in my Diversity Works for London programme. London's continued success is dependent on it," Livingstone said.

### CONCLUDING PERSPECTIVE

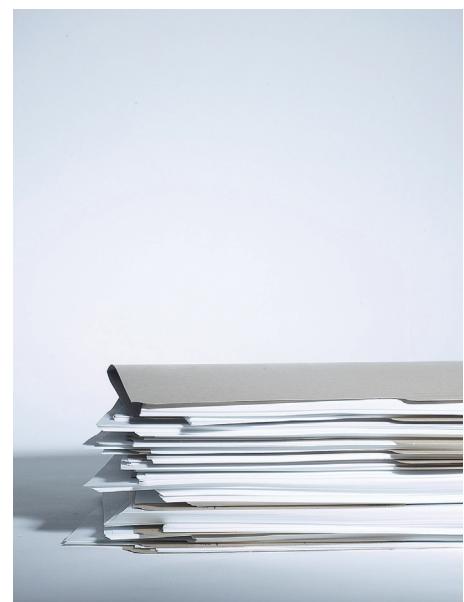
The BDR's 2007 policy paper, "The Business Case for Global Supplier Diversity," represents the beginning of the BDR's journey into the issues and challenges that will shape the inclusion of diverse companies into global markets. That examination will evolve as the business case becomes clearer. Ralph Moore, founding president of Ralph G. Moore & Associates, who moderated the panel discussion at the BDR's 2007 New York Summit, noted that linking supplier diversity to the global economy has been long in coming. "We drive Japanese cars. We wear Italian suits. We look at Korean TVs. We buy gas at Dutch-owned petroleum companies. We bank with Swiss-owned banks. At what point are we going to finally realize that this is an international economy and stop talking about supplier diversity being a domestic-only program. The reality is for those of you who lead supplier diversity programs, it's time for you to embrace global supplier diversity," Moore said.

Moore and other summit participants supported the view that the business case

for global supplier diversity indeed is firmly established despite obvious challenges. Obstacles going forward that will confront corporate executives, supplier diversity professionals, public policy makers and diverse business owners include the minimal support that exists to compel the implementation of supplier diversity programs globally; supply chain issues that may restrict supplier diversity growth; cost cutting; the downsizing of supplier organizations; mergers and acquisitions; and outsourcing. The task ahead will be to provoke discussion globally about supplier diversity's positive impact on the corporate bottom line and integrate supplier diversity initiatives into overall global corporate strategies. In fact, as the emerging business case is being developed, thought leaders are already looking forward to the future. "We have to go beyond the business case, which talks about why. We have to go to execution, which is the how," Moore said.

*See photos from BDR on page 86...*

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# SCENES FROM THE BDR ROUNDTABLE

