



# Billion Dollar Roundtable Inc. 2009 POLICY PAPER

*An integrated approach to fostering the  
inclusion of diverse businesses*

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## SUMMARY AND OVERVIEW

### Introduction

The year of 2009 ushers in a new era for the critical and maturing practice of supplier diversity, offering hope, expectations and opportunity for diverse businesses. Two significant events chronicle the era. The once vibrant United States and global economies strained under the weight of a prolonged, multiyear recession, and the term of the historic presidential administration of Barack Obama began to unfold in the United States with vigor and anticipation. The Billion Dollar Roundtable Inc. in 2009 set out to explore and examine how the magnitude of these events would affect supplier diversity approaches and practices going forward, and, more importantly, how the profession could best leverage these changing times to establish new directions to assist diverse businesses in reaching greater heights of success and inclusion.

The BDR has been reviewing current approaches to supply-chain diversity and examining opportunities for new policy initiatives. For more than 30 years, supplier diversity has been credited with fostering procurement and entrepreneurial opportunities for a large number of minority- and women-owned businesses while creating significant economic development activities in America's cities, towns and neighborhoods.

Amid profound societal, economic and demographic changes occurring in the United States and globally, the BDR determined that assessing the state of supplier diversity effectiveness was overdue. Despite accomplishments, many efforts are disjointed, sporadic and duplicative. The historical underparticipation of diverse populations in the entrepreneurial economy, chronic inequities in wealth accumulation among ethnic groups, uneven educational opportunities and the deepening predicament of inner cities and poor rural areas urgently demand the crafting and delivery of new solutions.

Although supply-chain diversity is embedded in today's corporate and government procurement lexicon, thought leaders and advocates like the BDR reason that effective solutions require more than a series of isolated actions: what is needed is a collective and collaborative response that will foster a highly integrated approach to assisting diverse enterprises. Such an effort requires the development of a new

paradigm to create a different future for minorities and women in the U. S. economy.

The BDR's 2009 annual Summit provided the forum to conduct a comprehensive examination of supplier diversity. This paper organizes and reports the proceedings of the Summit and highlights the key discussion points, conclusions and recommendations of participants.

### 2009 Billion Dollar Roundtable Summit

Each year, the Billion Dollar Roundtable Summit is convened to spark dialogue about critical policy topics in supplier diversity. The Summit promotes deeper understanding and leadership of the supplier diversity movement as a means to engage more diverse suppliers. The Summit attracts an array of participants, notably corporate procurement experts, corporate executives, BDR members, supplier diversity leaders, advocacy organizations, academics, leaders of diverse businesses and policymakers. Recent Summit programs have commenced study of advertising/marketing supplier diversity and global supply-chain diversity. Policy papers arising from the Summits can be found on the BDR Web site at <http://www.bdrusa.org>.

BDR Summit programs typically are staged in New York City. However, given the changing and difficult economic times and the new presidential administration, the BDR convened its 2009 Summit in the nation's capital as a means to direct a dialogue that not only would engage corporations, but also the federal government.

The BDR convened the 2009 Summit May 27-28 in Arlington, Va., at the Hyatt Arlington hotel and at offices of member company Verizon Communications. The Tuck School of Business at Dartmouth College, a leading business school that long has specialized in providing thought leadership and educational opportunities for diverse businesses, collaborated with the BDR to develop the 2009 Summit program and served as the event's co-host. Through the high-level participation of more than 100 speakers, moderators, panelists and attendees, the Summit stimulated ideas for driving an integrated approach to advance the inclusion of underrepresented businesses in the U. S. economy. BDR member companies Verizon Communications, Honda, Johnson Controls Inc. and Wal-Mart Stores served as sponsors of the 2009 Summit.

The stated Summit objectives were to:

- Create and promote a paradigm shift that will accelerate the inclusion of diverse firms,
- Integrate corporate, government and advocacy organizations' efforts, and
- Facilitate the development of the 2009 BDR policy paper on supply-chain inclusion.

## THE ORGANIZATION

### The Billion Dollar Roundtable Inc.

The 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 as a top-level forum to advance supply-chain inclusion, the BDR draws on the experiences and forward-thinking of its members to accomplish the organization's mission – "to drive supplier diversity excellence through best-practice sharing and thought leadership." Each BDR corporate member spends \$1 billion or more annually for a broad range of goods and services on a Tier 1 basis with diverse companies whose majority owners are minorities and women, with nearly half of its members spending \$2 billion to \$4 billion. Average Tier 1 spend among members was 10.4 percent in 2008. The BDR audits member Tier 1 spend annually by an independent third-party auditor.

The organization formally inducts new members bi-annually. Three new members, Avis Budget Group, Dell Inc. and Honda, were inducted into the organization in 2009. Induction of the three companies was celebrated during the 2009 BDR Summit's opening evening on May 27.

The BDR encourages all corporations to grow their supplier diversity programs by increased commitment to annual spending levels. Member organizations provide benchmarks to other corporations seeking to achieve a \$1 billion level of Tier 1 diversity spend. Serving as a "think tank" for supplier diversity best practices, the BDR each year highlights an issue of common concern to its members. Through study and debate, action recommendations are developed that leverage members longtime supplier diversity engagement and successes. The organization'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 and their stakeholders.

In promoting and sharing best practices in supply-chain diversity excellence, the BDR sponsor various activities, including its annual Summit each May. Each October, *MBN USA*, the Dallas-based publisher of minority business and supplier diversity news and information, publishes the BDR policy paper. The policy paper also is distributed to policymakers, corporations, governmental officials and other interested stakeholders and parties.

In his welcome to open the Summit, BDR chair William J. "Bill" Moon said the event would assist the BDR as part of a strategic effort to chart a vigorous course for future approaches to supplier diversity. BDR President and CEO Sharon Patterson said a critical Summit deliverable calls for a commitment from stakeholders to work together to achieve greater impact in supply-chain inclusion by developing an evolutionary path for corporate supplier diversity programs, government agencies and support organizations.

### BDR MEMBERS ARE:

AT&T Inc.  
Avis Budget Group  
The Boeing Co.  
Chrysler Group L.L.C.  
Dell Inc.  
Ford Motor Co.  
General Motors Corp.  
Honda  
IBM Corp.  
Johnson Controls Inc.  
The Kroger Co.  
Lockheed Martin Corp.  
Procter & Gamble Co.  
Toyota Motor North America Inc.  
Verizon Communications Inc.  
Wal-Mart Stores Inc.

The business of the BDR is conducted through internal organizational committees that address a range of work areas. BDR committees are audit/standards/finance led by Michael Robinson, IBM; nomination led by Adrienne Trimble, Toyota Motor; global supplier diversity led by Reginald Layton, Johnson Controls Inc.; leverage best practices led by Joan Robinson-Berry, Boeing; leverage brand and intellectual property led by Denise Thomas, Kroger, and Nancy Deskins, Lockheed-Martin; marketing/advertising led by Delores Johnson-Cooper, Verizon; metrics/research/impact led by Art McClellan, General Motors; and new membership led by Joan Kerr, AT&T. Each committee has established expected annual deliverables and measures in pursuing specific organizational objectives.

In addition to year-long planning and coordination of its annual Summit program, the BDR undertook several key initiatives during the latter part of 2008 through mid-2009.

- William J. "Bill" Moon, former vice president of procurement services for UPS Inc., was elected chair on Oct. 30, 2008, following the recommendation of the BDR nomination committee, succeeding interim chair Jethro Joseph, who retired from BDR member company Chrysler Group L.L.C. BDR co-founder, Don McKneely, president and CEO of TexCorp Communications Inc., founder and chairman of *MBN USA Magazine*, was elected chair emeritus. Reginald Layton of Johnson Controls was elected vice chair. BDR co-founder and CEO Sharon Patterson, a former supplier diversity executive with Kraft Foods, was named president and CEO. Michael Robinson of IBM continued as treasurer.

- In a major initiative, the BDR conducted the Supplier Diversity Showcase Executive Leadership (C-Suite) Summit on Aug. 20-21, 2008. The C-Suite Summit, sponsored by Johnson Controls at its headquarters in Milwaukee, engaged corporate and procurement executives in a discussion of supplier diversity best practices. Representatives from more than 70 other corporations attended, along with academics, advocacy organizations, supplier diversity professionals and participants from BDR member companies. Four thousand copies of a DVD of the proceedings were produced for distribution to participants and interested individuals and organizations and was post-

ed to the BDR Web site.

- In addition to its annual May summit, the BDR conducted two internal strategic planning meetings. Member company Boeing sponsored an Oct. 30, 2008, meeting in Las Vegas and Wal-Mart Stores sponsored a meeting May 14, 2009, in New York, coinciding with the annual National Minority Supplier Development Council leadership dinner dance. Both meetings continued the organization's earlier work in 2008 on organizational alignment and gauged progress of initiatives.
- The BDR continued work in 2009 on its marketing/advertising supplier diversity initiative, subject of its 2006 and 2008 Summit programs and policy papers. Among deliverables, the BDR is engaging its member organizations to leverage and influence their own companies' advertising, marketing and media operations to grow spend with diverse suppliers; track year-over-year marketing/advertising spend growth of member companies with diverse suppliers; and participate in the American Advertising Federation's Mosaic Vendor Fair in September 2009 in New York.

## BACKGROUND BRIEFING: 2009 SUMMIT

### The problem to be addressed

With the BDR's charge to help forge an integrated solution to supply-chain inclusion, the 2009 Summit examined wide-ranging issues in supplier diversity. These issues included: a lack of capacity of diverse firms, historical challenges to minority and women's enterprise development, the impact of supplier diversity practices, quality and reciprocity of certification procedures, federal government contracting programs, Obama administration policies on developing minority- and women-owned businesses, corporate procurement processes and the globalization of national markets. In advance of the Summit, Professor Leonard Greenhalgh of the Tuck School, who collaborated with the BDR in planning the Summit, outlined a number of opportunities to establish new directions for supplier diversity based on integrated, collaborative solutions.

Greenhalgh highlighted the following discussion points to be addressed by the Summit:

- Many countries have significant — and growing — ethnic minority populations. In the United States, for example, ethnic minorities already outnumber Caucasians in six of America's eight largest cities and will become the national majority before midcentury, making the term "minority" an ironic anachronism. In European countries, immigration patterns and differential birth rates are likewise reshaping the population balance. And in every other continent, we are seeing an increase in minority-majority strains when minorities become highly aware of economic inequities.
- Leaders in government need to pay attention to these changing demographics because ethnic minorities tend not to fully participate in the national economy. Their underinvolvement has resulted from diverse causes, ranging from the absence of entrepreneurship in their cultures to historical exclusion from the business sector by

the majority population. At best, the national economy performs below its potential; at worst, marginalized minority populations reach critical mass and collectively react to the unequal opportunities, resulting in civil unrest with all its economic and social costs. Many countries — and many U.S. cities — have minority populations dangerously close to the boiling point.

- Leaders in business should be attentive, despite the strong temptation to dismiss minority exclusion as a knotty problem for governments to address. There are several good reasons why global businesses should become part of the solution.

- First, global businesses need minority- and women-owned suppliers because the nature of competition has changed. Only a few decades ago, competition was between large, vertically integrated companies vying for a share of stable domestic markets. Today, rival value chains fight for their share of rapidly evolving global markets. With the rise of outsourcing, competitive advantage — and disadvantage — presents itself at various points in the value chain. As ethnic minorities and women increase as a proportion of the population and participate in greater numbers in the entrepreneurial economy, M/WBEs will form a greater part of the value chain.

- Second, the nature of markets has changed. Major companies that once sold to homogeneous customer bases now sell to diverse markets with multiple segments. In this cosmopolitan milieu, they must be successful at market segmentation, customer targeting and product/service positioning.

- Third, global businesses depend on strong national economies. A vibrant economy creates affluent consumers, sustains investment in supply-chain research and development and finances development of physical and intellectual infrastructure. A burgeoning minority population that contributes fully to gross domestic product creates a stronger economy than a neglected minority population that distracts attention from economic progress and burdens resources. And minority-owned enterprises are the largest employers of minority workers: if

minorities earn wages, they spend money and energize the multiplier effect.

- Economic vitality depends on the entrepreneurial growth engine. When today's dominant corporations fall by the wayside — as some of them surely will — today's upstarts will need to take their place. Demographic changes guarantee that an increasing proportion of the newcomers will be minority- and women-owned business enterprises: if these businesses are more successful today, the economy will be more successful tomorrow.
- It is myopic for global corporations to assume that governments should be the only ones addressing the economic plight of minorities: it is everyone's problem. Indeed, the challenges of women and minority underparticipation are complex enough that governments tend to shy away from addressing them in the absence of encouragement, pressure and assistance from global corporations.



**Leonard Greenhalgh**



The time to act is now, because we are at a tipping point: throughout the world, the problem of minority economic disenfranchisement is growing faster than our efforts to deal with it.

- Leaders in supplier diversity support organizations need to review how significant and how cost-effective their impact has been to date. For example, we have learned over the years that certification and advocacy alone are not enough, that access to capital is a waste of money if recipients do not have the acumen to use capital wisely and that the access to contracts facilitated by supplier diversity programs can create a net negative impact if diverse companies cannot perform adequately.

Greenhalgh noted in an interview in advance of the Summit that all stakeholders need to work together to create and implement a strategic, collaborative and multifaceted approach to supplier diversity that demands system-level solutions. “What we’ve been doing so far is the same old thing. If we keep doing the same old thing, we shouldn’t expect different results. If you have a corporate supplier diversity program, you have to ask what is working and what could be done better. The challenge is overlap. Everyone has to figure out what would be a great way to pull together and make it happen, rather than having a fractionated approach,” Greenhalgh said.

## 2009 SUMMIT DELIBERATIONS

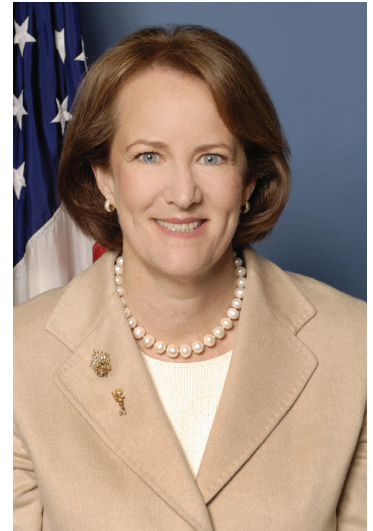
### Opening session

The 2009 BDR Summit brought together an array of participants to discuss future directions for supplier diversity, and, more importantly, to collaborate to develop ideas for an integrated solution. The Summit agenda focused on three primary elements to drive the discourse – the role of corporate initiatives, the role of government and the role of advocacy organizations.

The Summit convened May 27 with a working dinner at the Hyatt Arlington. Karen G. Mills, administrator, U.S. Small Business Administration, gave the keynote address. Sworn in April 6, 2009, as the nation’s 23rd SBA administrator, Mills described an aggressive approach the agency is taking under President Obama in supporting small businesses, including minority- and women-owned firms. Mills noted that the SBA is the nation’s largest single financial backer of small business, and explained that its mission will be to reinvigorate the agency to assist business owners and entrepreneurs to secure financing, technical assistance, training and federal contracts. The SBA’s portfolio of direct and guaranteed business loans and disaster loans already totals more than \$90 billion, but Mills is seeking to enhance SBA loan programs.

Mills most recently served as president of MMP Group Inc. and has a reputation as an active, hands-on investor and successful manager of small businesses who is a passionate advocate for policy that encourages innovation, economic development and job creation. During her career in the private sector, Mills invested in and took a leading role in companies involved in the consumer products, food, distribution, textile and industrial components sectors. She spent much of her career working with small manufacturing firms, including producers of hardwood flooring, refrigerator motors and plastic injection molding. She also co-founded Solera Capital, a venture capital firm. Additionally, Mills served in consulting roles in the United States and Europe for the management consulting firm McKinsey and Co.,

chaired the state of Maine’s Council on Competitiveness and the Economy, and authored an influential Brookings Institution paper on the federal role in regional economic development clusters, or geographic concentrations of interconnected businesses that share knowledge and resources to spur innovation, economic growth and higher wage employment. Roger Campos, president and CEO of the Minority Business RoundTable, introduced the administrator and praised Mills’ selection to lead the SBA as a boon to diverse businesses. Attendees responded favorably to Mills and her responses to their questions about the administration’s support for diverse firms.



**Karen G. Mills**

## THE SUMMIT

Summit deliberations on forging new integrated solutions for supplier diversity began in earnest on May 28 at Verizon Communications offices in Arlington, Va. with panel discussions, keynote speeches and question-and-answer periods offering perspective and information on corporate supplier diversity, government programs and advocacy organizations.

### Panel one: high impact initiatives: a corporate perspective

Professor Leonard Greenhalgh of the Tuck School served as the panel’s moderator – joined by panelists Kurt Albertson, director, advisory services, The Hackett Group; Ray Bracy, senior vice president, Wal-Mart Stores; and Tanya Penny, vice president, sourcing and procurement, Verizon Communications. Greenhalgh challenged the panelists to predict the future of supplier diversity going forward five to 10 years out. The objective, Greenhalgh said, was to elicit ideas for new directions in the supplier diversity paradigm. He noted that the overall level of inclusion in the corporate supply chain has remained low, yet the number of minorities in the U.S. economy has been growing at an increasing rate.

Bracy said he envisions a future where minority- and women-owned enterprises will be viewed as “just suppliers.” However, reaching that point will have its challenges, particularly with a global corporation with a scale of Wal-Mart, the world’s largest retailer and a BDR member company whose offshore sales alone exceed \$100 billion. Often, he said, diverse suppliers believe falsely that Wal-Mart is too large of an enterprise for them to serve. Yet in April 2009, Wal-Mart was able to announce that it had increased its business with minority- and women-owned companies by more than 25 percent in 2008, resulting in a combined Tier 1 and Tier 2 spend to more than \$8.1 billion. Bracy noted that engaging more diverse suppliers is simply good for a Wal-Mart customer base that itself is increasingly diverse.

Bracy added, “Relevance probably is one of the most important things for us. I think if we didn’t do [supplier diversity], our customers would be disappointed in us, and our communities would be disappointed in us.” In order to accommodate additional diversity spend, he explained that Wal-Mart is broadening its definition of supplier diver-

sity to encompass its entire value chain – and suspects that other corporations are doing the same. Too often, in the past, corporations have limited supplier diversity to their core competencies, but that is changing, Bracy said. Wal-Mart is supporting, under its supplier diversity umbrellas, the procurement of services typically not included in inclusion initiatives, ranging from advertising, finance and legal to refrigeration, flooring and transportation to information systems, packaging and employee benefits.

Bracy listed three conditions that will need to improve among corporations and diverse firms to meet the need of large enterprises: improvement in management skills at diverse firms, the securing of credit and financing so diverse firms can grow as corporations grow and the mandate of corporations that diversity is not optional. “If you can do all of those things for us, at Wal-Mart, you can do them for anyone, you then become a supplier of choice for many different organizations across the world,” Bracy said.

Tanya Penny of Verizon noted that her BDR-member company spends nearly \$4 billion annually with diverse firms, employing a deliberate, technology-based, holistic approach to satisfying supply-chain inclusion initiatives. Verizon pursues a strategy that sets procurement goals on a company-by-company and product-by-product basis, Penny said.

Verizon views diverse suppliers in two general categories: those partners currently able to provide value to the company and marketplace, and those with high potential that it wants to help grow. “What you end up with is a matrix of business plans that specifies how diversity fits into each business plan. So it starts at the ground up,” according to Penny. Scale is of paramount importance among the diverse supply base to support a \$90 billion multinational like Verizon, Penny said. “I’d like to deal with an array of diverse companies that have the infrastructure, systems, funding and capability to support a large enterprise like Verizon. At the same time, we will continue to have those smaller diverse firms that are the incubators for the next great idea — firms that continue to be nimble and customer service-oriented.”

Going forward, Penny added, it is crucial for major corporations to reposition diverse suppliers so they truly are strategic partners. “Today, it is much more of a push to respond to opportunities. I think over the next five to 10 years, what we’re going to see is more of a pull to create a strong, diverse supply chain,” she said. Penny added that future supplier diversity strategies would focus on select firms that have the propensity for growth to align with a corporation’s strategic direction.

Albertson of The Hackett Group outlined trends in global sourcing and how U.S. corporations are moving best practices beyond U.S. borders to create opportunities for diverse suppliers in their worldwide operations. The two primary approaches are to establish policies around global sourcing to ensure minority participation occurs and to help diverse suppliers compete globally. Albertson explained that

another emerging approach to procurement has corporations spreading proposals across multiple facilities in the global supply base, rather than relying on sole-sourcing arrangements. By creating more complex sourcing mechanisms, corporations can embed diverse supplier participation in their value chains, Albertson said. “We’re seeing more organizations do this.”

In response to audience input, the Summit corporate panel examined issues that included diverse enterprise capacity and enhancing economic development opportunities in depressed communities through supplier diversity engagement. Audience members offered ideas that included diverse firms acquiring capacity rather than growing organically, corporations increasing support for foundation spending to educate new generations of minority and women entrepreneurs, closing gaps in financing for diverse firms and developing a new system of metrics to measure the effectiveness of supplier diversity programs, so that the system is not solely focused on measuring dollars spent with diverse firms.

### **Panel two: high-impact initiatives: a government perspective**

James H. Lowry, senior advisor and global diversity director, Boston Consulting Group Inc., moderated the panel. Panelists were Calvin Jenkins, deputy associate administrator for government contracting, U.S. Small Business Administration; Edith J. McCloud, associate director, Minority Business Development Agency, U.S. Department of Commerce; and Jack R. Stevens, division chief, Indian Energy and Economic Development, U.S. Department of Interior. Lowry framed the discussion by chronicling the history of diverse supplier participation within the federal government, which began with Public Law 95-507. Enacted in October 1978, it laid the foundation for minority enterprise development as it applied special provisions to federal procurement and contracting to benefit small, disadvantaged or minority businesses. The law required large, federal prime contractors to provide subcontracting opportunities to small disadvantaged minority-owned businesses, oversight of plans for large contracts by government contracting officers, establishment of an Office of Small and Disadvantaged Business Utilization to assist small businesses to expand contracting opportunities and the setting of annual goals for contracting and subcontracting with diverse firms, including the SBA’s 8(a) Business Development Program. Lowry praised the sponsor of Public Law 95-507, the late Rep. Parren J. Mitchell, D-Md., for possessing the “heart, soul and boldness in thinking out-of-the-box” to get the bill passed and enacted. The law is credited with moving both the public and private sectors to begin to think about minority inclusion and development.

Lowry drew the comparison between the context in which Public Law 95-507 was enacted and the situation today, once again calling on the government to provide bold leadership to foster supply-chain inclusion. The charge to the Obama administration will be to elevate and sustain minority and women business development in order to create wealth and jobs among these emerging demographic groups. [The] Government’s objective, Lowry pointed out, would be to make a great nation better, stronger, more innovative and bolder.

McCloud explained that the MBDA has a unique role as the only government agency explicitly charged with building the capacity of minority business enterprises. The agency’s stated mission is to “achieve entrepreneurial parity for minority business enterprises by enhancing their growth and expansion.” Parity is a benchmark used by the agency in assessing the performance of minority businesses and is achieved when economic measures show that such enterprises contribute to the economy at rates comparable to the minority share of the



**James H. Lowry**



population age 18 and older.

Over the past several years, the MBDA has focused its attention on the minority-owned firms that have real potential for strategic growth, and then building their capacity by encouraging strategic alliances, mergers and acquisitions. The reason for focusing on minority entrepreneurs who are pursuing accelerated growth — entrepreneurs with annual revenues exceeding \$500,000 — is that the agency believes they are best positioned to impact local economies by creating jobs and generating the revenues necessary for expanding into national and global markets. Additionally, the agency is actively engaged in fostering minority enterprise consortiums to bid on large infrastructure projects, such as those offered under the \$787 billion American Recovery and Reinvestment Act that President Obama signed in February.

David Hinson is the MBDA's new national director. A St. Louis native, Hinson was president and CEO of Wealth Management Network Inc., an independent financial advisory boutique, and held senior-level and mid-management positions at large U.S. banking companies. One of his charges will be to educate minority business enterprises about federal opportunities related to the Recovery Act. More than one third of the act's appropriations are being targeted as direct investments in infrastructure projects, health care spending and renewable energy. The economic stimulus program is expected to provide significant new business opportunities to certified minority business enterprises or joint ventures owned and controlled by minorities, women and disabled veterans. Section 1610 of the act requires it to comply with the Federal Acquisition Regulations that govern all federal contracts.

McCloud explained MBDA's focus on capacity building. She cited the MBDA's report, the "State of Minority Business Enterprises: An Overview of the 2002 Survey of Business Owners," which is the latest information available that analyzes the U.S. Census Bureau's economic survey. The report noted that 4.1 million African-American, Hispanic, Asian/Pacific Islander, Native American and Alaska Native firms generated more than \$668 billion in annual sales and employed about 4.7 million people in 2002. However, average gross receipts of minority firms were \$162,000 compared with \$448,000 in average gross receipts of nonminority firms.

The MBDA is trying to change that picture. In 2008, the agency negotiated more than \$2 billion in contracts and capital for minority businesses and has served more than 625,000 minority businesses since its creation in 1969. The report noted that the nation's minority population is projected to continue to grow rapidly over the coming years and will constitute an increasing proportion of the overall U.S. population. U.S. Census figures have the minority population growing from about a third of the total U.S. population in 2010 to a half by 2050. In fact, the establishment of minority-owned enterprises is increasing in numbers at a rate faster than that of the minority population growth, the report said. Empowering these enterprises to build capacity with increased sources of financing, strategic alliances and market access will accelerate the enterprises' level of productivity that is critical to strengthening U.S. competitiveness nationally and worldwide, according to the report.

McCloud reminded the audience that the MBDA's hallmark annual event is its National Minority Enterprise Development Week conference held each August in Washington to foster innovation and competitiveness for minority businesses.

Calvin Jenkins, who has decades of experience as a contracting official with the SBA, reported that the agency is in a state of transition on a number of critical fronts. While administrator Karen G. Mills is bringing new direction and leadership to the agency's efforts at assist-

ing small businesses, many vexing issues continue to affect the agency's broad mission.

The SBA, created in 1953 as an independent federal agency, aids, counsels and protects the interests of small businesses with the mission of preserving free competitive enterprise to maintain and strengthen the nation's overall economy. Operating an extensive network of field offices and partnerships with public and private organizations to promote job growth, capital investment and economic development, the SBA provides certifications for key programs targeting small minority and disadvantaged enterprises, including the 8(a) program and the Historically Underutilized Business Zones program that provides contracting assistance to small businesses located in economically distressed communities. Additionally, the agency maintains the Dynamic Small Business Search database to provide access to federal contracting opportunities, and the Central Contractor Registration database that is the primary registrant site for the U.S. federal government for collecting, validating, storing and disseminating data in support of federal agency acquisition missions.



**David Hinson**

Jenkins pointed out that a key goal of the agency is to monitor federal agencies' compliance with statutory requirements for directing contracting dollars to small and disadvantaged enterprises. Twenty-three percent of federal contracting dollars are designated by statute to go to small firms, five percent to minority business enterprises, five percent to women-owned firms and three percent to disabled-veteran companies. At the beginning of each fiscal year, the agency works with the 24 top federal agencies to negotiate their contracting goals, Jenkins said. By statute, the SBA can halt an agency's contracting process if it believes small businesses and disadvantaged firms are not being included in procurement.

Jenkins explained that escalating retirements of federal contracting officers has resulted in severe understaffing of contracting offices, complicating the federal contracting process. At the same time, a number of challenges have confronted SBA contracting and oversight of loan programs in recent years. Legal challenges have questioned the constitutionality of the 8(a) program, as well as critical dollars set aside to benefit historically black colleges and universities. Additionally, the SBA is fighting a federal determination to its contracting authority in which it views its loan programs as being on "parity." Jenkins explained that the parity doctrine allows contracting officers to certify minority business contracts under different programs, such as 8(a) and HUBZones, affording the contracting officer flexibility to award contracts. But the determination in October 2008 stipulated that the HUBZones program had priority over other agency programs, including 8(a), Jenkins said, prompting a flurry of uncertainty. He said the SBA is fighting the decision and may seek congressional redress. The HUBZones program itself has been deemed to have "substantial vulnerabilities," according to a July 2008 report from the U.S. Government Accountability Office investigating allegations of fraud by "front companies" that divert federal small business contracts to large



businesses. Additionally, the SBA Office of Inspector General has investigated alleged abuses of the program. To shore up the program, the SBA is visiting 1,000 sites over the next year to ensure they are operating properly, Jenkins said, adding that where fraud is found, those companies may be barred from future federal procurement or referred to the U.S. Justice Department for possible criminal prosecution.

In the area of women business development, Jenkins pledged that the agency would revitalize women enterprise procurement initiatives. Implementation of rules supporting the Equity in Contracting for Women Act of 2000 was stymied in the previous administration, Jenkins said. Among other provisions, the act directs federal contracting dollars to industries underrepresented by women-owned small businesses.

Stevens of the Department of Interior urged stakeholders to assist tribal governments in creating jobs and economic development on Indian reservations. Conditions on most reservations are desperate, with mortality, illness, incarceration and unemployment rates far surpassing the general U.S. population. Stevens described Native American enterprises as the “most submerged” of all designated minority groups and noted opportunities for corporations to provide robust outsourced work to Native American firms. He asked why corporations that outsource call centers with foreign nationals, for instance, do not direct some of those resources to the reservations. Stevens said, “People living on reservations can do that work just as well, and can stay on the reservation” rather than having to leave their families to find work. He added, “There is nothing more powerful than the American Indian brand. I am urging you to consider bringing home that business and giving it to the American Indian.”

### **Luncheon keynote address: next practices**

At the start of the luncheon, Rick C. Wade, senior adviser and deputy chief of staff to the Secretary of Commerce, offered remarks to the Summit, characterizing the U.S. economy under President Obama as undergoing a “redesign” with the imprint of the American Recovery and Reinvestment Act of 2009 and other initiatives. The administration, Wade said, is committed to ensuring that diverse business enterprises will be part of the solution of rebuilding the American economy. “Minorities and women businesses stand to provide innovative solutions. At the end of the day, our goal must be to include minority and

women businesses at every intersect in this federal government.”

Nicole Ganier-Cosme of Magic Workforce Solutions, a part of Los Angeles-based Magic Johnson Enterprises, gave the keynote address. She held up Magic Johnson Enterprises as a compelling example of how collaboration has turned the organization into the top brand today in urban America. Engaged in businesses that range from food production to workforce diversity staffing to entertainment, Magic Johnson Enterprises’ success has been propelled by its penchant for creating and participating in successful strategic alliances, joint ventures and partnerships with both majority and minority firms, Ganier-Cosme told Summit attendees.

The Magic Johnson approach offers a powerful example for supplier diversity stakeholders, she said. “Then we add value by doing what we do best – empowering the urban community. This is what we see as ‘next practices.’ We all talk about best practices, but Magic Johnson Enterprises is on a mission to create next practices for the future of minority- and women-owned businesses.” To accomplish this goal, Magic Johnson Enterprises operates two multi-million-dollar investment funds seeking to provide equity financing for diverse firms.

For diverse firms seeking to align with other enterprises, the process begins with flexibility, being nimble and a client-centric focus, Ganier-Cosme explained. Further, diverse firms do well when they are viewed as strategic suppliers rather than simply vendors. As examples of areas that would benefit from collaborative arrangements, she suggested that diverse firms should be willing to seek the services of partners outside of their areas of core capabilities, such as in payroll, human resources and accounting, in order to best focus on one’s core competencies, as Magic Johnson Enterprises has done.

In the meantime, procurement organizations must continue to work diligently within their operations to further integrate diverse suppliers into their supply chains, she said. And like the model of the Billion Dollar Roundtable, where major market competitors are working together to devise solutions, Ganier-Cosme exhorted corporations to set high standards and hold one another accountable for progress. Ganier-Cosme further cautioned corporations from placing diverse companies into “a multicultural box” without ever making the effort to leverage those minority- and women-owned enterprises that are prospering and can add value to supply chains. One sure way for corporations to drive business to diverse companies is to identify procurement areas that can benefit from increased competition, she noted. Additionally, Ganier-Cosme urged support organizations to step up advocacy of federal officials on behalf of diverse companies that do not always have the opportunity to do so when operating their enterprises.

### **Panel three: high-impact initiatives: a support organization perspective**

Farad Ali, senior vice president of business development, North Carolina Institute of Minority Economic Development, moderated the panel. Contributors were Linda Denny, president, Women’s Business Enterprise National Council; Steven Sims, vice president for programs and field operations, National Minority Supplier Development



Council; Augustine Martinez, president and CEO, U.S. Hispanic Chamber of Commerce; Margo Gray-Proctor, board chair, National Center for American Indian Enterprise Development, and Susan Au Allen, national president and CEO, U.S. Pan Asian American Chamber of Commerce.

The question of duplicative and cumbersome certification processes for diverse business enterprises required by the advocacy organizations emerged as a key point of discussion among Summit attendees and panelists. Most attendees agreed that an integrated and streamlined certification approach would reduce paperwork and reduce an unnecessary burden on diverse businesses, noting that only a fraction of firms are ever certified. Attendees espoused the view that certification “reciprocity” is long overdue among certifying organizations, but must be conducted according to a uniform high standard.

Certification is the process by which third-party organizations validate that a business actually is minority-owned, controlled and operated by a diverse applicant, and is not a front company. Certification ensures a threshold of 51 percent or greater minority or woman ownership, and that the minorities or women control management of daily business operations. The major third-party certification organizations in the United States are NMSDC, WBENC and the SBA. Municipalities and states may have their own certification processes, with the result that an unreasonable burden can fall on diverse businesses to secure multiple certifications, with no benefit to the procurement officials.

The efforts of NMSDC, as the major certification organization in the United States of minority-owned firms, and WBENC, as the major body for women-owned firms, are broadly accepted by the private sector, including Fortune 500 companies. Both NMSDC and WBENC are national organizations that route certifications through a network of regional councils, offices and affiliate organizations; certifications are recognized nationwide. The organizations also provide a range of other services, including outreach, benchmarking, business development and consulting. Their organizations and processes are being replicated globally. The SBA conducts its own certifications for diverse applicants to its various small and disadvantaged business loan and federal contracting programs. In addition to the national organizations, many states and municipalities operating supplier diversity functions may require certifications.

Clearly, certification is important to corporations, government, advocacy groups and diverse firms. Certification is a prerequisite for market entry for diverse enterprises that want to take on large contracts. It signals eligibility to participate in networking opportunities, training, and joint ventures and strategic alliances with majority-owned companies on contracts. Most importantly, certifying agencies like NMSDC, WBENC and SBA perform substantial due diligence in ensuring that front companies are identified and disqualified.

Martinez of the USHCC, Gray-Proctor of the NCAIED and Allen

of the USPAACC all described efforts to increase certifications of businesses within their spheres of influence. Martinez called it a “huge disappointment” that only three percent of 3.5 million Hispanic firms in the United States have received certification and hopes to raise that metric to five percent to seven percent within five years, along with the goal of certifying half of new Hispanic businesses that start up. Gray-Proctor acknowledged that Native American enterprises also are lacking on certification, but noted that Native business owners differ from

U.S. minorities, if they are members of one of the nation’s 562 sovereign tribes. Gray-Proctor said certification would be part of NCAIED’s strategy to increase significantly the number of Native American businesses in the U. S. from the present 250,000. Allen said efforts have been underway over the past decade to align the nation’s 1.1 million Asian-American businesses, particularly the 49,500 firms focused on business-to-business enterprise, through minority development efforts. Owing to cultural differences despite a long history in this country, many Asian-American enterprises have scoffed at being classified as minority firms, thus forgoing the benefits certification can bring. But that is changing, Allen added. “We cannot be looking inward. Moving forward, we want to have unity. We want to have true partnership,” she told the Summit.

Advocacy panel participants reiterated to Summit attendees that the various organizations are forging working relationships in their efforts jointly to advance diverse business enterprises. But some attendees argued for more actual progress, particularly on certification. Sims of the NMSDC said key areas of collaboration should involve business

development and legislative efforts. He said advocacy organizations should work more in tandem to drive the business of certified diverse companies to growth industries rather than trying to accommodate depressed sectors and press certified businesses to operate in strategic partnerships with corporations. On collaborative legal and strategic matters, Sims said the NMSDC is actively involved with the Unity Group, a consortium of organizations that includes the Minority Business Enterprise Legal Defense and Education Fund, Minority Business Round Table, Latin American Management Association, National Association of Minority Contractors, Asian American Justice Center, National Association of Small Disadvantaged Businesses, Minority Business Enterprise Coalition, Florida Minority Community Reinvestment Coalition and Civil Rights Clinic at Howard University School of Law.

Tony Robinson, a protégé of Parren Mitchell who heads the Minority Business Enterprise Legal Defense and Education Fund, said that the Unity Group is pursuing litigation to reverse a November 4 federal appeals court decision, *Rothe Development Corp. v. DoD*, that found a U.S. Department of Defense program serving small disadvantaged businesses to be unconstitutional for a lack of a “factual predicate” of specific findings of discrimination. Robinson explained how the ruling also threatens historically African-American colleges and



*Susan Au Allen*





**Tony Robinson**

universities. Most, if not all, federal programs serving diverse businesses face impending reauthorization in the Congress; the ruling may influence future legislation and public policy, Robinson said. “If we do not establish these predicates — robust predicates — then these programs are in jeopardy of being declared unconstitutional by the courts,” he added. Coping with the aftermath of the Rothe decision was Robinson’s example of the type of integrated approach that was needed for advancing critical supplier diversity issues, as well as an urgent action item.

But, the discussion kept returning to the key question of the need for progress in certification. In her keynote luncheon address, Garnier-Cosme of Magic Workforce Solutions had urged that advocacy groups and corporations “work out reciprocity deals for certification” to ease the unnecessary administrative burdens on diverse firms. Additionally, Summit moderators Lowry and Greenhalgh both argued on behalf of diverse firms and supplier diversity professionals for high quality, uniform certification during the Summit’s closing session. During a question-and-answer period, one minority business owner certified by NMSDC, complained that paperwork requirements by corporations hamper already-certified diverse firms: his comment pleaded for the process to be streamlined to allow for his NMSDC certification data to be transmitted electronically to other entities. Another attendee said duplication in certification occurs when seeking contracts across state lines.

Sims expressed his view that the NMSDC does not favor centralized certification, but does share information on certification standards and procedures. Sims said sharing information in its database could jeopardize the NMSDC’s tax status and auditing through its regional councils. Denny said that WBENC is the premier certification organization for the nation’s 10.1 million women-owned firms, of which 9,000 are WBENC-certified. She agreed that something should be done to bring qualified firms under the certification umbrella. Denny said she could embrace the use of technologies to develop a shared database — particularly those that “all certified WBEs all over the world could use” by having central processing of standardized paperwork. She said advocacy organizations should devote their vital resources to building M/WBE capacity, rather than shuffling certification paperwork. The critical component for certification is standardization and

consistency, Denny argued, pointing out that WBENC and NMSDC certifications have similar paperwork requirements. The challenge for support organizations is to ensure they are not replicating others’ efforts and duplicating those of corporations, such as in the area of training, Denny said. Centralized paperwork processing would allow individual advocacy groups to focus on what they do best, Denny said in conclusion.

Advocacy panel moderator Ali urged support organizations to help diverse suppliers in three areas vital to building capacity: access to capital, market opportunities and effective management and leadership. Otherwise, no minority- or women-owned firm will reach a size where they could join an organization like the Billion Dollar Roundtable and spend \$1 billion or more in supply-chain procurement with other diverse enterprises. Ali also argued that too few diverse businesses were actually being served, despite their growing presence in the economy.

#### **Panel four/next steps: moving forward to increase M/WBE inclusion**

In the closing panel session, Len Greenhalgh of the Tuck School of Business at Dartmouth and Jim Lowry of Boston Consulting Group challenged 2009 Summit attendees with a set of “next steps” that constitute an integrated approach to fostering the inclusion of diverse businesses. Both leaders announced they are collaborating on a book designed to help the nation understand why it is so important to help diverse firms take their place in the U.S. economy, and how best to accomplish this.

Greenhalgh holds a Ph.D. and is a professor of management at Tuck where he directs the school’s programs for minority, women and Native American businesses. Born and raised in Great Britain and educated in the United States, Greenhalgh comes from a background as a practitioner and has worked with a multitude of high-achieving major corporations. Lowry also serves as an adjunct professor at the J.L. Kellogg Graduate School of Management at Northwestern University and sits on a number of boards that promote multiculturalism and entrepreneurship. In 1978, Lowry prepared a major paper on minority business enterprise for the U.S. Department of Commerce, which was to shape the founding and direction of the MBDA. Also, Lowry is author of the 2005 paper, “Realizing the New Agenda for Minority Business Development” sponsored by the Kauffman Foundation in conjunction with the Billion Dollar Roundtable, highlighting the shift of minority business development from compliance-based programs to strategic programs.

Greenhalgh and Lowry said the book comes at a time of major transitions in the country and its institutions. It will challenge the major supplier diversity stakeholders — corporations, governments, supplier diversity managers, advocates, diverse businesses and others — to join in on remaking the paradigm of supply-chain inclusion. With President Obama in the White House, a profound restructuring of the U.S. and global economies brought on by recession and sweeping change and dramatic growth in minority-group demographics, no other period over the past three decades has presented such an opportunity, the authors noted. Minority-and women-owned enterprises must grow

to scale to create the innovation, jobs and competitiveness of the future. Fewer than three percent of the nation's minority-owned businesses achieve annual revenue of more than \$1 million, but for women and minorities to truly take their place in the American economy, they have to be of scale. They have to grow from small businesses to medium-sized businesses to large businesses. They need the support of a stronger supplier diversity paradigm because they have struggled against the damning odds of limited capital resources, tight operating budgets and political constraints. "Considering the challenges that we are now facing[in the depressed global economy], it becomes an absolute necessity that minority businesses survive — and grow," Lowry said.

However, adjusting the approach to M/WBE inclusion to achieve the greater impact the country requires involves a shakeup of the supplier diversity establishment. The stakeholders must seek integrated solutions that promote collaboration and eliminate wasted effort and needless duplication, the authors said. The solutions involve little more than strong leadership, according to Lowry. "More than ever before we have to collaborate. The days of working in silos and guarding turf in isolated institutions have to be over — for the sake of the nation," he cautioned.

Lowry said key changes need to start within government to elevate diverse enterprises to greater levels of parity. While praising the SBA and MBDA for the work they have done over the years, Lowry said the best way maximize government efforts will be to reposition the two agencies and coordinate small and minority business policy directly in the White House "where one person is talking with the president."

Another recommendation for government would be to treat larger

firms that have the potential for job creation differently than sole proprietorships or small firms, Lowry said, because "one shoe doesn't fit all." It will be difficult to build the capacity of diverse firms so long as scarce capital resources are being directed to enterprises that are not able to take full advantage of the funding because they lack the management wherewithal to scale up, he said.

On the critical issue of certification and reciprocity, Lowry urged a centralized approach that unifies the various certifying organizations, adding, "For 30 years, everybody has been going through different organizations. Why don't we have one place where a MBE or a WBE can go?"

In a concluding observation, Lowry said stakeholders should endeavor to do a better job of incorporating young people of color and women into their companies and organizations. Young people that have studied at the nation's top business schools want to work for viable companies with growth potential and have the talent for leadership and advocacy. They are a generation that wants to make a difference — that wants to create a better world. "You don't want to take 15 to 20 years to develop them. You need fresh blood now - people willing to spend 16 to 20 hours a day to implement your vision," Lowry said.

The Summit concluded with thanks given to the sponsors, panelists, keynote speakers and attendees who participated fully in the discussions of how best to design an integrated approach to fostering the inclusion of diverse businesses.

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