

SUPPLIER DIVERSITY TOOLKIT

**A PRACTICAL GUIDE TO DEVELOPING AND IMPLEMENTING A
CORPORATE MINORITY SUPPLIER DEVELOPMENT PROGRAMME**

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Executive Summary

The MSDUK Supplier Diversity Toolkit is a road map to help companies on the journey towards establishing an effective supplier diversity programme. It is for companies that have identified the business case and need for diverse suppliers and are looking for practical guidance on how to engage them within supply chains.

This document is produced by sourcing professionals representing MSDUK members sharing some of the practices and processes they have developed and adapted for the UK. The Toolkit contains the essential steps towards implementing a sustainable corporate supplier diversity programme.

Implementing a supplier diversity programme can bring a number of benefits to companies, which some MSDUK members are already enjoying, including:

- Improved client engagement
- Revenue generation
- Opportunities for business development and
- Enhanced reputation with clients

The Toolkit has been designed as a series of individual complete chapters which can be read in sequence or can be studied independently according to each company's need and stage of development. The key elements identified are:

- Development of Overarching Guidelines and Policies
- Development and implementation of a Minority Supplier Development Action Plan
- Establishing Comprehensive Internal and External Communications
- Increasing Opportunities for Diverse Suppliers
- Establish Minority Supplier Development Processes
- Tracking and Measuring Success

The aim of the document is always to provide practical support and guidance and promote practical implementation of supplier diversity within companies, indeed this is the basis of all of MSDUK's programmes and activities.

We trust this document will provide organisations with comprehensive guidelines to form a solid foundation for any corporate supplier diversity programme.

Introduction

Supplier diversity helps corporations tap into the widest available talent pool of suppliers reflecting a proactive approach taken by large companies that are genuinely committed to providing a level playing field for minority suppliers from all communities.

The corporate sector is gradually recognising the fact that its suppliers must accurately mirror the structure of its customer base. Despite unprecedented levels of growth in business activity there are large sections of our business communities that find it challenging to engage with private sector companies. Yet it is these same business communities that can offer companies innovative, competitive products and services with outstanding levels of customer service. It is also true that large corporations can find it difficult to identify and engage with diverse businesses and sometimes require support in connecting with these suppliers. This Toolkit has been specifically developed to assist those companies that want to engage with minority suppliers but are unsure of where to start.

MSDUK is a leading membership organisation in the UK promoting the inclusion of ethnic minority businesses (EMBs) in corporate supply chains. Working with some of the world's leading private sector corporations, MSDUK provides a direct link between corporations and ethnic minority businesses. Through its wide range of programmes and activities MSDUK brings together buyers and minority suppliers to share a common platform and develop mutually beneficial business relationships.

MSDUK can assist companies, who have the goodwill and readiness, in the practicalities of developing and delivering sustainable supplier diversity programmes. By sharing industry best practices, identifying some of the most entrepreneurial talents and providing a platform to meet and discuss business opportunities, MSDUK helps its members create a level playing field and a more inclusive supply chain.

This Toolkit brings together industry best practices on developing and embedding effective supplier diversity policies and procedures in corporate supply chains. This unique document combines the experience of MSDUK corporate members and reflects the processes that many of them have developed and implemented within their own organisations. We believe it will support practitioners with ideas and suggestions on how they can develop and implement an effective and sustainable supplier diversity programme.

This Toolkit is supported by a library of practical examples, documents and additional materials which are available to download from the MSDUK web site www.msduk.org.uk exclusively for all MSDUK Corporate members.

For those that are unfamiliar with all of the terms contained within the document, a glossary has been included towards the end of the document alongside a list of useful links and web sites.

Acknowledgements

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GOAL 1

DEVELOPING OVERARCHING GUIDELINES AND POLICIES

Rationale

For a successful Supplier Diversity Programme it is essential to develop a simple but succinct top-level policy encapsulating the fundamental aims, objectives and benefits of this programme for the company, its staff and shareholders and for the local community.

This statement needs to be endorsed by a senior figure within the company, for example CEO, Chairman or Managing Director, as a demonstration of the commitment at the highest level to the Supplier Diversity initiative. Without top-level support it can be very difficult to convey a call to action down through the company.

Process

While drafting a supplier diversity policy statement that strategically aligns with corporate plans and policies, communicates the right message to different stakeholders and drives results, the following points need to be considered:

Benefits

- These top-level statements can be utilised in internal and external marketing and PR activities when promoting your supplier diversity initiatives in all forms of media
- Top-level commitment provides credibility to your programme externally and internally and can help create buy-in with less-enthusiastic/supportive staff
- It provides a simple yet succinct reference point for identifying why this programme is being developed and implemented
- It provides a basis to develop a minority supplier development action plan
- It can demonstrate that the supplier diversity programme is not limited to staff from within procurement teams but should be a company-wide responsibility



GOAL 2

DEVELOPING A MINORITY SUPPLIER DEVELOPMENT ACTION PLAN

Rationale

CEO support and senior management commitment is the first step towards developing a sustainable programme; however it is equally important to develop a robust action plan that is cross departmental and cross functional. The minority supplier development plan acts as a means of ensuring that there is a corporate-wide commitment to supplier diversity and everyone across the organisation shares common processes and measurements in implementing.

Essentials

A model minority supplier development action plan should act as a guide for any department within a company to embed the process within its function. Key elements should look at the company's strategic sourcing process and establish actions at each stage that enable the identification and inclusion of minority businesses:



Process

Understand the internal spend and external market

- Identify existing minority suppliers and determine spend with them
- Research commodity areas where there is concentration of minority suppliers
- Understand past and current success with minority suppliers

Develop a minority supplier portfolio

- Include minority suppliers in all RFI/RFQ and/or Market Scan process
- Consider developing a supplier diversity web page on company website
- Encourage 'certified' minority business to fill-in supplier registration form online, if available
- Attend outreach events like MSDUK 'Meet the Buyer Event' to meet minority suppliers

Communicate supplier diversity goals internally and externally

- Appoint supplier diversity champions in individual departments to coordinate supplier diversity activities
- Establish cross-department/functional Diversity Councils to share best practice and promote success
- Work with external advocacy organisations like MSDUK and share future sourcing plans with them to identify potential contracting opportunities for minority businesses

Work with 1st and 2nd tier suppliers

- Encourage 1st and 2nd tier suppliers to use minority businesses and consider subcontracting opportunities
- Organise 1st tier supplier briefing events to make them aware of company Supplier Diversity policy
- Evaluate 2nd tier subcontracting opportunities

Develop learning and training opportunities for minority businesses

- Leverage company resources to address supplier capacity constraints, perhaps through supplier development or mentoring programmes
- Develop an effective feedback mechanism for all successful and unsuccessful minority business
- Identify areas for improvement as well as opportunities for expansion for minority suppliers e.g. through partnerships or joint ventures

Monitor and track programme performance

- Drive behaviour change through use of scorecards and goal setting within procurement team objectives
- Ensure continuous and robust monitoring of action plan amongst employees and 1st tier suppliers through quarterly review
- Include supplier diversity performance in employee annual review
- To ensure that the Supplier Diversity plan performance is reviewed by senior management regularly

Benefits

- A well researched and written minority supplier development plan achieves company-wide common standards in process and delivery of the programme
- Helps any new employee to understand how to achieve tangible results more effectively and in quicker time
- Helps achieve company minority supplier development goals in a coherent and measurable manner
- Delivery of this action plan ensures company-wide commitment to minority supplier development

GOAL 3

ESTABLISH COMPREHENSIVE INTERNAL AND EXTERNAL COMMUNICATIONS

Rationale

Once a commitment to Supplier Diversity has been made and an action plan has been developed to support its implementation, it is of absolutely no use unless it is communicated effectively. This communication needs to target two key sets of stakeholders, those that are internal to the organisation and those that are external. Of course accurate and timely communication in itself underpins every section of the Toolkit and should be considered as a continuous process throughout the programme implementation.

Process

Internal Communication – Most companies have well established methods of communication with its people. Company intranets, team meetings, newsletters, notice boards, internal networks are some of the most common tools used to communicate. As a first step these existing tools can be used to promote the ethos of supplier diversity and why the company has embarked on this initiative.



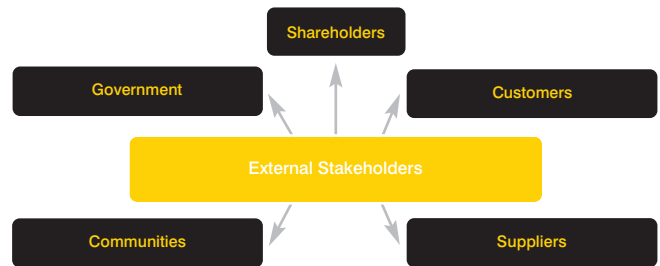
Remember there are supplier diversity intermediary organisations (such as MSDUK) who can support you in suggesting and developing appropriate communication methods.

When developing information to promote supplier diversity programme internally messages should focus on:

- The leadership commitment from the top of the organisation
- Business case for supplier diversity
- Key objectives of the supplier diversity programme
- Steps to implementation and individual roles and contact details
- Benefits to the organisation in engaging with a broader supplier base
- First steps in how to engage with these minority suppliers – how do we reach out to them?
- Where engaging with minority suppliers has been embedded into procurement team objectives
- Case studies of successful minority suppliers

The aim is to not only create a sense of understanding but to also engender confidence in the programme and in the overall approach. It will be difficult to encourage staff to do things differently but allowing them an opportunity to ask questions and engage in debate can be fundamental to motivating behaviour change.

External Communication – Consider your target audience and tailor your messages accordingly. Some companies may opt to begin a programme based on demands from clients in which case there is a clear need to articulate and communicate perhaps within bid or tender documents. Non-minority existing and new suppliers may also need to be reassured that they will not be losing business as a result of the supplier diversity programme but that it will be used to ensure more inclusivity amongst a wider supplier base.



External communication will also need to address issues and questions such as:

- Why has the company embarked on this initiative at this time?
- What does it hope to achieve?
- Who is it designed to benefit?
- How will it measure this benefit?
- How can I get involved?
- How does it intend to make it successful?

Some ways of communicating messages externally are through company web sites, this can be particularly helpful as it allows external stakeholders to get answers to most of these frequently asked questions. Company / Annual reports are another useful way of communicating programme activities and successes with clients and customers as well as through any external newsletters / e-communications that may be produced.

Benefits

In addition to some of the benefits listed in Section 1 comprehensive internal and external communications can:

- ensure that the programme is open and transparent
- ensure the programme is auditable and takes a fair and consistent approach
- assist in managing the succession of the programme between different staff and teams

GOAL 4

INCREASING OPPORTUNITIES FOR MINORITY BUSINESSES

Rationale

In an increasingly diverse marketplace, making every effort to include minority businesses among suppliers, always on the basis of merit, makes good business sense. In a way this is the essence of any good supplier diversity programme and the one that will most impact the reputation of the company amongst suppliers. Companies that have embraced diverse suppliers identify a number of advantages including; a dedicated and more responsive customer service, innovation in products and services and cost savings.

Process

For success in any supplier diversity programme it is important to identify and offer opportunities to minority businesses so that they can compete for business. Key steps in identifying and increasing opportunities for minority suppliers:

Provide leadership and clearly defined strategy and process

- Embedded Supplier Diversity programme within 1st tier and 2nd tier suppliers
- Utilise 'supplier engagement questionnaires' to measure suppliers 'CSR' and supplier diversity activities
- Benchmark suppliers for their diversity efforts
- Provide diagnostic tool to help support this assessment
- Constantly review procurement processes to ensure they remain inclusive and open

Communicate success stories to demonstrate the positive contribution that minority suppliers are making to supply chain

- Celebrate and communicate success with internal and external stakeholders
- Promote internal supplier diversity champions
- Recognise and reward employees for their efforts

Forecast and communicate future sourcing requirements

- Clearly articulate how the company intends to encourage more minority suppliers to bid for future contracts
- Identify types of goods and services that can be bought from minority suppliers
- Publish contract opportunities
- Participate in MSDUK outreach events to meet potential suppliers

Educate and train buyers and suppliers to achieve greater success

- Provide internal supplier diversity training to employees
- Deliver procurement workshops to educate minority suppliers on 'how to do business' with the company
- Develop mentoring programmes to assist minority suppliers to grow and develop

Benefits

While there is no legal requirement for private sector organisations to diversify their supply base, there is now growing acceptance that this can help to achieve real business benefits by;

- Demonstrating that private companies with active supplier diversity programmes, will have competitive advantage when it comes to tendering for contracts and developing a diverse client base
- Encouraging competition by allowing a wider range of suppliers that offer the right mix of competitively priced services, flexibility, innovative products and quality to compete for contracts
- Using minority businesses to help companies better understand their minority customers and open doors to previously inaccessible, but increasingly important and lucrative, markets
- Realising that a more diverse body of suppliers can generate a more diverse range of ideas and solutions for companies
- Assisting in the recruitment and retention of clients and employees
- Helping when being benchmarked by organisations like Stonewall, Race for Opportunity and BITC – again this can potentially help win business



GOAL 5

ESTABLISH MINORITY SUPPLIER DEVELOPMENT PROCESSES

Rationale

Minority Supplier development is an important element of a company's supplier diversity efforts. Research and evidence suggest that the majority of minority businesses tend to be small in size and capacity and any large company that is encouraging diversity in its supply chain needs to have processes and programmes in place which help and assist minority businesses to develop and grow. It is for each company to establish the appropriate supplier development goals and objectives for their programme and to develop appropriate initiatives within those parameters.

Before investing resources on developing minority supplier development programmes, research should be conducted to:

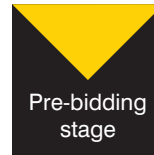
- Identify training and mentoring programmes, tools and resources that already exist
- Identify various SME training, procurement training programmes delivered by the Government or through other industry partners
- Identify resources to fund and deliver these programmes

Different supplier development programme options

A model minority supplier development programme should aim to look at various aspects of training and business growth needs. A company can choose all or any aspect of supplier mentoring and development. We can look at these training programmes in three different stages of supplier engagement:

- Preliminary / supplier introduction stage
- Bidding stage
- Post-delivery stage - to prepare suppliers for growth

Here are some examples of different types of training, development and mentoring that can be provided at different stages of a supplier's engagement with a company:



- Seminars on future supply chain trends
- Seminars on procurement process - how, when and what you buy?
- Training on softer business skills e.g. improving presentation skills



- How to prepare bids?
- Training on different e-procurement tools like e-tender, reverse auction
- Seminars on how tenders are evaluated?
- Training on quality, health & safety policies



- Capacity building training e.g. raising finance, venture capital, acquisition and mergers, workforce development
- Technical assistance e.g. business process restructuring, managing growth, executive development

Benefits

- Helps develop relationship with suppliers for sustainability and building mutual trust
- Results in managing suppliers expectations and improves performance
- Working and helping suppliers on operational aspects helps achieve efficiency in supply chain.



GOAL 6

TRACKING AND MEASURING SUCCESS

Rationale

As with any programme, setting objectives and suitable benchmarks for supplier diversity is crucial. Developing targets both strengthens commitments and helps assess progress, providing accountability and recognition throughout the organisation. However without first assessing and understanding your baseline starting position, measuring and tracking effectively becomes very difficult.

Process

Programme measurement – Position the supplier diversity metrics to track the effectiveness of the supplier diversity programme and link to company objectives by:

- Defining how, when and what is to be measured; some example metrics include;
 - Measuring the number of minority suppliers at the outset of the programme and then on annual basis
 - Measuring the spend with minority suppliers at the outset of the programme and then on annual basis
 - Measuring the overall value of opportunities offered to minority suppliers over a set time period
 - Measuring the number of minority suppliers included in the RFP/RFI stage of tenders offered
 - Measuring the number of minority suppliers who go through the full tender process and are shortlisted
- Reviewing and implementing a tool to capture activity through different parts of the business (through mandatory fields for example) and provide an audit to demonstrate compliance and by which companies can be audited by customers/suppliers
- Increase the number and variety of means used to reach minority suppliers and create a deadline for setting up mentoring programmes, for example via Meet the Buyer events and company website etc...
- Capture feedback from minority suppliers that did not apply after making enquiries, or who did not submit tenders when invited to do so
- Organisations should remember that targets – allocating a set number of opportunities for minority businesses – would constitute positive discrimination and are illegal
- Flexible Framework created to measure minority supplier progress in a consistent way and track levels of supplier diversity development

Benefits

Key metrics can demonstrate the tangible value added by establishing a robust supplier diversity programme by:

- Monitoring supplier performance and identifying areas for improvement that can be used to support/mentor suppliers in influencing supplier diversity in the wider supply chain community
- Capturing activity and providing an audit to demonstrate compliance by which companies can be audited by customers / suppliers
- Obtaining feedback from customers/suppliers that may help to uncover further barriers in the procurement process.
- Establishing a process to prevent contracts automatically being offered to current suppliers, which is important if minority businesses are to be involved in any opportunities
- Identifying value generated from ethnic markets and customers that value diversity, to influence and promote diversity opportunities and awareness
- Tracking and measuring progress and success can help when communicating company supplier diversity programmes internally and externally
- Tracking and measuring progress can also help in identifying and setting appropriate targets for the future



Conclusion

This Toolkit has been developed to empower companies with the key elements needed to develop a robust and sustainable supplier diversity programme. It has been designed for organisations that have had the desire and commitment to engage with minority suppliers but have struggled with the technicalities of practical implementation. It has been produced by sourcing professionals from the MSDUK Corporate Best Practice Working group who have themselves at some point faced these same issues of practical implementation.

The document recognises that companies of varying size and capacity will have different demands, goals and objectives for a supplier diversity programme and presents ideas and suggestions that can be adapted accordingly. Crucially the Toolkit should engender confidence that a supplier diversity programme does not necessarily require a 10 person dedicated team of professionals but can be implemented with some simple thought, planning and commitment.

Supplier Diversity is still in its relative infancy within the UK and this unique document will provide a step by step guide of how any organisation can get practically involved. The approach has been to provide a simple and consistent layout throughout the document in the knowledge that this is the best way to support professionals who are tasked with programme implementation.

Supplier Diversity intermediary organisations such as MSDUK can and do provide additional support to organisations committed to engaging with minority suppliers. MSDUK Corporate members can access additional support and best practice materials relating to this document from the MSDUK corporate intranet site, www.msduk.org.uk.

Appendix

GLOSSARY & USEFUL RESOURCES

1st Tier Supplier: A first tier supplier is a supplier that provides the products/services and invoices to the Prime Contractor for goods and services rendered directly by that supplier.

2nd Tier Supplier: A second tier supplier is a supplier that provides the products/services and invoices to the first-tier supplier for goods and services rendered.

Ethnic Minority Business (EMB) –

MSDUK defines an EMB as a for profit enterprise, regardless of size, physically located in the United Kingdom, which is owned, operated and controlled by an ethnic minority group.

“**Ethnic Minority**” for the purposes of this application shall mean individuals whose ethnic origin is:

1. Asian – (a) Bangladeshi (b) Indian (c) Pakistani (d) Asian Other;
2. Black – (a) Black African (b) Black Caribbean (c) Black Other;
3. Mixed – (a) White and Black Caribbean (b) White and Black African (c) White and Asian (d) Any other mixed Background; or
4. Chinese or other ethnic group – (a) Chinese (b) any other

provided that such individuals are British Nationals or permanently resident in the United Kingdom.

“**Ownership or Owned**” by Ethnic Minority individuals means the business is at least 51% owned by such individuals or, in the case of a publicly owned business, at least 51% of the stock is owned by one or more such individuals. Further, that Ethnic Minority individuals control the management and daily business operations.

MSDUK Outreach Events –

Outreach activities including ‘Meet the buyer’ events, procurement fairs, workshops and seminars which allow corporate buyers to meet and recruit prospective suppliers:

RFI – Request for Information

RFP – Request for Proposal

Useful Links:

www.msduk.org.uk

www.nmsdc.org www.camsc.ca

www.weconnect.org

www.stonewall.org.uk

www.bitc.org.uk



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