



# How to Make Supplier Diversity Work Outside of Procurement

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## Preface

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The second MSDUK Corporate Knowledge Session, held in London on the 30<sup>th</sup> April 2015 concentrated on identifying potential new ways that will enable ethnic minority businesses (EMBs) to access low value, low risk contracts that fall outside procurement departments remit. This session was attended by a number of MSDUK Corporate members and lead to a wide ranging discussion on some important areas. Opinions and suggestions discussed at this Corporate Knowledge session are reflected in this document. The recommendations put forward are for members that have an established Supplier Diversity programme and intend to expand those programmes throughout their organisation.

## Introduction

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Supplier Diversity in the UK is primarily the responsibility of procurement within Large Purchasing Organisations (LPO's) and the majority of Ethnic Minority Businesses (EMBs) engage with procurement specialist (or buyers) in order to supply goods and services. However, as it is the case with many LPO's, procurement does not have overall control over all spend and there is a large number of **Low Value and/or business related sourcing activities** that fall outside procurement. These contracts, depending on procurement structures and processes of global organisations are generally managed at a local, regional and even departmental level.

The different sourcing structures and procedures are one of the many factors that dictate the levels of engagement with suppliers. It is not uncommon for a large purchasing organisation to have both centralised global and regional sourcing working in conjunction. However, sourcing structures and procedures for most organisations remain fluid and are dependent on:

- **The maturity of the market**
- **The country of operation**
- **Client spread**
- **Specific client demand**

Despite this, decisions on strategic direction, procurement infrastructure, policies and guidelines are made centrally at the highest level. Anecdotal evidence indicates that the level of engagement with regards to EMBs obtaining or being considered for low value contracts outside procurement is particularly low. This is because Supplier Diversity as a concept in the UK is not as developed as in

the US and that means that suppliers from an ethnic background have had very little exposure at an organisational wide level of engagement. Furthermore low value opportunities might be better suited for EMBs in the UK as the majority of businesses have not reached the level of maturity to deal with very large opportunities compared to their US counterparts.

The aim of this document is to identify ways to expand the scope of Supplier Diversity outside procurement thus enabling the creation of more opportunities for EMBs. In doing so the aim is to address a number of points that will benefit our members and encourage a closer and more meaningful relationship between corporate members and EMBs with an emphasis on a **multilevel, organisation wide participation**. Wherever possible, we have also shared some examples from the network to support the argument.

## Why Engage With EMBs

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### **Innovation**

Working with EMBs would mean engaging with some of the most innovative organisations at the forefront of new ideas, processes and technology. Large Purchasing Organisations tend to operate in well-defined target markets and well identified customer segments resulting in established patterns of practice that might be adverse to change in the short to medium term because the aim is to minimise risk. This creates a barrier to innovation and the introduction of new ideas and technology. In comparison, EMBs operate in a highly competitive and more volatile market and in order to level the playing field with larger organisations they have made the introduction of new technology and innovation a key differentiator. This has come as a result of a lack of resources in human, market and financial assets compared to larger organisations thus encouraging EMBs to embrace innovative ideas and technology. The absence of resources has enabled EMBs to work with knowledge centers like universities in order to facilitate R&D for new products. This has allowed access to expertise but more crucially access to the research facilities universities offer. Therefore a working partnership/relationship with innovative EMBs can lead to the introduction of new ideas and technology. This would be beneficial for large purchasing organisations because by adopting innovative ideas and technology they would gain a competitive advantage in the market.

## Case Study



Dexo Technologies is an MSDUK certified supplier, the brainchild of two entrepreneurs- Byron Dixon (Micro-Fresh) and Arnab Dutt (Texane) who wanted to create a new product that would safely coat everyday items to protect the public from dangerous pathogens and harmful fungus.

### Development

*“Creating a new antibacterial product that would provide protection and be suitable for different surfaces required a great degree of expertise and investment. After receiving funding from Innovate UK we approached Aston University with the intention of working together. We made great use of their knowledge and facilities in creating our product. However, the most important processes was the scientific validation that Aston University provided for our new product”*

*Byron Dixon, Co-founder, Dexo Technologies.*

### Outcome

This partnership led to the creation of a new innovative technology that demonstrates its own unique laser verifiable system of identification thus ensuring that users would be secure in the knowledge that a Dexo coated surface was actively killing bacteria 24 hours a day and in perpetuity. Dexo can provide antimicrobial/anti-bacterial coatings for all types of surfaces thus reducing contamination. This hygiene technology can be integrated into a vast range of coatings for different manufacturers and industries.

Find out more about their unique technology [here](#)

## Flexibility

The ever changing global business environment coupled with changes in technology and financial markets has created major challenges for EMBs (and SMEs in general). In order to deal with these challenges EMBs have become more aware in the way they operate, placing greater importance on organisational performance. This has occurred as a result of irregular order situations and customer demands thus creating a need for stability<sup>1</sup>. If organisational stability is one of the key objectives when operating in a highly competitive market then EMBs achieve this by being more flexible compared to other organisations. Therefore EMBs are driven to adopt lean organisational structures by doing away with the unnecessary layers of management and bureaucracy that often affects the decision making process in larger organisations. This means, a more concerted approach on production levels with a focus on improving scalability in order to deal with changing demand, less waste because of the ability to make quick decisions, increased efficiency and a better delivery response time with regards to the goods and services provided.

## Case Study



Brocks Compass, an MSDUK certified Supplier was shortlisted and chosen by an MSDUK Corporate Member – a Global Investment Bank to provide respiratory masks in case of an emergency with regards to the Ebola outbreak.

### The Requirement

The client required circa 60,000 FFP3 Respiratory Masks to replace their old stock. They needed to make sure that they could cover their staff in case of a pandemic outbreak.

### Sourcing the Correct Supplier

*“We found out about Brocks Compass by leveraging the MSDUK database, which we often refer to when sourcing goods and services. We also emailed our contacts in MSDUK and they were able to supply us a list of suppliers who could provide the goods.” We chose Brocks Compass because they were the supplier who could provide us with the goods in the urgent time line we had at a competitive price point. They were also able to ship to our regional offices across EMEA and provided surgical masks as well in case we needed to buy these in the near future.”* **Quote from Client’s Executive Director ...**

<sup>1</sup> K. Roitzsch., W. Hacker., U. Pietrzyk and U. Debitz., ‘How Do German SMEs Cope with the Increasing Need for Flexibility?’, (March, 2012), p. 2.

## Outcome

Brocks Compass were able to source the correct products and deliver them to multiple locations within the limited timeframe.

*“We had to source the masks which proved quite difficult at first due to the current Ebola crisis as stocks were being depleted quickly and being exported out of the UK. We managed to find a partner to work with and be able to still offer a competitive price. We supplied the client with the product information following which they placed an order for 46,800 masks to be delivered to their storage location. Our partner has manufactured the masks to order for the client and they have since ordered a further 11,352 masks to be delivered to their various EMEA offices.”* **Ricky Patel, Director, Brocks Compass**

## Enhanced Value

Ethnic minority businesses are constrained by limited resources thus there is greater predisposition to identify and focus towards areas where it is possible to provide greater value to their clients. This is achieved by operating in niche markets where their level of expertise is very high. As a result EMBs are able to achieve greater ‘differentiation and asset specificity’<sup>2</sup> compared to other SMEs and this is certainly true in relation to the ever expanding ethnic minority market in the UK. Furthermore EMBs have lower overhead cost which means that the services on offer are cost effective, this can be of considerable benefit to large purchasing organisations looking to increase value in their supply chain.

## Case Study



One of the world’s leading research-based pharmaceutical healthcare company approached Media Reach to conduct an awareness campaign on Hepatitis B. The aim of the campaign was to raise the awareness and understanding of the risks of Hepatitis B amongst UK residents who are travelling abroad to visit friends and family, in particular those travelling to India and Pakistan. ...

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<sup>2</sup> T. Krywulak and V. Kukushkin., ‘Big Gains With Small Partners: What MNCs Look For in Their SME Suppliers’, (2009), p. 19.

## Action

With extensive knowledge of working with hard to reach audiences in the UK Media Reach identified the attitudes, beliefs and behaviours, practical, cognitive and emotional drivers/barriers that are characteristic of Indian and Pakistani travellers in the UK.

*“We considered cultural, religious and societal beliefs and traditions when developing the strategy and the tone of voice for the campaign. This included assessment of attitudes towards the health risks posed by travelling to a familiar destination, beliefs about the need for protection/ travel health advice and the extent to which these are embedded.”* **Saad Saraf, CEO, Media Reach**

A campaign video was started with a two-minute Vox pop, which ran across Indian and Pakistani TV channels during peak time slots and around travel shows, general entertainment and drama programs. Radio phone-ins were arranged on relevant Asian Radio stations covering areas with a high proportion of VFR travellers to India and Pakistan. Posters and leaflets were distributed to local GP surgeries, pharmacies, travel agents and places of worship such as Mosques with high footfall within our 25 core target regions in the UK. ‘In order to interact with families we had presence in the form of a campaign branded stand at the popular London Mela event. In addition, we obtained extensive editorial coverage in the Asian media.’

## Outcome

The Overall campaign reached a number of 4,0177,57.00

# How to Attain Participation by the wider Organisation

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## Raise Awareness

Make a sustained effort to raise awareness and promote Supplier Diversity as a concept throughout the organisation. This can be achieved by highlighting the economic and social benefits that derive from working with diverse suppliers. This will aid in increasing credibility in the process and will challenge some of the entrenched perceptions that prevail with regards to working or partnering with a diverse supplier. In order to become more effective in raising awareness and promoting Supplier Diversity consider:

- Integrating Supplier Diversity with Diversity and Inclusion thus creating a more encompassing Diversity Strategy.

- Focus on educating and training colleagues on Supplier Diversity.
- Engage with intermediary organisations like MSDUK by inviting them to present at Diversity and Inclusion events.

## **Influence Decision Makers**

Engage influential decision makers across the organisation to ensure they are committed to Supplier Diversity and if this is the case make certain the message filters through to the rest of the organisation. These influential decision makers are usually the CEO, CPO, head of individual functional units and the senior management team. High level commitment ensures increased legitimacy for Supplier Diversity as a concept but it will also facilitate getting colleagues on board from different parts of the organisation and encourage them to become more engaged with diverse suppliers. Furthermore high level commitment will ensure the introduction of governance and policy that will enable diverse suppliers to obtain a greater level of engagement.

## **Enlist Internal Stakeholder Support**

Enlist internal stakeholders to commit and contribute to Supplier Diversity and proactively communicate with them. This will increase the possibility of identifying and providing more opportunities for EMBs. Enlisting internal stakeholders will entail working with other departments and business units and communicating in a coherent way might become a problem. One way of facilitating the communication process after the initial steps and internal stakeholder commitment to Supplier Diversity is to create ‘Steering Committees’ that will allow for effective strategy and planning but will also provide an understanding on how other departments/business units operate with regards to the allocation of low value contracts to suppliers. Working with internal stakeholders will provide the opportunity to improve and expand the Supplier Diversity programme.

## Example:



### MSDUK Delivers a Senior Leadership Workshop

MSDUK delivered an interactive workshop in partnership with a Certified supplier ([PRM Diversity Consultants](#)) for one of their corporate members who wanted to get its cross functional management team more involved in their supplier diversity efforts.

#### Workshop Structure

After an introduction to MSDUK, there was a discussion around ‘why supplier diversity?’ Looking at the benefits/comparisons between employee diversity and supplier diversity. The session moved onto looking at some practical examples of a tier 1 approach and was closed by an interactive session where participants broke out into groups to focus on some key considerations on how to make supplier diversity work within their organisation.

#### Outcome

Since this workshop there has been greater participation from different stakeholders including a high level meetings which has been arranged with the Head of Indirect Purchasing and Head of Diversity and Inclusion. Further meetings has also been arranged with their BAME employer network that resulted in greater visibility for MSDUK throughout the organisation.

### Identify and Share Opportunities

Key role for a supplier diversity champion/coordinator/manager is to consistently look out for sourcing opportunities, keep in close contact with various business units and category buyers, constantly reminding them of sharing any small or large opportunities with MSDUK to get supplier referrals and keep monitoring the progress.

### Share and Celebrate Success

It is important that every success with a diverse business, however small or large, should be shared throughout the organisation as that will encourage others to get involved. Use all communication channels, internal and external, to promote successes with diverse suppliers. And finally, have a system to reward and recognise internal stakeholders that are supporting and championing supplier diversity.

## Second Tier Programme

The development of a Second Tier programme is an important part in creating more opportunities for EMBs. This can be attained by having in place a framework that takes into account Tier 1 suppliers are engaging and providing direct and indirect opportunities for EMBs. In order to achieve this the focus should be on:

- Educating Tier 1 suppliers by highlighting the benefits of an inclusive and diverse supply chain
- Introducing clauses in contractual terms and setting engagement targets
- Monitor interaction by making Supplier Diversity a part of regular performance review
- Invite Tier 1 suppliers to MSDUK events where they can interact with EMBs.

## Summary

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As large purchasing organisations start to engage with more diverse suppliers it is important that available opportunities extend beyond procurement and encompass all departments or business units. Ensuring EMBs have access to all kinds of opportunities is critical to the success of supplier diversity programme. This can be achieved by raising awareness, influencing important decision makers in order to provide more legitimacy to the process, enlisting internal stakeholders support to expand the scope for more prospects and assessing available opportunities throughout the organisation and engaging Tier 1 suppliers in the programme.

EMBs can play an important role in creating a more efficient supply chain thus increasing organisational performance and creating better returns. This is because EMBs are innovative, flexible and provide greater value on investment. Therefore in order to create a more meaningful relationship between large purchasing organisations and EMBs, Supplier Diversity in the UK needs to expand outside procurement.

## Bibliography

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- Krywulak., T and V. Kukushkin., 'Big Gains With Small Partners: What MNCs Look For in Their SME Suppliers', (2009).
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