

Supplier Diversity and Minority Business Enterprise Development:  
Case Study Experience of Three U.S. Multinationals

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## **Abstract**

The role that supplier diversity can play in facilitating the development (MBEs) in the United Kingdom is attracting much attention from policy-makers. Supplier diversity refers to initiatives that aim to increase the number of diverse (e.g., ethnic minority-owned) businesses that supply goods and services to both public and private sector organisations. Much of the impetus for this current interest emanates from the USA's longstanding experience of affirmative action policies. Preferential procurement, despite attracting some criticism, has been an important catalyst for the rapid growth of MBEs in the USA in recent years. This paper goes beyond armchair accounts of the 'American experience', and presents evidence from three exemplars of supplier diversity in the USA – Ford Motor Company, JPMorgan Chase, and Unisys. A number of issues were investigated, including: the rationale for supplier diversity; the constituent elements of each programme; the actual performance of the initiatives; and the key challenges involving in implementing supplier diversity programmes. The case studies highlight the importance of the 'business case' in explaining corporate receptiveness to supplier diversity. This has particular force in light of the progressive 'browning' of America. However, the role of the government as catalyst is not to be understated; a number of respondents identified governmental pressure as an important influence on the approach to supplier diversity. Sophisticated monitoring of supply chains and intense out-reach activities with MBEs were important features of the case study firm and provide a sharp contrast to the position in the UK. The paper concludes by assessing the key elements of successful supplier diversity initiatives, and reflecting upon the lessons that could be learnt for the UK.

**Key Words:** Supplier Diversity, Minority Businesses Development, Ethnic Minority Business, Policy, Supply Chain Management.

## INTRODUCTION

A variety of policy stakeholders in the UK are converging on the terrain commonly referred to as ‘supplier diversity’. For the purposes of this paper, we focus on supplier diversity initiatives that aim to increase the number of ethnic minority-owned businesses that supply goods and services to both public and private sector organisations, either directly or as part of a wider emphasis on small enterprises. Ethnic minority businesses in the United Kingdom have long been encouraged to diversify from inauspicious ‘low value’ niches (Ram and Jones, 1998). For some, the prospect of contracts with public and private sector organisation could serve as a means of facilitating this process. The advent of the Race Relations Amendment Act<sup>1</sup> provides a legislative stimulus for diversity in public sector procurement. The ‘corporate social responsibility’ agenda, ostensibly embraced by many leading firms, provides further cause to re-assess diversity issues in respect of procurement.

The longstanding experience of the US in this area has served as an important stimulus for contemporary policy interest in the United Kingdom. Although the potential implications of the US approach for the UK have recently been reviewed (Ram et al. 2002), there are few first-hand accounts of how supplier diversity actually operates in practice, particularly in the US corporate sector. Principally through the conduit of intermediary organisations, notably, the National Minority Supplier Diversity Council (NMSDC), US corporations have often been at the vanguard of

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<sup>1</sup> Recent amendment to Race Relations Act gives public authorities a statutory duty to promote race equality. The general duty aims to make the promotion of racial equality central to the work of public authorities. The general duty also expects public authorities to take the lead in promoting equality of opportunity and good race relations, and preventing unlawful discrimination. In practice, this means that public authorities are required to take account of racial equality in the day to day work of policy-making, service delivery, employment practice and other functions ([www.cre.gov.uk](http://www.cre.gov.uk))

‘good practice’ in respect of supplier diversity. The NMSDC was chartered in 1972 to provide increased procurement and business opportunities for minority businesses of all sizes. It has provided a platform for building relationships between the large American corporations and the MBEs. At present, NMSDC’s network of 39 affiliates matches more than 15000 certified minority-owned businesses and 3,500 corporate members including America’s public-owned, privately-owned and foreign-owned firms. The amount of purchases by NMSDC corporate members from MBEs has grown from an estimated \$86 million in 1972 to \$63 billion in 2001. The NMSDC’s efforts coupled with preferential procurement programs of local, state and federal government has helped declining barriers to market access for MBEs and have encouraged highly educated and skilled minorities to create and expand firms to non-traditional fields (Bates, 1997).

This paper draws on detailed interviews with key actors in the three leading NMSDC members: Unisys, Ford Motor Company (Ford), and JPMorgan Chase. The objectives of the paper are threefold: First, to assess the key drivers and developments behind supplier diversity in the US context. Second, through the medium of three case studies, understand how supplier diversity actually operates in practice. This involves an assessment of the rationale for supplier diversity; the particular elements of ‘good practice’, and the pressures involved in operating such initiatives. The final objective is to reflect upon the potential lessons for the UK, and potential challenges to the transferability of the supplier diversity initiatives.

## **SUPPLIER DIVERSITY: KEY DRIVERS AND DEVELOPMENTS**

### ***Public Policy***

The origins of many supplier diversity programmes within US companies can be attributed to US public procurement legislation (Migration Policy Group, 2002) with the government playing an active role in shaping opportunities for minority entrepreneurs. Government programs actively targeting minority-owned businesses have been in operation for over four decades. After 1965, federal dollars were increasingly available to assist black enterprise. Civil disorder during the second half of the 1960s in South Los Angeles, Detroit, Cleveland, and other cities drew national attention to the socio-economic status of the black ghetto and thrust African American-owned businesses into the national spotlight. With the 1968 Presidential candidate, Richard Nixon, pledging to make government promotion of black capitalism the centrepiece of his civil rights platform, black capitalism was viewed as a potential cure for ghetto problems (Bates, 1997).

The introduction of Public Law 95-507 in 1978 boosted minority business development by changing the way prime contractors and large firms did business with the government. Before 1978, any initiative to subcontract with small/ small disadvantaged businesses was voluntary. They became mandatory with passage of P.L. 95-507, which stated that contracts over \$10,000 must contain a “Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals” clause (Diversityinc, 2001). The Public Law 95-507 (1978) started a rush of set-asides<sup>2</sup> programmes in every state,

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<sup>2</sup> Government set-asides or sheltered markets for MBEs is the practice of reserving for minority contractors and subcontractors a certain percentage of a jurisdiction’s contract dollars.(Rice, 1993)

wherein a certain percentage of the total spends was earmarked for minority business enterprises (MBEs)<sup>3</sup>. State and local government set-aside programmes have led not only to millions of dollars in contracting opportunities, but also increased minority employment (Rice, 1993). The Federal Government in the US spends about \$200 billion a year on the procurement of goods and services; state and local government spend an additional \$200 billion in acquisitions. Public sector procurement is clearly big business that affects many small firms (SBA, 2000).

However, preferential policies by state and local governments have recently been subjected to increased legal scrutiny. This is indicative of two emerging trends in the sphere of government contracting: firstly a resistance to set-aside programmes, and secondly the need for clear evidence of past discrimination to justify the continuation of these programmes. The impetus for these trends was the Supreme Court case of **City of Richmond v. J.A. Croson** (1989), which required “strict scrutiny” in public-sector minority contracting programmes, with the compelling need to demonstrate:

- Past and/or present discrimination in both quantitative and qualitative terms
- A programme design that is sufficiently narrow to benefit only the victims of such past acts of discrimination <sup>4</sup>

More recently, the Federal courts re-affirmed the Croson analysis in the case of **Adarand Constructors Inc v. Pena**, and, it also appears that public authorities’ retreat from preferential procurement is likely to be emulated by the private sector, ‘As the courts continue to limit race-based affirmative action and minority business

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<sup>3</sup> For the purpose of this paper, minority-owned businesses has been termed as minority business enterprises (MBEs) as the same terminology is commonly used in the U.S.

<sup>4</sup> source: <http://www.nmsdc.org>

development programs, federal contract opportunities available for minority business will continue to shrink. In addition, this approach of government programs will most likely spill into the private sector' (NMSDC, 2000).

***The 'Browning' of America and the emerging business case for supplier diversity***

In the US the private sector supplier diversity programmes originally began in the late 1960s and 1970s for compliance reasons as a part-fulfillment of set-aside requirements. However, the growth of minority populations in the US has given rise to a market driven case for supplier diversity. The U.S. Census Bureau's middle series<sup>5</sup> of the national population projections released in January 2000 estimated that the combined race and ethnic minority population will grow from 79 million in 2000 to 178 million in 2045. Further, the minority share of the total U.S. population is projected to increase from 29 percent in the year 2000 to 46 percent in 2045 (MBDA, 2000).

With this projected increase in population share, the purchasing power of these minority communities is expected to grow as well. By 2045, minority purchasing power may reach \$4.3 trillion (at 1998 dollar value) as compared to \$1.3 trillion in 2000, or as high as \$6.1 trillion (1998 dollars) if income disparity were eliminated by 2045. Furthermore, the minority population may contribute 44 percent, or as much as 70 percent, of the total increase of purchasing power from 2000 to 2045 (MBDA, 2000). This has resulted in the private sector large organisations to pay particular

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<sup>5</sup> *Population projections are estimates of the population for future dates. They illustrate plausible courses of future population change based on assumptions about future births, deaths, international migration, and state-to-state migration. Although the U.S. Census Bureau produces several alternative series, the preferred or middle series projections--based on the assumption that past and current trends will continue--are most commonly used. The middle series applies the middle of the three assumptions for each of the components of change.-- source: <http://www.silo.lib.ia.us/specialized-services/datacenter/additional-info-pages/pop-projections.html#definitions>*

attention to their relationships with minority communities. These projections were regarded as an ‘eye opener’ for corporate America (Diversityinc, 2001). It appeared to constitute compelling evidence of the business case for supplier diversity.

As the experience of one of the case study firms – Ford – confirms, the 1990s witnessed a change in how the supplier diversity initiative was perceived in the Automobile industry. From considering it merely as a matter of goodwill and social responsibility to a more commercial rationale, vehicle manufacturers started looking for new market revenue opportunities, and could immediately see the benefit of developing long-term relationships with the minority communities (MBDA, 2001).

But apart from this pure market driven proposition, engaging MBEs in its supply chain brings in added value to the overall performance of the company. By doing business with MBEs, it provides the firm with market access to the new growth and a strategically important market segment, bring flexibility in its supply chain, provide stakeholder satisfaction and enhances the firms’ ability to meet government set-aside or subcontracting goals (Diversityinc. 2001).

Despite these ostensibly compelling renditions of the ‘business case’, a number of caveats need to be entered in respect of the actual practice of supplier diversity. First, on the basis of census data, Bates (2001) concluded that ‘despite the important affirmative efforts of government, preferential market access continues to be a trait enjoyed by small firms owned by white males’ (2001: 53). Although, minority firms had made important advances in the government sector, this was ‘overwhelmed by white firm advantage in the much larger marketplace in which businesses sell to other

businesses' (2001:53). Second, even MBEs that have succeeded in securing contracts from the corporate sector continue to face barriers (Fregetto, 1999; Pearson et al., 1993). MBEs surveyed by Pearson et al. (1993) believed that large firms lacked commitment to MBE purchasing programmes and often used such programmes merely as a means of meeting government regulations and creating a favourable public image. Finally, as the broader literature on diversity highlights, 'business case' arguments can work against, rather than for, an equalities agenda (Dickens, 1994; 1999; Liff and Wajcman, 1996).

## **METHODS**

The aim of the research was to understand the operation of supplier diversity initiatives in leading US corporations. As a preliminary search for prospective organisations, the websites of the top Fortune 500 companies were reviewed. Contact was duly made with 18 firms, selected on the basis of their supplier diversity initiatives, nature of industry and customer base. Key supplier diversity personnel at these companies were contacted by email, and in due course, discussions were initiated with the three case study firms: Unisys, JPMorgan Chase and Ford Motor Company (Ford).

Each of these businesses can lay claim to being a leader in the field of supplier diversity. Unisys is a worldwide information technology services and solutions company. With operations in more than 100 countries worldwide providing business solutions, it has expertise in consulting and system integration, outsourcing, infrastructure services and security.

JPMorgan Chase is a major participant in the strongest, most vibrant capital markets in the world, operating across various businesses and geographies. It is a leading

global financial services firm with assets of \$759 billion.<sup>6</sup> In 2002, JPMorgan Chase achieved \$400 million in spending with WMBEs, up from \$37 million in 1994, representing approximately 6.7 percent of its total US spend.

The Ford Motor Company continues to be to one of the major customers of MBE goods and services in the US. Ford's Minority Supplier Development (MSD) Program is one of the oldest in the U.S. corporate history, established in 1978. Ford now purchases more goods and services from minority owned and operated companies than any other U.S. corporation. In 2001, the automaker purchased \$4.5 billion of goods and services from MBEs of which \$3.1 billion was direct and another \$1.4 billion was second tier.<sup>7</sup>

Procurement and supplier development specialists were interviewed in each of the case study firms (in addition to a review of company material and website information). Semi-structured interviews were organised and interviewees were questioned on a range of topics relating to the history, operation and experience of running supplier diversity in their companies. With the exception of JP Morgan Chase, all the interviews were taped and all these interviews went on for nearly two to three hours. This paper focuses on three areas: supplier diversity rationale; feature of 'good practice' and pressures in the operation of such initiatives.

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<sup>6</sup> Source: <http://www.chase.com>

<sup>7</sup> Source: <http://www.fordmsd.com/english/home.htm>

## **SUPPLIER DIVERSITY RATIONALE**

The case study firms represent three different industry sectors with a varied client base. Corporations in the U.S. have differing reasons for supporting and encouraging minority suppliers to do business with them, and these reasons are embedded within the industry they operate in and the nature of their target market. The three case study firms in the present research subscribed to the ‘business case’ approach to supplier diversity. However, different emphases emerged during the course of the interviews; and it was clear that this reflected the particular market context of the different businesses.

### ***UNISYS – A B2B Company***

At UNISYS, the business case is driven by customer pressure, be it federal, public sector or commercial customers. Unisys’s delivery of supplier diversity initiatives differs from the consumer-facing corporations, since it does not deal with the minority communities directly. Instead, being a prime contractor to many federal, state and local government agencies as well as other major private sector prime contractors like JPMorgan Chase, Unisys is committed to meeting subcontracting targets fixed by these agencies.

The importance of the ‘business case’ figured prominently in discussions on the Unisys philosophy towards supplier diversity. However, it was equally clear that customer pressure, emanating from federal agencies, also drives the supplier diversity agenda. As one of the UNISYS respondents explained,

*'Because we are a B2B company, our customers are mainly [consumer oriented agencies and companies], such as federal government agencies or banks etc., who exert pressure on their prime contractors, such as Unisys, to attain certain MWBE subcontracting utilization goals. [This pressures] makes it easier to convince top management that we need to have [suppliers] that are MBE or WBE.'*

### ***Ford Motor Company: Community empowerment***

The Ford Motor Company was one of the first companies to establish a minority supplier development programme in the U.S., which was started in 1978. Ford sought to empower minority communities through enterprise. Ford had to take the lead in developing such businesses

*'...[We] started looking at how we could create opportunities for these communities and look at the way we can help minority participate in developing our business service; become part of Ford Motor Co. as well as the economy. So one of the things we would look at is how we buy our goods and services- we have to create wealth in this community – we have to give them discretionary income to buy our products –why don't we start creating businesses?'*

Ford's minority supplier development (MSD) programme was designed to identify high potential minority business persons and assist them in growing their companies to competitive positions in automobile industry.

### ***JPMorgan Chase: The Business Case***

The business case approach was at the fore in JPMorgan Chase's approach to supplier diversity, as described by one our respondents:

*'It's good business to do business with diverse communities- it's a business imperative ... not only are these suppliers helping us to drive down our total cost of doing business, they are bringing the added benefit of helping us reach markets that may have its own prerequisites for doing business with corporate America. Supplier Diversity today for JPMorgan Chase means to be proactive and not reactive to these communities as both suppliers and customers.'*

### **PROCESS: ELEMENTS OF GOOD PRACTICE**

Despite the different contexts and rationales for supplier diversity, there are some features that are of generic importance. For example, Pearson et al (1993) and Auskalnis et al (1995) have identified a number of elements to successful and long-term relationships between corporate buyers and minority businesses, including: outreach; raising awareness of minority businesses; increasing information on procurement opportunities for minority businesses; and active monitoring of minority participation in the supply chain. These features were discernible in the case study firms.

#### ***An emphasis on outreach***

The Centre for Advanced Purchasing Studies (CAPS), in their research study on 'Purchasing from Minority Business Enterprise: Best Practices' (1995), asked the 132 respondent organisations about their outreach activities. The results suggest a direct correlation with the frequency of participation in trade fairs, or the lack thereof, and the percentage of business awarded to MBEs. Nearly 90 percent of the respondents participated in Minority trade fairs more than once a year; 58 percent of organisations placed ads in minority /other publications to publicize their MBE program at least

once a year; and 44 percent made available company resources to suppliers in an effort to improve minority supplier capabilities.

The emphasis on outreach activities seen at all the three case study firms was clearly discernible. At Unisys and Ford, considerable importance is attached to outreach initiatives as a means of engaging with minority and women-owned businesses. This took many forms, including participating in NMSDC's national and regional opportunity fairs, organising in-house business opportunity fairs, and giving presentations at numerous seminars and conferences about 'how to do business'. Unisys, being a B2B company, also participates in federal government agencies 'meet- the- buyer' sessions.

At JPMorgan Chase, the staging of a 'virtual trade show' in 2001 was seen as an important and cost-effective way of reaching minority business across the country by using "same time, different place" technology. By organising this virtual trade, JPMorgan Chase attempted to maximise its exposure to prospective MBEs through internet technology. The company's proactive approach to outreach also took the form of active engagement with MBEs in the market place in advance of a virtual event

*'We go to the market and pre-qualify<sup>8</sup> WMBE (women and minority-owned business enterprises) who meet the minimum requirement, so it's not that we wait for someone to register. Then we invite these WMBEs to in-house commodity shows and break them up into commodity groups and explain to them how to do business with us in their respective industries. In these in-house*

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<sup>8</sup> Supplier Diversity officials at JPMorgan Chase go out in the market to locate WMBEs who can meet their requirements, classify them under different commodity categories and register them as a prospective supplier, which means that when a procurement requirement is submitted, they can put the prospective MBE supplier names to the buyer.

*trade shows, we provide them with information which otherwise will be impossible for them to gain anywhere else, and we begin to build a relationship front as each company gets a chance to have one-to-one interviews with the decision maker.'*

### ***Developing long-term relationships***

Historically, MBEs are perceived as smaller firms and are rarely found in those industries which participate most actively in corporate and government procurement (Bates, 2001). This suggests that large firms may have to take proactive steps to mentor potential suppliers from the MBE community. This was evident in all the three case studies.

At Unisys, their Mentor-Protégé program shows their commitment to building long term relationship with MBEs. This program helps small disadvantaged business in contracting and subcontracting with Department of Defence, NASA, and other government agencies. Unisys is a participant in the Mentor Protégé program run by the Department of Treasury, called *Success Partnership*.

Similarly, at JPMorgan Chase, long term relationships are nurtured by providing WMBEs access to its **Partnering for Success Program**; this provides WMBEs with access to customized in-house trade shows, information sessions on procurement strategies, networking receptions with buyers and prime suppliers, business management seminars and workshops, and referrals to financial services. Similarly, Ford offers mentoring initiatives that aim to increase the technical, manufacturing and financial capability of the minority businesses, which helps them establish a long-term relationship with their minority suppliers.

As discussed earlier, Ford's early experience of supplier diversity suggested that a proactive approach was vital. MBEs with the capacity to supply Ford were scarce; a long-term strategy to securing MBEs with requisite credentials was therefore necessary,

*'... we knew about that time that if we are going to have minorities in our value chain then it has to be more than providing them with opportunity- we actually had to start working with them and understand what would it take to build a long term relationship ... '*

### ***Embedding good practice***

Amongst the most important challenges involved in launching and sustaining a supplier diversity program are: securing senior management acceptance; communication of program goals throughout company; measurements to track supplier performance and internal goals (Purchasing, 1998). The three case studies provide an insight into these processes.

Gaining the support of internal stakeholders within Unisys was challenging and vital, but not necessarily uncomplicated element of the developing effective supplier diversity initiatives. On this point, one respondent commented,

*'it is very important for us in the supplier diversity team to educate and train our employees about the benefits of supplier diversity and how to implement this program through out the organisation.'*

Through its intranet, Unisys provides training and education for all its employees on the process of implementing and monitoring the supplier diversity program.

At JPMorgan Chase, emphasis was to get crucial support at all the levels of the organisation for making the supplier diversity program a success. There was total commitment for the programme from the top management; there was an executive committee measuring the supplier diversity scorecard and the supplier diversity advisory council which plan and control the execution of the supplier diversity program in various business units.

Ford in 1993 launched a 2nd Tier Programme to increase opportunities for minority businesses. Under this program, Ford works with large corporate suppliers to assist them in establishing MSD Programmes similar to Ford's. This effort is designed to create more opportunities for those minority owned businesses in the automotive industry that do not have the capacity to supply Ford and other manufacturers directly. Ford's 2nd Tier Programme continues to expand each year and now generates approximately 1.4 billion of minority purchases by direct (1st Tier) suppliers.<sup>9</sup>

An important feature of the success of Ford's 2<sup>nd</sup> tier supplier diversity program is the close monitoring of its implementation, a point emphasised by Pearson et al (1994). Ford requires that suppliers who participate in the 2nd Tier Program submit performance reports detailing minority purchases on a semi-annual basis through Ford's interactive 2nd Tier reporting web site ( [www.fordmsd.com](http://www.fordmsd.com) ) The minority supplier development program (MSD) office at Ford, the commodity buyers, and

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<sup>9</sup> Source: [www.fordmsd.com](http://www.fordmsd.com)

MSD business managers are required to work with prime contractors to develop an aggressive 5-year minority plan and set out goals for the programme.

## **PRESSURES**

### ***Finding Quality MBEs***

Finding minority businesses with requisite capacity to supply corporations is often seen as major barrier to supplier diversity. For example, purchasers interviewed in Pearson et al's (1993) survey of US corporations identified the unavailability of qualified MBEs as the major impediment to supplier diversity initiatives. The corporate purchasers suggested that MBEs were clustered in relatively few industries, lacked specialist skills, flexibility, and capital. This has been compounded by the growing number of mergers and acquisitions in the corporate sector, which has proliferated as firms attempt to maintain a competitive edge. The implications for MBEs are twofold. First, the trend towards supplier reduction is intensified. Corporations are opting to work with a smaller number of large suppliers who are attuned to their needs and can achieve economies of scale. Second, the size and capacity of suppliers, particularly first tier suppliers, have tended to increase. Large firms often streamline their operations by seeking larger first-tier suppliers that can deliver high volumes at speed and at the right quality; and have substantial capital resources (NMSDC, 2000). Hence, whilst increasing externalisation of the supply of certain goods and services is creating opportunities for independent suppliers, the effect of increasing merger activity in the U.S. appears to be acting against the interests of small suppliers.

Finding minority suppliers that are ‘willing, able and competent’ to do business is a major challenge for all the three case study firms. But the Unisys respondent was optimistic on this front,

*‘...minority businesses are there, [but] it’s only the effort which we put in and our commitments which will make it happen.’*

Auto manufacturers face a similar dilemma. They are always looking for quality suppliers with large capacity who can meet their stringent technical specifications. Ford seeks volume suppliers with high technical capabilities. One Ford respondent recognised this as an issue, and explained that their ethos of developing long term relationships with minority suppliers was a means of addressing the difficulty.

JPMorgan Chase also faces the same dilemma of finding quality MBEs because of the nature of their business. The financial services sector demands varied suppliers engaged in providing business solutions, technical and IT services and other related areas with a strong bias towards those with prior financial services experience. To achieve a 10 percent U.S. domestic spend on WMBEs, JPMorgan Chase has concentrated on achieving higher growth in those commodity areas where WMBEs have a greater presence. This shows that, as a respondent explained,

*‘..if we try to maximise spending on MWBE in the areas where they specialise, and where spending growth will likely occur, then, in exercising free-market competitive principles, it is possible.’*

### ***Monitoring and Reporting***

The monitoring and reporting of supplier diversity initiatives is a complex exercise which puts greater pressures on procurement officers. Working with different

government agencies and departments as well as large corporate clients poses a considerable challenge to Unisys as these clients have different reporting requirements. This demands considerable human and financial resources. What makes it more complex is that in this era of mergers and acquisitions, companies like Unisys end up working on 3-4 different procurement system which makes reporting all the more challenging. One of our respondents explained this dilemma:

*'...It's a challenge to keep everyone happy ... We deal with so many different federal government department and each has different set of reporting ... If you have to build in various classification then it becomes a very difficult task. And this requires huge amount of resources. -now in the age of mergers and acquisition you have 3-4 procurement systems working simultaneously on computers and we have to look at each of these systems to find out the data and bring in a report which is a real hard task'*

Ford has a similar problem as it deals with a very large supplier base and when it decided to implement its 2<sup>nd</sup> tier supplier diversity programme, monitoring and reporting for 600 of their prime contractor's performance was a monumental task.

The monitoring and reporting process at JPMC is considered accurate; but establishing it was not an easy task. With different commodity boards responsible for achieving minority spent targets, they had to first convince their prime suppliers to understand and adapt the supplier diversity agenda, and then there was a question of reporting criteria being different according to the nature of commodity and types of supplier it attracts.

### ***Internal Resistance***

Another impediment to develop a minority supplier development programme is eliminating internal resistance and breaking into an established procurement process. As Bates (2001) has argued, the prevalence of the ‘old boys’ network’ in procurement is still a feature of the corporate world in the U.S. One Ford representative spoke of the difficulties in persuading procurement personnel to break-out of long term relationships with ‘non-MBE’ suppliers. This observation resonates with Bates (2001: 44) view that ‘the crux of the problem that MBEs face as they attempt to break into new markets; status quo networks have traditionally excluded minority business, and those established networks tend to be resistant to change.’

There were similar reflections in the case of Unisys. According to our respondent, procurement is an activity which is not confined to a particular department, but is undertaken by different people and departments throughout the organisation; and these people have developed long-term relationships with their suppliers. To ask them to change their long-standing suppliers and to include a minority supplier is a very difficult task to fulfil. One of the respondents explained,

*“A lot of procurement decisions are not made by procurement people – procurement is often times dictated by [others in the organization] as to what they want to buy [and from whom]... they [non-procurement personnel] are not aware of MBE capabilities, where to find these qualified companies, nor why we should seek them out, e.g. the business case. It is [therefore] our duty (meaning responsibility) as a member of the supplier diversity team to educate our people about the benefits of doing business with MBEs.”*

## DISCUSSION AND CONCLUSION

The emergence of supplier diversity as a policy issue in the UK has been assisted by favourable references to the U.S. experience. Although evidence from the U.S. is mixed, the role played by leading corporations is particularly conspicuous. This paper has attempted to explore the experiences of exemplar firms in the U.S., particularly in respect of their rationale for supplier diversity, elements of good practice, and accompanying pressures. It is clear that the seemingly widespread acceptance of the business case for supplier diversity actually masks a variety of motivations. For example, the policy agenda and the legacy of affirmative action legislation are still important, despite legal setbacks that followed in the wake of the Croson decision. This has been accompanied by political pressure occasioned by the progressive ‘browning’ of America, as explained by our respondent at JPMorgan Chase *‘Consumer power always influences political power as politicians represent the concerns of their constituencies’*.

However, although rationales may vary, the case study firms demonstrate that it is still possible to develop enduring supplier development initiatives that are embedded within the operations of the organisation. Organisational commitment at a senior level, an emphasis on outreach activities with minority firms and close monitoring are key to the success of supplier diversity initiatives; and their presence helps to explain why pressures (for example, economic downturn, administrative procedures) have largely been withstood.

What lessons do such cases hold for the UK? The first, and most significant, is the importance of context. The catalytic impact of legislation and demographic change on

corporate thinking cannot be overstated. Such forces provide the fuel for the creation and continuation of supplier diversity initiatives. The legislative tradition of the UK, with its emphasis upon equality of opportunity rather than equality of outcome, is radically different. Furthermore, despite recent growth, the ethnic minority population in the UK is still less than 10 per cent; hence the potency of law and demography as triggers for change is not as strong. This was borne out by respondents in the present research, who of course work for global multi-national companies operating in several countries. When asked why they have not implemented supplier diversity initiatives in the UK, one respondent replied

*'Why should (they) do so? Only two things force companies to follow – either law or economics- either it's the market place or government regulation. To transform the UK market place, there has to be a two-pronged approach- both government push and private sector-led.'*

The Ford representative argued that the lack of 'government intervention' was important in explaining the absence of the supplier diversity initiatives in the UK context. He further argued,

*'it is very important to understand that this is the issue of economic empowerment- political freedom without economic empowerment is a bald field ... and this is exactly what the Government in UK practices... it never thinks about economically empowering the minorities and only focuses on political-social alternatives.'*

A further lesson is the importance of credible intermediary organisations that broker links between corporations and minority firms. In the U.S., the role of the National Minority Supplier Development Council (NMSDC) is clearly pivotal in this respect. NMSDC has provided a platform for building relationships between the large American corporations and the MBEs. The UK does not appear to have institutions of similar standing at the present time. Although organisations like Race for Opportunity seem to have generated considerable publicity on workforce diversity initiatives undertaken by corporations, evidence on the progress of supplier diversity is less clear-cut. There has been interest in establishing a European body with functions similar to those of the NMSDC in the USA (Migration Policy Group, 2002).

Finally, the absence of a strong corporate presence in UK supplier diversity programmes provides scope for the public sector to the initiative. There is some evidence that this is happening. For example, Ram et al (2002) have reviewed a number of attempts by local authorities to improve the flow of procurement opportunities to ethnic minority firms (within the existing legislative constraints). They further point out that Regional Development Agencies are in a good position to take a lead in encouraging the use of good practice procurement policies in regeneration projects. Such agencies could be in a strong position to encourage their main contractors and suppliers to extend sub-contracting opportunities to MBEs. By sending strong signals down the supply chain, large corporations can influence its suppliers in their choice of ‘second-tier’ sub-contractors.

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