



# Impact Report

**>MSDUK<sup>®</sup>**

Delivering Supplier Diversity



# Foreword

As someone who has spent many years of my career championing issues around equality, I am delighted to introduce MSDUK's 2012 Impact Report, detailing their work in the promotion of supplier diversity in the UK over the last six years. Supplier diversity programmes create opportunities for minority businesses to participate in large supply chains, ensuring that commercial opportunities are accessible by all businesses willing to compete. This concept is gathering pace in the UK in response to similar movements in countries such as the US and South Africa. Programmes that create inclusive, representative supply chains are an increasing necessity to achieve a more balanced economic growth that encourages participation from all members of society. In particular, ethnic minority-owned businesses are more likely to be located in areas of higher than national average unemployment, youth unemployment and lower educational attainment. In my opinion it is critical therefore that ambitious, skilled ethnic minority entrepreneurs have access to opportunities they may not ordinarily be aware of in order to compete for large corporate contracts and generate economic growth in their regions.

Ethnic minority business owners are also uniquely positioned to act as role models to help raise the aspirations and employability of young people in their communities. From a policy perspective, there needs to be greater understanding of the unique challenges faced by ethnic minority-owned business and to see how we can use them as vehicles of prosperity and inspiration in regional economies.

Government and policy cannot achieve this alone. We also need large corporations to recognise the commercial advantages of a more inclusive supply chain, as well as the knock-on benefits that minority suppliers can deliver to the wider community. The work of MSDUK is incredibly important in bringing these issues to the forefront of the business and policy agenda – I hope this report will help inform and catalyse the crucial dialogue on supplier diversity.



**Baroness Verma**  
Parliamentary Under-Secretary  
of State and Government  
Spokesperson, Department of  
Energy and Climate Change

>> Programmes that create inclusive, representative supply chains are an increasing necessity to achieve a more balanced economic growth that encourages participation from all members of society. <<

**Baroness Verma**

# Preface

MSDUK has played a leadership role in supplier diversity in the UK since its inception in 2006, working to encourage global and British companies to engage with ethnic minority-owned businesses (EMBs) and promote supplier diversity. However, the lack of evidence-based research to establish an effective business case has been the biggest barrier in getting supplier diversity onto the corporate agenda. This socio-economic impact study was conducted to assess, evaluate and communicate the business and moral case for supplier diversity in the UK.

Experiences in the US have demonstrated very clearly that inclusive procurement results in inclusive growth, creates jobs and reduces economic inequalities. However, most importantly, minority business inclusion not only brings competitiveness, innovation and flexibility to corporate supply chains but evidence in the US has suggested direct increase in revenue and sales.

We strongly believe that for EMBs, MSDUK provides a platform to unleash their talent and achieve business growth through

corporate engagement. Conversely for corporate Britain, MSDUK acts as an extended sourcing arm, offering a channel into some of the most enterprising and innovative businesses. We hope this report will encourage more business leaders to understand the wider benefits of supplier diversity and to view EMBs not as a moral consideration but also as a source of commercial advantage to drive business growth and differentiation.

The Board of Directors and the management team of MSDUK would like to acknowledge the professional work of The Social Investment Consultancy to produce this groundbreaking report and thank all the members of the steering group and study participants for their valuable contribution to this report.

We have great pleasure in presenting this report and hope it inspires more decision makers to believe in the strength of supplier diversity to create a more prosperous and inclusive United Kingdom.



Liz Cross

BT and Interim Chair, MSDUK Board of Directors



Mayank Shah

Director, MSDUK

# Acknowledgements

This Impact Report is the result of several months of design, data collection, and analysis. We gratefully acknowledge the contributions and dedication of individuals and organisations in the preparation and production of this report.

A special thanks to members of the steering committee for volunteering their time in developing, debating and reviewing the content of this report. They are:

- Liz Cross
- Michelle Palmer
- Harish Bhayani
- Snowia Hussain

We also want to thank the external experts who helped shaped this report: Joset B. Wright from NMSDC, Natalie Walker from AIMSC, Ralph Moore from RGMA Associates, as well as Sara Todd and

Ian Harrison from our own Leadership Group. MSDUK is grateful for the support of Baroness Verma in helping us share the findings of this report with her colleagues and peers in the Houses of Parliament. We would also like to thank Baroness Thornton for offering her communications expertise. Lynx DPM donated the printing of this report and MSDUK would like to thank them for their outstanding service and ongoing support.

Finally, we would like to thank the many corporates and ethnic minority business owners who took time out of busy schedules to take part in this research. We would especially like to thank the members who took part in interviews and for sharing with us their honest opinions.

>> We dedicate this report to all the resilient and talented minority business owners who are operating under challenging economic circumstances, and thank them for being vital agents of prosperity, innovation and aspiration in their communities. <<

# Glossary

<b>AIMSC</b>	Australian Indigenous Minority Supplier Council
<b>BIS</b>	Department for Business, Innovation and Skills
<b>EMB</b>	Ethnic Minority-owned Business
<b>Ethnic minority</b>	An individual whose ethnic origin is Asian, Black, Chinese or of mixed heritage
<b>LGBT</b>	Lesbian, Gay, Bi-sexual and Transsexual
<b>MSDUK</b>	Minority Supplier Development United Kingdom
<b>NMSDC</b>	National Minority Supplier Development Council
<b>Ownership or owned</b>	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
<b>HR</b>	Human Resources
<b>RFP</b>	Request for Proposal
<b>SIC</b>	Standard Industrial Classification, a global standard for classifying industries
<b>SME</b>	Small and Medium-sized Enterprises



54%

54% of corporate members believe that there is a strong link between supplier diversity and new business development

A strong business case for supplier diversity is supported by the fact that ethnic minority consumers are a fast-growing market segment, and ethnic minority-owned businesses (EMBs) have more resilient attitudes that support growth and innovation. EMBs are also disproportionately located in more deprived areas and are therefore important agents of social change in their local communities.

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# Executive Summary

MSDUK is playing a leading role in promoting supplier diversity in the UK by encouraging corporates to be more inclusive of minority suppliers, and by providing an effective platform for ethnic minority-owned suppliers and corporates to form commercially beneficial relationships.

## SUPPLIER DIVERSITY IS NOT JUST A MORAL CONSIDERATION, **A STRONG BUSINESS CASE EXISTS:**

- **SUPPLIER DIVERSITY IS GOOD FOR BUSINESS:** 54% of corporate members believe that there is a strong link between supplier diversity and new business development, a further 31% believe that it strongly supports client retention.
- **BOOMING MINORITY POPULATION, A GROWING MARKET:** Ethnic minorities currently make up 12% of the British population and is expected to double in the next 25 years. Hence, supplier diversity can offer a crucial route to a growing market, provide key consumer insights and enhance a business' brand reputation.
- **STRATEGIC SUPPLIER:** EMBs share the unique selling points of small and medium-sized enterprises (SMEs), flexibility, competitive pricing and low administrative overheads, and on top of this are more likely to have an innovative and entrepreneurial attitude.

>> The main strength of MSDUK is the quality of their events, the frequency of networking opportunities and their regular communication with their members. <<

**MSDUK Corporate Member**



MSDUK IS PLAYING AN INSTRUMENTAL ROLE IN **IMPROVING UNDERSTANDING AND PRACTICES AMONG ITS MEMBERS:**

- **IMPROVED PERCEPTIONS:** 100% of corporate members surveyed credited MSDUK with improving their perceptions of EMBs, 50% of corporate respondents rated MSDUK as 'very influential' or 'extremely influential' in changing their perception of EMBs.
- **LEADING UK NETWORK FOR SUPPLIER DIVERSITY:** 63% of corporate members and 50% of EMBs rated MSDUK as having a wider and higher quality network of members compared to other diversity networks.
- **CONTRACT OPPORTUNITIES FACILITATED:** In the past three years, over 120 requests for proposals (RFPs) have been facilitated through MSDUK, worth an estimated \$14.9 million.
- **GREATER INTERACTION BETWEEN SUPPLIERS AND CORPORATES:** 70% of suppliers have made new business contacts through MSDUK, and nearly 80% have had a follow up meeting with these contacts.

>> The key value of MSDUK for me is the opportunity to meet with corporates which would otherwise not be possible, or would take me a very long time to get to the right person. <<

**EMB**

## MSDUK, THROUGH ITS SUPPORT OF EMBS, IS **HAVING A POSITIVE SOCIAL IMPACT**

- Boosting growth in disadvantaged areas: 71% of MSDUK EMBs are located in areas of above average unemployment and lower educational attainment and therefore have an important role in raising incomes, employment and aspirations in these areas. 64% of MSDUK EMBs are expecting to grow their revenue by 20% or more over the next 24 months, demonstrating a healthy outlook for growth.
- Supporting employment throughout the UK: MSDUK suppliers are increasing their workforce by 4% every year, far above the national average of 2%. Furthermore, EMBs on average offer 2.3 work placements, internships or apprenticeships every year for young people in their community, three times the national average.
- Role models in the communities: MSDUK EMBs are active participants in their local community, 82% of them regularly volunteer which is more than twice the national average of 40%. Furthermore, 57% of them act as mentors to other entrepreneurs.

>> Supplier diversity is about equal access for minority suppliers, and can deliver tangible commercial benefits for businesses looking to innovate and grow.

Additionally, more inclusive corporate supply chains will encourage more inclusive growth, helping the UK become a more balanced economy and open society. <<

### CHIEF ACTION POINTS FOR MSDUK TO STRENGTHEN ITS IMPACT ON MEMBERS AND THE WIDER COMMUNITY:

1. Target more senior business leaders to increase awareness and acceptance of the business case for supplier diversity – an opportunity to strengthen supply chain competitiveness and encourage innovation.
2. Continue extending its EMB network and to track transactional value between corporate members and EMBs more systematically.
3. Design more intimate, targeted events for EMBs in different sectors and to better utilise successful EMBs as advisors and mentors to other less-experienced EMBs.
4. Given the broader social value that can be delivered through EMBs, MSDUK should work more closely with public organisations to increase spend with EMBs who can deliver additional benefits for the community.

MSDUK was founded in 2006 as a membership body to provide a direct link between corporations and ethnic minority-owned businesses (EMBs). As the leading EMB certification body in the UK, its aim is to:

- help promote the fair inclusion of EMBs into corporate supply chains
- build a common platform for buyers and minority suppliers to develop mutually beneficial commercial relationships
- further embed the principle of supplier diversity into corporate policies and
- bring prosperity into under-served communities

## Introduction

Supplier diversity is an inclusion initiative that links private businesses with minority-owned suppliers of goods and services. Leveraging the core values of fairness and equal opportunity, it attempts to level the playing field in the business environment. It is not about creating positive discrimination but giving equal opportunities to businesses to compete for the supply of goods and services, regardless of their size or location, the background of their workforce, their owners or managers. MSDUK also recognises other forms of minority such as LGBT, gender and disability, but focuses on the specific challenges and needs of EMBs.



## REPORT OBJECTIVES

MSDUK wants to use this report in two ways. Firstly, to detail the importance of supplier diversity and present the case for why it should be incorporated into business practices – supplier diversity is not simply a moral consideration, it offers very tangible commercial benefits. Secondly, to measure the impact that MSDUK is creating on the supplier diversity agenda in the UK, specifically assessing its influence on corporate members, EMBs and the broader ethnic minority community.

MSDUK feels that proving this overall business case to corporate buyers, EMBs and those responsible for policy is essential to increase the momentum of the movement. In order for MSDUK to achieve its aim of further embedding supplier diversity into UK supply chains, there is an overwhelming need to change attitudes. On the corporate side, there is a need to recognise EMBs as capable of being key partners for growth and innovation. On the supplier side, EMBs need to see that there is a potential platform to gain access to corporate clients and that there is success to be had through supplier diversity programmes.

## RESEARCH METHODOLOGY

This report was developed following consultation with industry experts and a panel of MSDUK key stakeholders. The results of the report are based on data that MSDUK collects on its 300+ corporate members and EMBs, and augmented with additional surveys and interviews with a smaller subset of members.

All MSDUK corporate members and EMBs were invited to participate in the online survey during July and August 2012. A total of 55 surveys were completed, representing a response rate of 42% among corporate members and 27% among active EMB members. Uptake of the survey was lower than expected during the summer holiday period, however the sample size was sufficiently diverse to capture the views of a range of members and their experiences.

## REPORT STRUCTURE

This report's findings are defined according to MSDUK's Theory of Change model shown on right. MSDUK's impact is reported against its intended outcomes or, in other words, the changes it aims to bring about for its corporate and EMB members, as well as the wider community.

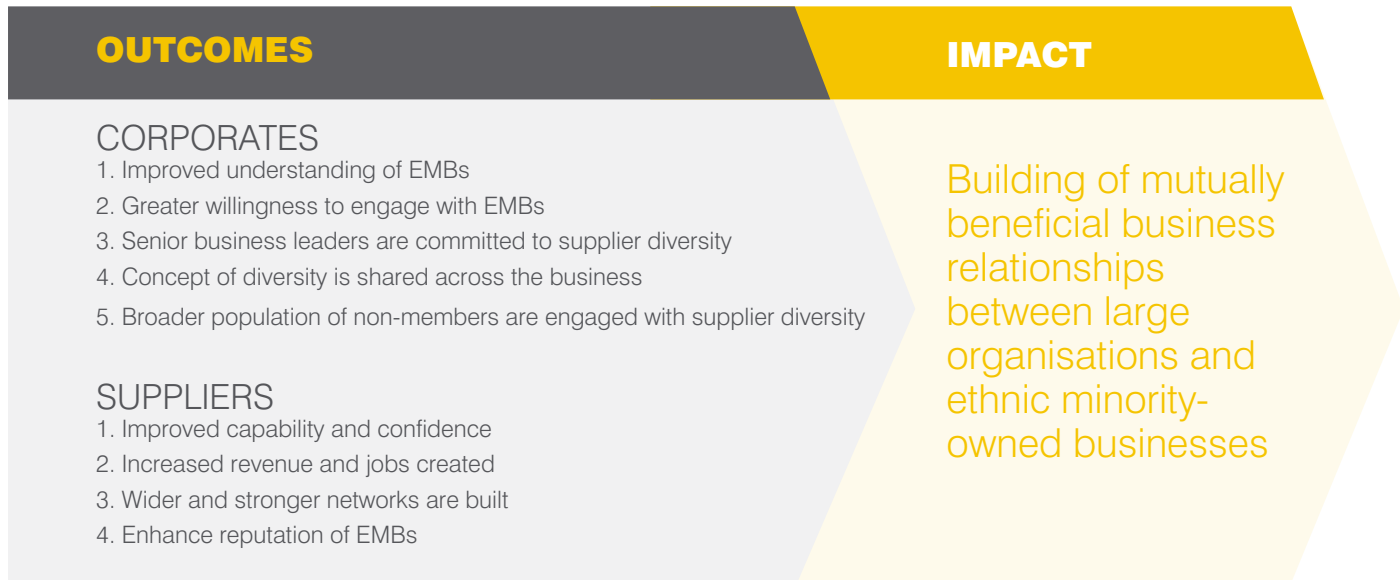
>> You can't have a thriving UK economy  
if minority businesses aren't thriving. <<

**Ian Harrison**, Member of MSDUK's Leadership Group

# MSDUK's Theory of Change

MSDUK has identified nine outcomes it wishes to achieve through its work. Combined, these outcomes strive to help build mutually beneficial business relationships between large organisations and ethnic minority-owned businesses – MSDUK's desired impact.

This report identifies the framework that MSDUK will use to track their current and future progress against these nine outcomes, listed below:



>> Connecting corporates to the untapped supply base of ethnic minority-owned businesses in a wide range of industries and across multiple UK locations. <<



# Business Case for Supplier Diversity

## WITH RESPECT TO CONSUMERS

Ethnic minorities represent a growing customer segment for goods and services in the UK. They currently make up 12.1% of the UK population, representing 6.6 million people and increasing by 250 thousand people a year<sup>1</sup>. The earning power of ethnic minorities is also on the rise, reflecting the increasing overall level of educational qualifications and career progress among this group.

Large corporates therefore need to ensure they are able to capitalise on these trends and supplier diversity is a core way to achieve this, helping businesses gain insight into ethnic minority consumers' purchasing patterns and preferences, as well as develop a positive reputation among current and potential ethnic minority customers.

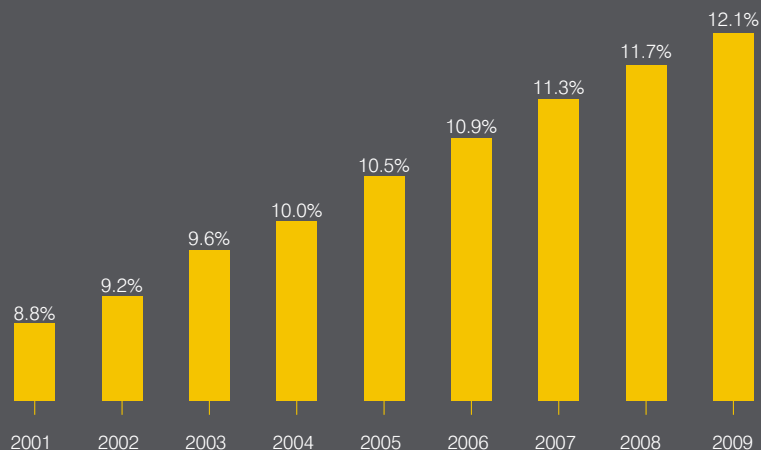
## WITH RESPECT TO STRATEGIC SUPPLY

A large majority of EMBs are SMEs, and therefore share the unique selling points of smaller businesses. For example, they are often able to offer competitive pricing due to lower administration overheads and can be more flexible in adapting their products or services compared to larger organisations. However, EMBs also have unique characteristics distinct from the general population of SMEs.

For corporates, diversifying their supply chain creates a larger pool of suppliers from which to source goods and products, therefore increasing the competitiveness of their supply chain and encouraging greater rates of innovation. The under-representation of EMBs in large corporate tenders means that businesses are not fully harnessing the skills and creativity of a fast-growing pool of suppliers, limiting their own access to new ideas, products and solutions. The inclusion of EMBs in tender processes creates more advantageous outcomes for corporations, whoever they award the final contract to.

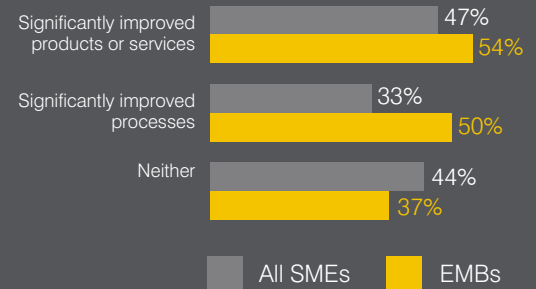
An increasing number of institutional buyers, especially government organisations, are not only practicing supplier diversity in their own procurement processes but also demanding to see this replicated across their tier-one suppliers. From a business-to-business perspective, if corporates want to secure contracts with other supplier diversity committed clients they will need to demonstrate their own credentials in creating and maintaining a diverse supply chain. For example a technology firm that is selling hardware into a bank, or a bank that is providing transactional services to a local government – in these business-to-business transactions there is a growing consideration for supplier diversity to be included in tender processes. MSDUK see this inter-industry incentive for corporates to adopt supplier diversity in their business as crucial in furthering its work.

NON-WHITE ETHNIC MINORITY AS % OF TOTAL UK POPULATION



>> Based on a 2011 Department of Business, Innovation and Skills (BIS) report, EMBs are more likely to have hired additional staff in the previous 12 months and have been more resilient against the economic downturn.<sup>3</sup> They also demonstrate more positive attitudes to entrepreneurship as well as greater confidence in setting up new businesses and entering into new markets.<sup>4</sup> EMBs are also more likely to innovate with their products or services than the average UK business. Hence, inclusion of EMBs into the corporate supply chain will help businesses gain access to a group of suppliers with a more ambitious attitude and diverse way of thinking and solving business challenges. <<

## WHETHER SMES HAVE INTRODUCED NEW OR SIGNIFICANTLY IMPROVED PRODUCTS, SERVICES OR PROCESSES IN THE PAST TWELVE MONTHS



## WITH RESPECT TO COMMUNITY IMPACT

EMBs are often strategically placed to catalyse community regeneration. They are disproportionately located in areas of low income and low educational attainment, and therefore can be a powerful vehicle for creating jobs, increasing income levels and acting as role models for their communities. By engaging with EMBs, corporates have the chance to direct their spending towards under-served communities – not just as a moral consideration, but to support local

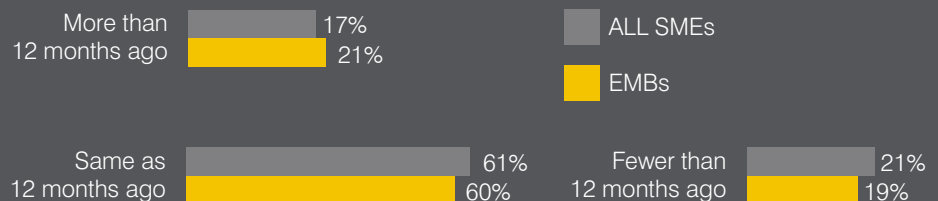
socio-economic development that could in turn improve the corporates' commercial prospects in the area.

Furthermore the 2012 Edelman Good Purpose report found that 76% of people will buy from and recommend a brand that supports social causes, while only 44% would buy from and recommend a brand that did not<sup>2</sup>. In an era where social credentials are increasingly influencing consumer decisions, supplier diversity responds to the need for brand reputation and a corporate citizenship agenda to reinforce the organisation.

## CONCLUSION

Supplier diversity should not be treated as simply a communications exercise. A supply chain that is more inclusive of ethnic minorities can help organisations gain better insight and access into a growing pool of consumers, increase exposure to suppliers who can offer different perspectives and skillsets, as well as enhance brand reputation by increasing its socio-economic impact on under-served communities. Supplier diversity should therefore not only be a goal for purchasing professionals, but also for C-level and board executives who want to enhance their organisations' commercial advantage.

## NUMBER OF STAFF EMPLOYED COMPARED TO 12 MONTHS AGO



# Member Demographics

Since its inception in 2006 MSDUK has been aggressively growing its membership; over the past three years the number of EMBs and corporate members served has doubled. In growing the number of members, MSDUK is also very selective about the types of organisation that it engages with, particularly in ensuring that corporate members and EMBs are ready and have the capacity to engage.

## SNAPSHOT OF CORPORATE MEMBERS

- Average UK turnover of £3.2 billion, procurement budget of £1.3 billion per year.
- Members employ approximately 350,000 employees in total throughout the UK.
- Only half of the respondents currently measure their spend with minority suppliers. Those who do, aim to spend approximately 5% of their budget on minority-owned businesses.
- In 57% of members, their supplier diversity policy is decided in US headquarters.

## SNAPSHOT OF EMB MEMBERS

- Collectively, MSDUK EMBs employ 13,000 staff and have increased their workforce by 12% in the last three years, compared to 6% across the private sector.<sup>5</sup>
- 44% of employees are from an ethnic minority background.
- 73% of EMBs already serve at least one large corporate client.
- 59% of members are supplying to overseas clients.
- 64% are expecting revenue growth of 20% or more over the next 24 months.
- 82% of EMBs are more than 5 years old.



59% of EMBs are supplying to overseas clients.



# EMBs Industries Represented

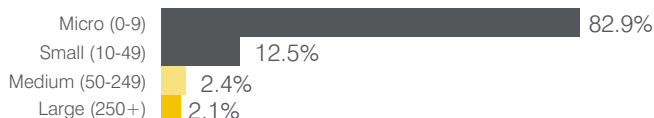
INDUSTRY AS PER SIC CLASSIFICATION <sup>6</sup>	% of MSDUK EMBs	% OF ALL UK BUSINESSES <sup>7</sup>
Professional, Scientific and Technical Activities	29%	13%
Wholesale and Retail Trade	20%	11%
Administrative and Support Service Activities	20%	7%
Accommodation and Food Service Activities	12%	3%
Education	7%	5%
Construction	5%	19%
Manufacturing	5%	5%
Transportation and Storage	3%	6%
Human Health and Social Work Activities	0%	7%
Information and Communication	0%	6%
Other Service Activities	0%	6%
Arts, Entertainment and Recreation	0%	4%
Agriculture, Forestry and Fishing	0%	3%
Financial and Insurance Activities	0%	2%
Real Estate Activities	0%	2%
Mining and Quarrying; Electricity, Gas and Air Conditioning Supply; Water Supply; Sewerage, Waste Management and Remediation Activities	0%	1%

MSDUK EMBs, in comparison to the national average, are overrepresented in certain economic sectors. They are more likely to work in professional activities, administrative support, food services and training. MSDUK does not seek to mirror national trends but rather focus on sectors that corporates source goods and services from. Nonetheless there is a need to expand EMB membership across the sectors where MSDUK's membership numbers are low, such as in information and communication.

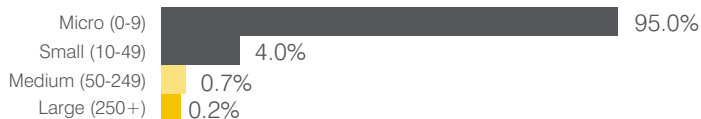
# Size of EMBs

MSDUK's EMBs are broadly representative in terms of business size of minority businesses throughout the UK. Nevertheless, MSDUK has a slightly greater amount of small and medium sized enterprises and lower proportion of micro-sized business. This is a reflection of MSDUK's greater appeal amongst businesses that have the scale and capacity to service corporate contracts.

MSDUK EMBs



TOTAL UK BUSINESSES



SIZE OF BUSINESSES  
(BY NUMBER OF  
EMPLOYEES)<sup>8</sup>

# Location of EMBs

Ethnic minority businesses are more likely to be located in an area of Britain which has above average unemployment, poverty and low educational attainment. Thus, they have an important and direct role in these communities in providing employment and services, as well as raising aspirations across the board.

EMBs in areas with above average unemployment (2012 national average: 8.0%)<sup>9</sup>



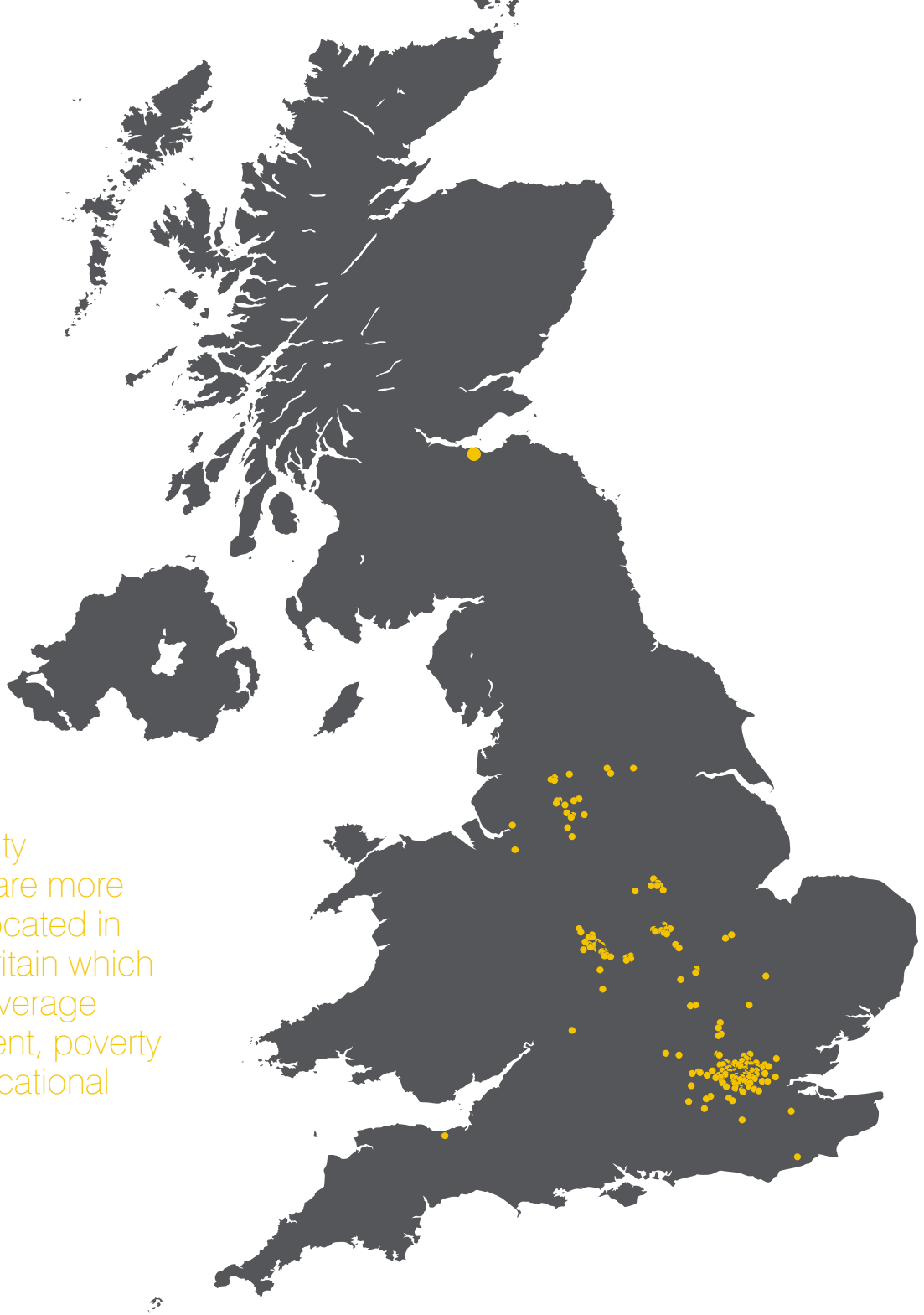
EMBs in areas with above average youth unemployment (2012 national average: 21.3%)<sup>10</sup>



EMBs in areas with below average number of pupils getting five or more GCSEs (2010 national average: 7.3%)<sup>11</sup>



Ethnic minority businesses are more likely to be located in an area of Britain which has above average unemployment, poverty and low educational attainment.



# MSDUK's Impact on UK Corporates

## BARRIERS TO SUPPLIER DIVERSITY

Based on follow-up surveys and interviews with MSDUK corporate members, five core trends were identified within procurement functions that are acting as notable barriers to supplier diversity - these factors are listed on the diagram at bottom of page.

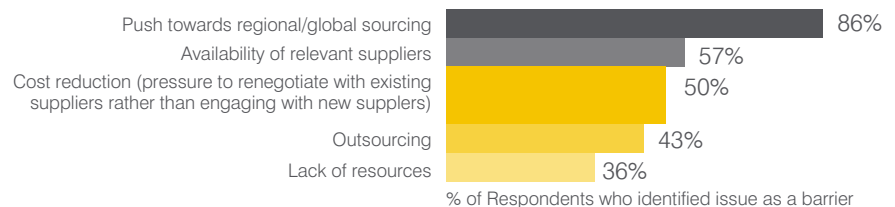
Feedback from study participants noted that MSDUK has been particularly helpful in addressing two of the five factors, which are 'availability of relevant suppliers' and 'lack of resources'. Corporate members identified that MSDUK has been most helpful in connecting them to a larger range of EMBs in different industries, as well as doing the necessary research and outreach to ensure that Requests for Proposals (RFP) are shared with a wider network. However,

while this is MSDUK's most effective role, corporate members would still like MSDUK to continue expanding their EMB network to provide further EMBs for them to source from.

Having now identified these five key barriers for UK corporates, MSDUK can better tailor its future areas of work to address these factors in an integrated manner - for example by promoting joint venture supply contracts and targeting tier-one suppliers more proactively.

The impact of MSDUK's work on corporate members has been measured according to the five outcomes set out in the organisation's Theory of Change (see page 3), and is examined in the following pages.

### GREATEST BARRIERS TO SUPPLIER DIVERSITY AS REPORTED BY CORPORATES



## OUTCOME 1: IMPROVED UNDERSTANDING OF EMBS

### PERCEPTION OF EMBS –

Prior to engaging with EMBs, 64% of corporate respondents expected EMBs to be equally competent as their current suppliers, however a minority (36%) admitted that they'd expected EMBs to be slightly behind the standards of their current suppliers. Through their interaction with MSDUK suppliers, 80% of this more sceptical minority improved their perception of EMBs, especially in regards to the range of industries represented by EMBs and their capacity to support large contracts. After joining MSDUK, 100% of corporate members surveyed credited MSDUK with improving their perceptions of EMBs, 50% of corporate respondents rated MSDUK as 'very influential' or 'extremely influential' in changing their perception of EMBs.

INITIAL PERCEPTION  
OF EMBS BY  
CORPORATES  
% OF RESPONDENTS  
WHO AGREED WITH  
STATEMENT



## OUTCOME 2: GREATER WILLINGNESS TO ENGAGE WITH EMBS

### EASE OF FINDING RELEVANT EMBS –

Based on survey results 29% of the respondents have in the past experienced difficulty in finding relevant EMBs to potentially procure from. MSDUK was rated as exceptional in offering corporates access to a wider range of EMBs – several respondents described MSDUK as the 'leading diversity suppliers network' and 63% of members rated the reach of the network as much more extensive than other supplier networks and sourcing intermediaries. The members listed MSDUK's Knowledge Forum and Meet the Buyer/Supplier events as being most useful in engaging with EMBs. MSDUK has facilitated 20 events in the past three years to help connect corporates and EMBs – the last Meet the Buyer event attracted 28 corporate members, compared to just seven in 2010.

### OPPORTUNITIES FACILITATED -

In the past three years, 77% of corporate members have issued an RFP through MSDUK and the 126 RFPs made available to members represented a combined estimated value of £14.9 million.

### OUTCOME 3: SENIOR BUSINESS LEADERS ARE COMMITTED TO SUPPLIER DIVERSITY

#### MEASUREMENT AND SPENDING GOALS –

Tracking current spend with EMBs is the first step to building an evidence-based process around supplier diversity. Currently, 57% of the corporates surveyed measure their spend with minority suppliers (50% specifically measure spend on EMBs), and a further 29% have plans to put a measurement system in place. The remaining 14% do not have a system in place, and do not plan to introduce one. Of the corporate members who do measure their spend; the average goal is to spend 5% of their budget with minority suppliers.

#### BELIEF IN THE COMMERCIAL BENEFITS –

When asked, 54% of corporate members agreed that there is a 'strong link' between supplier diversity and new business development, and 31% agreed that supplier diversity 'strongly supports' client retention. While the survey respondents conveyed a solid belief in the commercial benefits of supplier diversity, this sentiment is not yet shared by more senior business leaders in those organisations.

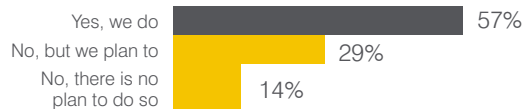
#### SENIORITY OF STAFF INVOLVED –

As supplier diversity has the potential to deliver benefits across a multitude of business areas, MSDUK is keen to ensure that senior business leaders with board organisational responsibilities are included in supplier diversity conversations. In roughly one in four corporate members there is a notable active senior business figure involved in supplier diversity conversations. In the remaining three-

quarters of cases, the conversation was limited to the Procurement, Human Resource or Diversity departments. MSDUK has recently started a process to request for meetings with senior leaders at all its member organisations and has been able to secure such meetings with approximately 10 corporates so far; this is admittedly at an embryonic stage and has been identified as an area for improvement.

In contrast to its counterparts in America and Australia, MSDUK has not consistently been able to reach the same senior level audience. For example, AIMSC in Australia has been able to secure support from the CEOs of Citibank and Freehills (the largest law firm in Australia). This is an outcome area that MSDUK could improve on by developing broader, more relevant messages to increase its reach and influence among senior business leaders. With the absence of legislations to drive supplier diversity in the UK, it is necessary to use alternative methods such as appointing well-respected diversity champions and using peer-to-peer advocacy to increase senior level awareness and commitment. Supplier diversity is often overshadowed by more 'popular' causes, such as gender equality, that dominate government and board agendas, hence evidence-based research into the distinct benefits of EMBs will be crucial in supporting greater dialogue and progress.

### % OF CORPORATE ARE CURRENTLY MEASURING SPEND WITH MINORITY SUPPLIERS



### % OF RESPONDENTS WHO BELIEVE THAT SUPPLIER DIVERSITY 'STRONGLY SUPPORTS' ...



## OUTCOME 4: CONCEPT OF DIVERSITY IS SHARED ACROSS THE BUSINESS

### DIVERSITY ALIGNED ACROSS THE ORGANISATION –

Of the corporate respondents, 85% are actively working across departments, and 77% are working with their tier-one suppliers to discuss and promote supplier diversity. The survey also found that 54% of the corporates have used MSDUK materials to facilitate inter-departmental discussions, and 23% of businesses have used the materials to promote supplier diversity to people outside of their organisations. Therefore MSDUK is certainly playing a tangible role in supporting and driving the substance of these cross-departmental, cross-organisational discussions.

## OUTCOME 5: BROADER POPULATION OF NON-MEMBERS IS ENGAGED WITH SUPPLIER DIVERSITY

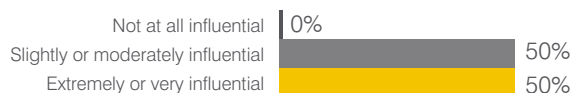
### NEW MEMBERS –

Of MSDUK's current 36 corporate members, 15 have joined in the past three years, with eight signing up in the last 12 months. MSDUK continues to identify and reach out to new corporations to further expand its network. The organisation has identified over 150 UK companies that they will target over the next year, and have already initiated discussions with over 50% of these prospects.

### MEDIA EXPOSURE –

MSDUK's profile amongst non-members is on the increase, although admittedly starting from a low base. The organisation has been mentioned on over 100,000 other external websites, and has been featured in six media articles in the past 12 months, including a full-page article in the US-based Diversity Journal with over 1.2 million subscribers<sup>12</sup>. Media exposure is an area that will require greater investment by MSDUK if it wants to build a wider network of members and attract the type of senior business leaders that it hopes to engage with.

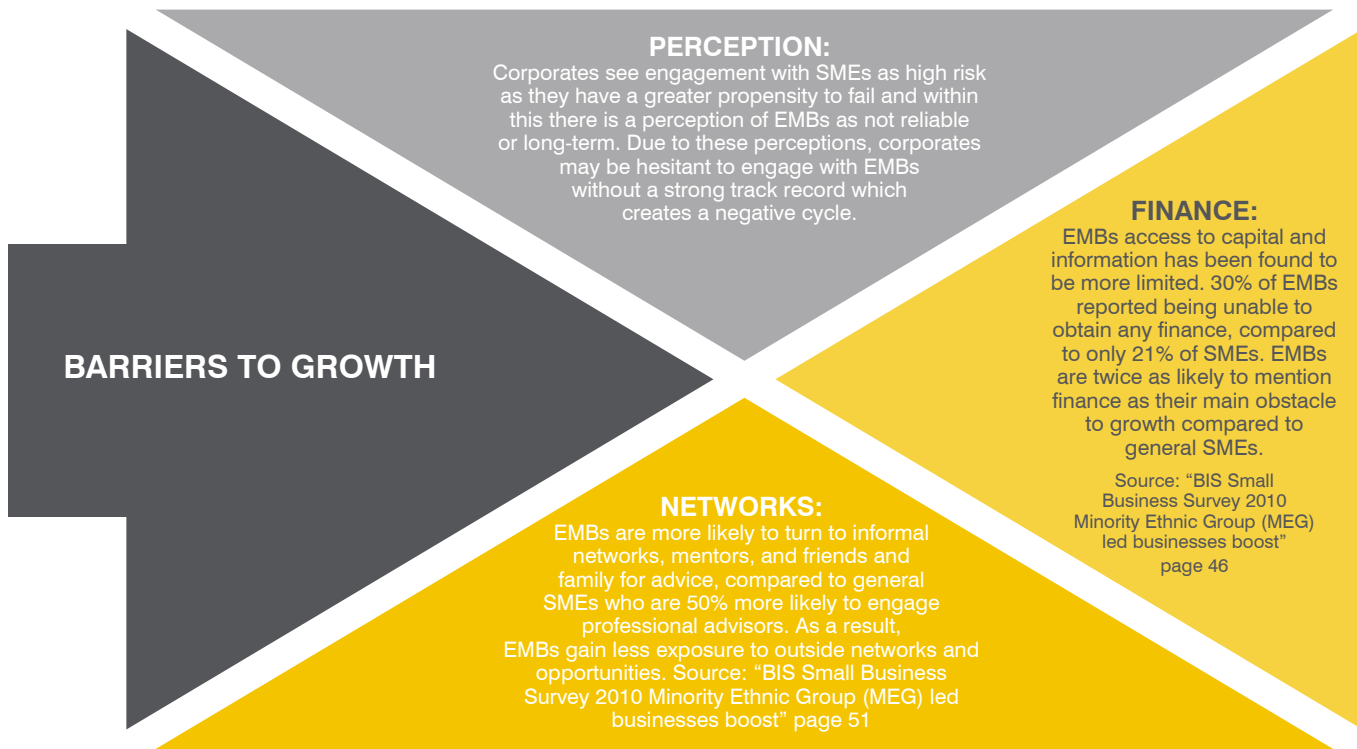
MSDUK'S INFLUENCE  
ON CORPORATE  
MEMBERS  
% OF RESPONDENTS  
WHO AGREED WITH  
STATEMENT



# MSDUK's Impact on Ethnic Minority-owned Businesses

## BARRIERS TO GROWTH

EMBs experience higher barriers to growth that are distinct from SMEs as a general population. Through research conducted with EMBs in the UK, the US and Australia, these can be categorised into three main factors:



>>> EMBs face multiple challenges in winning corporate contracts: they don't know who to approach, they lack experience with big clients, they don't understand the depth and detail required by large corporates. <<<

**Senior Procurement Decision Maker**



MSDUK works to overcome these barriers through a number of avenues. The organisation's regular Meet the Supplier events gives EMBs the opportunity to meet with buyers, hear from other successful EMBs as well as learn about industry best practice from procurement experts. MSDUK also actively facilitates procurement opportunities between corporate and EMBs, and provide advice to EMBs to improve their sales conversion rate. MSDUK's key goal is to act as an intermediary between EMBs and corporates to facilitate transactions, as well as to improve practices on both sides.

Based on members' feedback, MSDUK's work is undoubtedly adding value to its EMB members as well as the ethnic minority community as a whole. The results of the survey show that the members overwhelmingly use MSDUK as a networking platform, and would therefore want to see a greater focus on delivering more high-quality events. In regards to capacity building, members are least confident in preparing detailed tenders, and this is therefore an area that the MSDUK should look to provide stronger support in.

The impact of MSDUK's work on EMBs has been measured according to the four outcomes set out in the organisation's Theory of Change (see page 3).

## OUTCOME 1: IMPROVED CAPABILITY AND CONFIDENCE

### SKILLS PROMOTION –

Members self-reported the greatest competency increase to be their knowledge of procurement processes: 48% of respondents found that their competency in understanding different procurement processes had increased, with 14% saying that it had considerably increased. The next two areas of greatest improvement were approaching and negotiating with large corporations.

When asked how MSDUK has contributed to their change in competency, 30% of respondents attributed a definite increase to MSDUK, and a further 59% said that MSDUK has helped them remain up-to-date with the latest trends and techniques.

### RELEVANCE OF MSDUK TO NEEDS –

Over three-quarters of EMBs found MSDUK events and materials 'quite useful' or 'very useful'. EMB members most preferred the Meet the Buyer/Supplier events, followed by the Business Opportunity Fair. EMB members were least likely to attend the Awards Dinner, although 80% of the EMBs who did attend found it useful.

### REASON FOR JOINING MSDUK –

When asked about the primary reason for joining MSDUK, 54% of EMBs joined the network for networking purposes, while 23% joined for the opportunity to have a positive impact on other EMBs. Of the members surveyed, 51% are part of other business networks, with over 50% rating MSDUK as superior to other networks especially for its range of corporate members. Half of the respondents also said that MSDUK's events are superior to those of similar networks.

>> For me, MSDUK has been helpful in putting me in front of the right people - but it's still up to me to put forward a good pitch and to compete with their other suppliers. <<

**EMB**

## OUTCOME 2: INCREASED REVENUE AND JOBS CREATED

### EMPLOYMENT CREATION –

The EMBs in MSDUK's network collectively employ approximately 13,000 staff. Their workforce has increased by 12% over the last three years, compared to 6% average across the UK private sector.<sup>13</sup> 44% of employees are from an ethnic minority background. The majority of surveyed members (64%) are expecting to grow their revenue by 20% or more over the next 24 months. Only 10% of members are not expecting growth over this period as opposed to 24% of the general SME population.<sup>14</sup>

NUMBER OF CLIENTS  
WON THROUGH MSDUK  
NETWORK

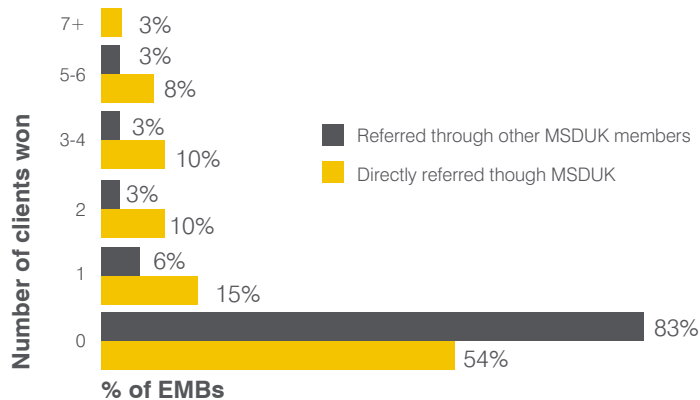
## OUTCOME 3: WIDER AND STRONGER NETWORKS ARE BUILT

### CONTACTS MADE –

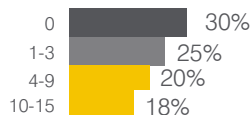
The survey revealed that in the past 12 months, 70% of EMBs have made new business contacts through MSDUK and almost 10% have made over 16 contacts. Of those who have made a new contact nearly 79% of EMBs have had a follow up meeting with said contact. This high degree of interaction between members illustrates the quality and effectiveness of MSDUK's network.

### CLIENTS WON –

Looking further down the pipeline, 46% of EMBs have secured a client through MSDUK and 17% have secured a client through referral from other MSDUK members. It was found that after securing their first corporate contract, suppliers often go onto winning multiple corporate clients through MSDUK. Furthermore, 50% of members found MSDUK useful in introducing them to new client networks in new locations and/or industries – an area that many EMBs identified as a challenge.



NUMBER OF CONTACTS  
MADE FROM MSDUK  
EVENTS IN PAST  
12 MONTHS



OF RESPONDENTS  
WHO HAVE MADE A  
CONTACT, WHAT % OF  
CONTACTS DID THEY  
HAVE A FOLLOW-UP  
MEETING WITH



## OUTCOME 4: ENHANCED REPUTATION OF EMBS

### MEDIA ATTENTION –

MSDUK's EMBS have enjoyed considerable success within the media. Over half of the respondents have received media coverage on their business, with a broad spread between television, newspaper, magazine and radio features.

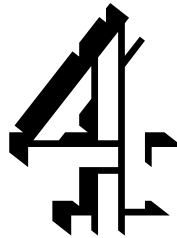


### >> SMEs look to Africa and India for growth

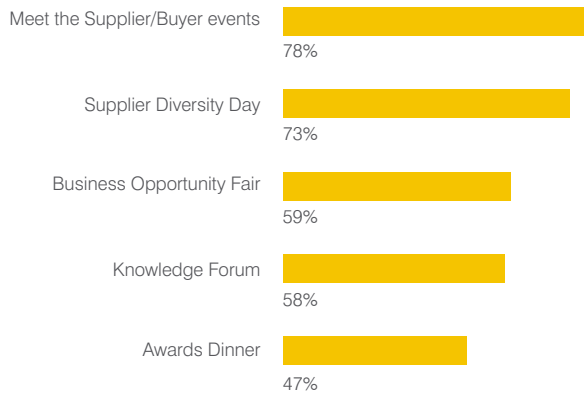
Arnab Dutt, managing director of Texane, the polyurethane manufacturer, agreed. "It's vital that British manufacturers look to expand into English-speaking Commonwealth markets and, to that end, India is an important gateway to Asia, and South Africa is the gateway to the rest of Africa. <<

**The Financial Times, June 11, 2012**

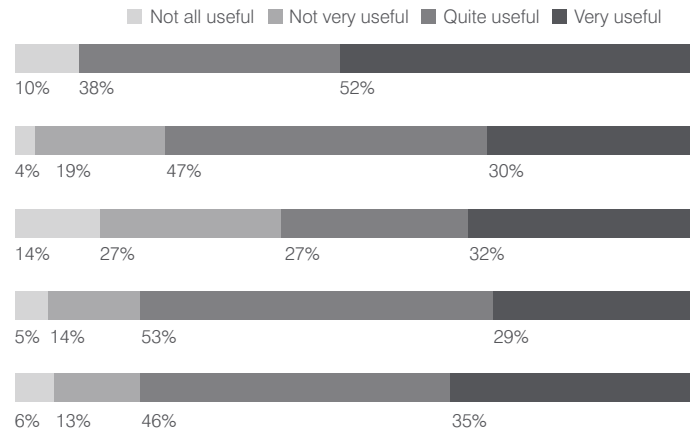
### OTHER COVERAGE INCLUDES:



## % OF EMBS WHO HAVE ATTENDED EVENT



## USEFULNESS OF EVENT AS RATED BY ATTENDEES



>> Contrary to the US, the UK government does not have a firm policy for inclusion of minority-owned businesses in their supply chains. Perhaps MSDUK could target large public procurement contracts and create a tipping point to change attitudes. <<

**Joset B. Wright, NMSDC**

# MSDUK's Impact on the Community

MSDUK was made possible by a seeding grant from the East Midlands Development Agency and a group of socially-minded corporate entities, and its remit has always been broader than simply facilitating commercial transactions between businesses. One of MSDUK's core values is to help "bring prosperity to under-represented communities", by encouraging an enterprising culture, improving employment opportunities, as well as promoting ethnic minority business leaders as role models to raise aspirations in their community.

## % OF EMBS WHO OPERATE IN AREAS WITH...

Unemployment rate above national average of 8.0%	71%
Unemployment rate greater than 10%	51%
Youth unemployment rate above 25% (national average is 21.3%)	60%
Below average educational attainment (measured by % of pupils who graduate with less than 5 GCSEs)	63%

### REGENERATION OF DEPRIVED COMMUNITIES –

Of the 331 EMB members, 71% of them operate in local areas with above average (8.1%, as of August 2012)<sup>15</sup> unemployment, and 51% are operating in areas with >10% unemployment. Therefore by buying from EMBs, corporates can disproportionately invest into more deprived UK communities.

### JOB CREATION –

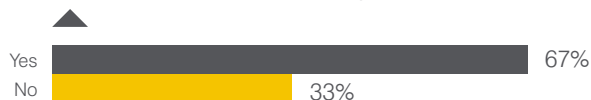
Currently, the unemployment rate among non-white ethnic minorities is 14%, twice as high as the unemployment rate among the white population (7%)<sup>16</sup>, therefore creating sustainable jobs is even more of a priority for these communities. Collectively, MSDUK's EMB members employ approximately 13,000 staff, and in the last two years they have grown their workforce by an average of 4% per annum, compared to an average of 2% across the private sector.<sup>17</sup>

### YOUTH EMPLOYMENT –

The unemployment rate among 16 – 24 year olds from ethnic minorities is 30%, in comparison to 21% for white youth.<sup>18</sup> EMBs are naturally good channels to help introduce more young people into the world of work, and 60% of MSDUK's EMB members are located in areas with greater than 25% youth unemployment<sup>19</sup> (compared to 21% across the UK).<sup>20</sup> In the past 12 months, two in three MSDUK members have offered work placements, internships or apprenticeships for young people in their community, offering an average of 3.4 positions every year. The number of positions offered by the EMBs surveyed was three times higher than the national average<sup>21,22</sup>, showcasing the work being done by MSDUK's members to tackle one of the greatest economic challenges at present.

## % OF EMBS WHO HAVE OFFERED ENTRY-LEVEL WORK OPPORTUNITIES FOR YOUNG PEOPLE IN THE PAST 12 MONTHS

On average, these EMBs have offered 3.4 opportunities per firm in the past 12 months, three times the national average.



### MENTORING OTHER ENTREPRENEURS –

Ethnic minorities are under-represented in ownership of businesses, making up 12% of the UK population and only 8% of business owners.<sup>23</sup> At the same time, EMBs are more likely to rely on mentors as a source of advice and information relative to the general population of businesses.<sup>24</sup>

Hence, it's encouraging to note that 57% of the EMBs surveyed currently act as mentors to other entrepreneurs, helping to inspire the next generation of businesses in their communities.

### ROLE MODELS IN THE COMMUNITY –

In addition to acting as mentors, ethnic minority business owners in MSDUK's network are also more likely to be active volunteers in their community, helping to support and act as role models to others.

The survey found that 82% of EMB owners regularly volunteer compared to the national average of 40%. Of those who volunteer, they spend an average of 11.1 hours per month in these activities and are most likely to be involved in educational initiatives, followed by other religious and cultural initiatives.

## % OF EMB OWNERS INVOLVED IN SUPPORTING OTHERS IN THE COMMUNITY



# Conclusion

## MSDUK'S IMPACT ON CORPORATES

MSDUK has played a practical and visible role in facilitating greater interaction and contracts between corporate buyers and EMBs. Of the five outcomes that MSDUK has set for its corporate members, its greatest areas of impact have been on Outcome 1, 2 & 3.

**IMPROVED UNDERSTANDING** - All corporate members credited MSDUK with improving their perception and understanding of EMBs, and over half of respondents rated MSDUK as 'very' or 'extremely' influential. MSDUK's impact has been most noticeable in widening the range of EMBs that buyers are exposed to, particularly EMBs that are larger and more established, and EMBs that are operating in higher-skilled industries such as business advisory and creative services.

**GREATER WILLINGNESS TO ENGAGE** - MSDUK has facilitated a visible increase on the number of RFPs made available to EMBs. In the past three years over 120 RFPs have been shared with the MSDUK network, worth an estimated £14.9 million. However, this is a relatively small proportion of the UK spend by MSDUK members, and therefore there is substantial opportunity for MSDUK to facilitate a greater number of and higher-value contracts.

**DIVERSITY IS REINFORCED ACROSS THE BUSINESS** -

85% of members already work across departments to promote supplier diversity, this is vital as the decision makers for procurement often sit within business units. MSDUK materials and events have been used by over half of corporate members to promote supplier diversity into other departments and MSDUK could further this use by creating department and role specific events.

In other areas, particularly MSDUK's role as an advocate for supplier diversity, it has not achieved the desired level of impact on a more senior and broader group of audiences.

**SENIOR BUSINESS LEADERS ARE COMMITTED TO SUPPLIER DIVERSITY** - The dialogue around supplier diversity is, in most cases, confined to the Procurement/HR/Diversity departments. It is not yet seen as an area of commercial advantage among the C-level audience.

**BROADER POPULATION OF NON-MEMBERS ARE ENGAGED** - MSDUK has been influential on its members but this group represents only a small subset of the 3,000+ businesses in the UK with £250+ million turnover.<sup>26</sup> Its message for supplier diversity has not yet reached a broader, more mainstream business audience and this is reflected by the limited media coverage and public discussions that have occurred outside of MSDUK events.

The above areas for improvement will be addressed in the recommendations in the following section.

## MSDUK'S IMPACT ON EMBS

MSDUK serves EMBS of all sizes and industries, and therefore it faces the challenge of catering to the needs and expectations of a very heterogeneous group of suppliers. The outcomes that MSDUK has performed strongly against are:

- **IMPROVED CAPABILITY AND CONFIDENCE:**

Over a third of EMBS attributed their improved competency and confidence to MSDUK, with 42% of respondents rating MSDUK events as 'quite useful' and further 36% rating them 'very useful'. MSDUK's certification process has also been very successful in providing a credible 'seal of approval' for suppliers to enhance their reputation and exposure to large corporates.

- **INCREASED REVENUE AND JOBS CREATED:**

Collectively, the EMB members employ 13,000 staff and have grown their workforce at a faster rate than the general population of SMEs. 46% of members have secured clients through opportunities that were facilitated through MSDUK.

- **WIDER AND STRONGER NETWORKS ARE BUILT:**

MSDUK has been instrumental in cultivating buyer-supplier relationships as well as encouraging peer-to-peer networks between EMBS. 60% of members who attend MSDUK events reported making useful contacts that they have subsequently kept in contact with.

The only outcome where MSDUK has had limited influence on is enhancing the reputation of EMBS to a broader audience. This is a relatively new area of focus for MSDUK and is one where the organisation will need to develop more specific skillsets to support. This is discussed in greater detail in the recommendations section.

## MSDUK'S IMPACT ON THE COMMUNITY

MSDUK's work in supporting the growth of EMBS and inspiring higher rates of enterprise produced an indirect, but observable, impact on the wider community. These benefits include:

- **REGENERATION OF DEPRIVED COMMUNITIES:** A significant number (71%) of MSDUK EMBS are located in areas with above average unemployment and low educational attainment. By promoting the growth of EMBS, MSDUK is also helping to stimulate overall economic activity in poorer communities.
- **INCREASED EMPLOYMENT, PARTICULARLY YOUTH EMPLOYMENT:** Through both the BIS survey and this study, EMBS have demonstrated a greater propensity to grow their workforce compared to the general population of businesses. In addition, MSDUK EMBS are also more likely than general SMEs to introduce young people to the world of work and build their CVs, key levers for increasing a young person's employment prospects.
- **GREATER RATES OF ENTREPRENEURSHIP AMONG UNDER-REPRESENTED COMMUNITIES, INCLUDING ETHNIC MINORITIES:** Ethnic minorities are significantly under-represented in business ownership, and are more likely to rely on mentors for advice. Therefore, it is encouraging to see that over 57% of MSDUK EMBS are currently acting as mentors to other entrepreneurs to spur higher rates of enterprise in their communities.

This study has shown the economic dynamism of EMBS in the UK as well as the additional social value that they bring to under-served communities. Despite the harsh economic environment of the last three years, EMBS have continued to create jobs, inspire greater rates of entrepreneurship and offer routes into work for young people. They are undoubtedly vital agents of economic growth and social change in their communities, and MSDUK is proud to be serving this resourceful and resilient group of entrepreneurs.



# Recommendations

This section summarises the three audience groups that are most pivotal to MSDUK's work and outlines a series of 'next steps' that the organisation should pursue in order to strengthen its impact on UK businesses and the wider community.

	GOALS	NEXT STEPS FOR MSDUK
CORPORATES	<ul style="list-style-type: none"> <li>• Business case for supplier diversity is accepted and support is won from senior business leaders and non members</li> <li>• More systematic monitoring of spend with EMBs and delivery on commitments</li> <li>• More active dialogue on supplier diversity with tier-one suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Use the business case presented in this report to reposition supplier diversity as a commercial advantage, with benefits tailored to target businesses of different sectors</li> <li>• Increase coverage of supplier diversity and EMBs in mainstream press, leverage relevant policy makers and ethnic minority business leaders to increase clout</li> <li>• Develop more thorough processes and reporting to track the number of RFPs and transaction value between corporate and EMBs</li> <li>• Promote inclusion of supplier diversity in individual buyers' annual objectives</li> <li>• Launch an event series/toolkit targeted at tier-one suppliers, and use existing corporate members to act as conduits for discussions on supplier diversity with tier-one companies</li> </ul>
EMBS	<ul style="list-style-type: none"> <li>• More frequent usage of MSDUK's network and events</li> <li>• Greater sharing of learnings between successful and less-experienced EMBs</li> <li>• Credibility is earned and EMBs are ready to compete against more established, well-connected competitors</li> </ul>	<ul style="list-style-type: none"> <li>• Widen EMB network to new geographies and industries to build a more representative, inclusive membership base</li> <li>• Design more intimate, targeted events for EMBs in different sectors and stage of growth</li> <li>• Encourage more successful EMBs to act as mentors or a 'sounding board' for more inexperienced EMBs</li> <li>• Provide more bespoke advice, for example, to give feedback on unsuccessful tenders facilitated through MSDUK</li> </ul>
POLICY MAKERS	<ul style="list-style-type: none"> <li>• Closer monitoring of supplier diversity in government tenders to understand current state and look at ways to improve the social value of public spending</li> <li>• Greater focus on the growth of small to medium-sized EMBs who have a stronger track record in growing their workforce and creating innovative products/services</li> </ul>	<ul style="list-style-type: none"> <li>• Share findings from this report with key policy makers and advisors with an interest in diversity, regional growth and business innovation</li> <li>• Develop more detailed case studies to support the above point, specifically focusing on how people with a different cultural, educational and professional history help to foster new approaches and spur innovation</li> <li>• Host dedicated events with procurement officers from public organisations to discuss tools and techniques for practising supplier diversity</li> </ul>

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>> Supplier Diversity offers significant benefits for multiple stakeholders. MSDUK's central role and high quality leadership and services are critical for facilitating delivery of these benefits. The rest of the solution is about how well key stakeholders such as corporate members, ethnic minority businesses and government play their part. <<

**Harish Bhayani**

[www.msduk.org.uk](http://www.msduk.org.uk)