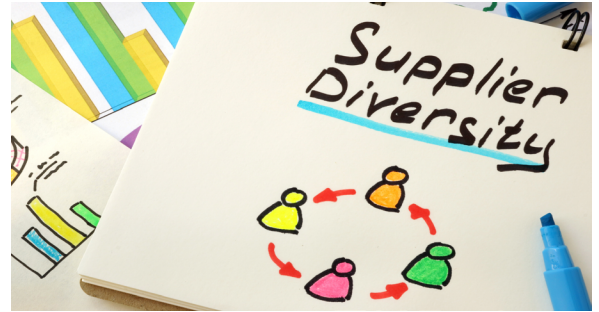


# Using Supplier Diversity to Gain Competitive Advantage



Here's a look at how supplier diversity programs can help position companies for success in any operating environment.

Originally introduced in 1953 with the establishment of the U.S. Small Business Administration (SBA), supplier diversity programs were designed to give minorities, women and what has since been classified as underutilized small business owners, an opportunity to secure contracts with government agencies, major companies and corporations as qualified-small business suppliers.

Fast-forward to 2020 and the concept of supplier diversity has evolved into “an array of small business owners from all ethnic, racial, gender and disadvantaged groups providing products and services to government agencies, as well as major companies and corporations,” the SBA states.

## A Modern Lens

Recent attention to both race and gender inequality has given supplier diversity an even higher level of priority for companies, some of which are now using it not only to “share the wealth,” so to speak, but also to improve their own competitive advantage.

“As America’s population becomes more diverse and social movements highlighting the need for inclusion have taken center stage, governments, nonprofits and large companies from a wide variety of industries have responded to these demographic changes with initiatives to promote supplier diversity and inclusion,” MIT points out.

“Supplier diversity initiatives not only are beneficial for the diverse businesses that get to sell their goods, they are also economically attractive to the buyers that implement them,” MIT continues, noting that academic research has demonstrated that supplier diversity initiatives can quite substantially reduce the buyer’s purchasing costs across various industries.

“Such initiatives were shown to save \$45 million in the radio spectrum industry, reduce expenditures in the logging industry by 10%, trim Montreal’s snow removal costs by 6%, and most recently, cut Virginia’s government procurement expenditures by 12%,” it adds.

## Revising Supplier Diversity

After mapping out the history of diversity programs and their social and commercial impacts HBR found the latter to be good starting points for companies that want to revisit their supplier diversity efforts and, if necessary, commit themselves to taking them seriously. Acknowledging that the definition of diversity has expanded to businesses owned by other minority groups such as LGBTQ, veterans and proprietors with disabilities, HBR adds that companies like UPS use these programs to help maintain high moral and ethical standards. It says UPS spends \$2.6 billion annually doing business with roughly 6,000 small and diverse suppliers, and that it focuses on increasing that spend amount year over year.

An inclusive procurement strategy also widens the pool of potential suppliers and promotes competition in the supply base, which can improve product quality and drive down costs. “And by providing more sourcing options,” HBR states, “inclusiveness can make supply chains more resilient and agile—an increasingly important advantage in these uncertain times.”

Finally, the “feel-good” factor associated with diversity programs can also help burnish brands. In a 2019 study for Coca-Cola, for example, one research firm found that individuals who were aware of the company’s supplier diversity initiatives were 45% more likely to perceive the brand as valuing diversity. Twenty-five percent were more likely to think favorably about the brand, HBR reports, “and 49% were more likely to use the beverage company’s products.”

### **Working Through the Challenges**

In “[6 Supplier Diversity Challenges To Overcome In 2020](#),” Krista Zuber writes about how issues like unintentional human bias, difficulties defining who is/isn’t a diverse supplier and *finding* qualified diverse suppliers can all derail the best laid diversity plans. Program goals can also conflict with cost-reduction goals—a major challenge for procurement in this challenging business environment. Fortunately, savings and supplier diversity goals don’t have to be at odds.

“Having a goal to save money motivates purchasing teams to work harder to find highly qualified diverse suppliers and maximize the number of bidding opportunities granted to diverse suppliers,” Zuber writes, noting that the success of a supplier diversity program depends on the amount of support it receives from a company’s top leadership. “Show your leadership the financial benefits a supplier diversity program can bring. Let them know it will position your company for success in the years to come.”