

## OVERVIEW

Expanding your supplier base to include diverse suppliers is a great part of your overall sourcing strategy which should include a supplier diversity program. According to The Hackett Group, “companies that allocate 20% or more of their spend to diverse suppliers attribute 10-15% of their annual sales to supplier diversity programs. Conversely, companies that direct less than 20% of spend to diverse suppliers attribute under 5% of sales to their supplier diversity program.”

The Supplier Diversity Quick Tool will help you **designate a portion of your spending to diverse suppliers and implement six (6) processes to help you accomplish those goals.**

## SUPPLIER DIVERSITY GOAL

To formulate a supplier diversity goal, you must analyze your spending to identify opportunities to decrease cost, increase efficiency, and improve supplier relationships. Here’s a process to help you do this work.



- Total Spend
- Spend by supplier and category
- Total suppliers and suppliers by category
- Spend per business unit
- Average spend value per employee
- Average purchase order value
- Spend with diverse suppliers

- What are our strengths?
- What are our opportunities?
- What should we continue doing?
- What should we stop doing?
- What should we start doing?

- What was the previous year's goal?
- What's the performance trend?
- What should the goal be?
- What's the reason?
- How does his compare to what our competitors are spending?

## 6 SUPPLIER DIVERSITY PRACTICES

**1. Cultivate supplier relationships** by attending or hosting supplier engagements and joining supplier diversity focused organizations. Keep track of the suppliers you engage with via a supplier database.

**2. Enact the bidding process** – A standardized way to announce a project or need to potential suppliers AND obtain relevant information that puts them in position to compete for contracts in a fair and equitable fashion.

**3. Contract with suppliers** via a Master Service Agreement (MSA) and/or Statement of Work (SOW).

**6. Renew or end supplier relationship.** All good things must come to an end or be renewed. Be intentional about either renewing or ending the supplier relationship.

**5. Manage supplier performance** via periodic check-ins using the supplier performance scorecard and performance management process. While they are not your employees, providing positive and constructive feedback typically results in the most optimal service and/or product.

**4. Onboard suppliers** by providing them with a primary point of contact, information needed to do the work, how to get paid, supplier performance scorecard, performance management process, and any other pertinent information they need to be successful.