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).

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.

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.

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