



## **Five reasons why you should prioritize supplier diversity as part of your sourcing strategy**

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Taking Supplier  
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Next Level

# Supplier diversity is more relevant – and necessary – than ever before. It’s long been a corporate focal point, thanks to federal requirements to demonstrate inclusiveness and equal opportunity.

New international movements such as the adoption of the [UN Sustainable Development Goals](#), and legislation in various countries regarding spending with diverse suppliers, have made the issue an even greater priority. Fast forward to 2020, and dramatically heightened attention to racial, gender, and LGBTQ inequality and injustice have inserted a commitment to diversity and inclusion squarely into organizations’ strategy and culture.

One primary way companies hold themselves accountable for their corporate commitment to diversity is through Supplier Diversity Programs that promote diversity and inclusiveness within the sourcing process. A gold standard for companies is to be recognized in DiversityInc’s Top 50 Companies For Diversity list. DiversityInc recognizes companies based on their talent pipeline, talent development, leadership accountability, and Supplier Diversity Programs. For example, Accenture – fifth on DiversityInc’s 2020 list – has a long-established supplier diversity program covering 18 countries, including the USA. Accenture continues to adapt and address changes in the market, including the newly established [Black Founders Development Program](#); a new

initiative through which the company will invest in and support Black technology startup founders and entrepreneurs. Led by [Accenture Ventures](#), the program seeks to help Black business owners and leaders advance and grow their technology businesses through greater, more direct access to venture capital, corporate mentorship, and strategic connections with Accenture business partners and clients.

But many companies with Supplier Diversity Programs historically have treated them like “check the box” or non-essential programs, which are often deprioritized when things get tough. And that’s unfortunate for a number of reasons, not the least of which is the fact that these companies are missing the genuine benefits a true Supplier Diversity Program brings. By making supplier diversity essential within their procurement strategy, companies can generate value in five key ways:



## Value Driver

# 01

## Improve supplier competitiveness

**Adding diverse suppliers to the potential sourcing pool can help increase competition for contracts which, in turn, can improve quality and cut costs. More sourcing options can also make the supply chain more resilient and agile, which is especially important during uncertain times. If supply routes are shut down in one part of the world, a company can quickly shift to alternate suppliers. Or some suppliers may adjust more quickly to emerging needs than others. At the height of the pandemic, for example, a minority-owned business in Georgia was able to quickly pivot from formulating and manufacturing hair products to producing hand sanitizers and multi-purpose cleaners.<sup>1</sup>**

To build a more diverse, and therefore competitive, supplier base, sourcing professionals should be cautious when establishing gating criteria for sourcing events. They might be unconsciously embedding biases that could discourage diverse suppliers from participating—such as lengthy payment terms or excessive insurance or supply risk requirements that a small business might not have the capital to endure. Suppliers should ask or challenge any requirements that may stretch their business.

## Value Driver

# 02

## Boost innovation

**Innovation is the lifeblood of every company, and many companies are increasingly looking to their suppliers as new sources of innovation. Bringing diverse suppliers into the supply base enables a company to tap into new mindsets, perspectives, and ideas. In addition, diverse suppliers are often best poised to deliver innovation because they tend to be smaller and, thus, more agile, able to quickly change. If done correctly, not only can diverse suppliers co-innovate with their customers, but they can adapt and ramp up rapidly, helping customers swiftly execute innovations. This brings new capabilities to the marketplace faster, while helping to achieve corporate goals.**

To ensure the voices from diverse suppliers are heard and valued, organizations must foster an inclusive environment. One way that Accenture does this is through its Diverse Supplier Development Program (DSDP). For example, one graduate of the Accenture DSDP program worked with Accenture to develop a new interactive platform that helps Accenture engage other diverse suppliers more efficiently.

Many other DSDP graduates have become Accenture suppliers. Among them is Nancy Williams and her then-business partner Roz Alford, who in 1989 founded the entity now known as ASAP Solutions Group LLC. One of the first graduates of DSDP, ASAP is a woman-owned technology consulting and IT staff augmentation firm that delivers business and technology solutions to FORTUNE 500 companies. It remains one of Accenture's preferred Tier 1 suppliers, supporting several of our large clients.

VDart Inc., a global digital staffing and solutions provider and another Accenture DSDP graduate, was named Class IV Supplier of the Year by the National Minority Supplier Development Council (NMSDC). The award recognizes minority businesses within the NMSDC network that have achieved exceptional growth and operational success and that give back to other minority businesses and the community. "For a Minority Business Enterprise to win Supplier of the Year in Class IV category in a span of 10 years is a tremendous accomplishment, and we would not have achieved it without the support of Accenture," says Sidd Ahmed, VDart president and CEO. "Accenture's Diverse Supplier Development Program and consistent engagement with our suppliers has allowed us to grow and flourish on the national stage."<sup>2</sup>



## Value Driver

# 03

## Heighten perception of impact

**Consumer behavior is growing more and more complex, with many consumers expecting companies to establish clear stances on social and political issues, not simply market and sell goods and services. But just taking a stance isn't enough. Backing those stances with actions—such as strong Supplier Diversity Programs—heightens market perception of impact.**

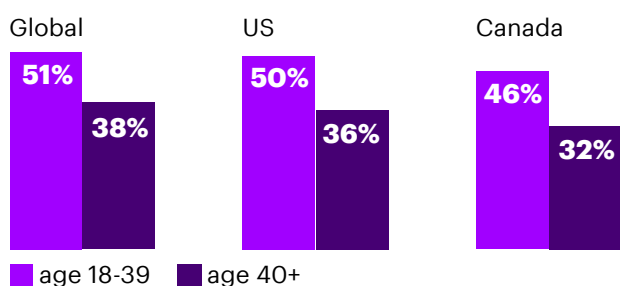
Accenture's [2019 Global Consumer Pulse Research](#) revealed that certain consumer segments—Generations Y and Z—are more influenced by purpose than others. These consumers value purpose—and the fidelity with which that purpose is conveyed—more than all other generations. And they're more likely to reward those that get it right: One-third of them will pay more to companies that stand for issues they care about (versus just 18 percent of other generations). They're also more likely to punish those that get it wrong: More than half have shifted a portion of their spend away from companies that disappointed them with their words or actions on a social issue (versus 37 percent of other consumers) (Figure 1). With purpose influencing many consumers' decisions to switch or keep spending with current brands, there's an estimated U\$5 trillion of revenue at play globally.

A concrete example of the impact of supplier diversity on the perception of a company is UPS, which spends \$2.6 billion a year on small and diverse suppliers. People who know about the company's supplier diversity programs are 86 percent more likely to buy from UPS than those who aren't aware of the programs.<sup>3</sup>

Genuine communication and engagement are critical components of winning consumers over. Leading companies are creating tangible loyalty around their purpose by participating in diversity leadership councils and being active in their communities. One of the best ways to be known as a diversity leader is through recognition in publications like DiversityInc — which demonstrates your organization's commitment to diversity and inclusion in the marketplace.

### Figure 1: Younger consumers are more likely to punish companies for disappointing them on social issues

Consumers who say they stopped business with companies due to their words or actions on a social issue



## Value Driver

# 04

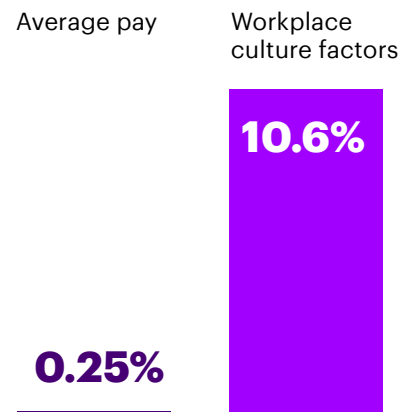
## Attract and retain top talent

A Supplier Diversity Program is a key element of a broader corporate responsibility program that helps a company attract talent. In fact, a survey by Hootology, a market research and consumer insights company, found that 52% of applicants surveyed would prefer to work for an organization that has a supplier diversity and inclusion program in place.<sup>4</sup>

Just as consumers value corporate purpose and associated actions in the companies they purchase from, they hold these same values in the companies they work for. Top talent—especially those younger and more socially aware—want to work for companies that foster diversity and inclusiveness. A culture of equality also drives a willingness and ability to innovate, or an innovation mindset – so much so, that it’s a far more effective motivator of an innovation mindset than compensation alone (Figure 2).

**Figure 2: The value of a more-equal culture tops compensation for teams driving innovation**

Percent increase in innovation mindset of a 10% increase in pay vs. a 10% increase in workplace culture factors.



“Accelerating equality in the workplace has never been more critical for driving innovation,” says Ellyn Shook, Accenture Chief Leadership and Human Resources Officer. “If people feel a sense of belonging and are valued by their employers for their unique contributions, perspectives, and circumstances, they are more likely to advance and feel empowered to innovate.”



## Value Driver

# 05

## Provide positive social impact

**Diverse suppliers, which are often smaller businesses, have a large impact on the communities in which they operate. The National Minority Supplier Diversity Council says minority-owned enterprises generate \$400 billion in economic output, leading to the creation or preservation of 2.2 million jobs and \$49 billion in annual tax revenue for local, state, and the federal government.<sup>5</sup> Therefore, companies that source from minority-owned suppliers can help these suppliers grow which will, in turn, create jobs, build local economies, and bring benefits to those communities. For example, a number of our diverse companies are now building responsible business models to ensure they are improving their performance in line with their expectation on sustainable development goals – and the impact here is broader across the Environment Social Governance agenda.**

There's also the customer side to the equation. To foster a new generation of consumers, companies must have a diverse supplier base that reflects current and prospective customers. There's significant opportunity here: Minority markets have \$3.9 trillion in buying power in the U.S. alone.<sup>6</sup>



# Taking supplier diversity to the next Level

**Many organizations are now increasing their role in combatting racial injustice and engaging in other social causes. Treating diversity and inclusion goals as an essential part of a company's procurement strategy can help unlock value that far exceeds traditional supply chain cost savings, from boosting competitiveness and innovation to building consumer loyalty, attracting talent, and bettering society.**

How do you get started? We encourage corporations to revise, revamp, or improve their Supplier Diversity Programs based on Accenture's seven-step methodology, which begins with understanding our client's goals and assessing their current programs. We have followed this process within our own organization and with multiple clients and have achieved substantial results.

One such client is a global hotel chain, which had already made a commitment to transform the way its global supply chain operates and enlisted Accenture's help to align its Supplier Diversity Program with a commitment to redefine sustainable travel. The company looked to Accenture for guidance on how

best to evaluate its existing initiative against best-in-class programs. Together, we designed a plan to expand the program globally, improving data management, reporting, and measurement, as well as doubling the company's sourcing spend with local, small- and medium-sized enterprises and minority-owned suppliers at managed hotels and corporate offices. These activities allowed the hotel chain to design a road map to achieve a strong pipeline of diverse representation in its supply chain.

As for Accenture's progress, we work with hundreds of diverse/small and medium enterprises, and over third of the company's total US procurement spend is with underrepresented suppliers. We are committed to procuring from diverse suppliers in 18 to 20 countries worldwide and to graduating 170 diverse suppliers through our development programs by the end of 2020.

It's been proven time and again that, collectively, organizations rise when they diversify and lift others. That's why Supplier Diversity Programs need to move beyond talk and checking the box to taking genuine action. It's good for everyone.

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