

Step-by-Step to Managing Supplier Diversity

Strategic Benefits Of Supplier Diversity Programs

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Abstract

Purpose: Describes the strategic role of supplier diversity management.

Design/methodology/approach: Explains how supplier diversity is aligned with business requirements of the firm

Findings: Supplier diversity program helps firm to locate and serve niche markets, ensures better control over supplies, offers possibilities to reduce cost of supplies, extends different partnership opportunities, and enables firms to think differently by integrating different perspectives of minority-owned suppliers.

Social implications: Argues that supplier diversity programs are both social and business imperative

Originality/value: Provides insights on how supplier diversity can meet the requirement of corporate businesses

Through Supplier diversity initiatives organizations procure their supplies from minority community members such as women-owned businesses, certain religious minority driven organizations, LGBT run firms, veteran run organizations and so on.

Organizations that are doing extremely well in overall diversity management have increasingly opted for supplier diversity program for their supply chain. Firms such as AT&T, Dell, Accenture, KPMG, Ernst & Young, Marriott International, and so on have consistently appeared in Diversity Inc.'s top list of 10 companies for their supplier diversity initiatives.

Supplier diversity definitely showcases firm's commitment towards social issues by supporting under-represented minority members in the community. It gives companies a distinct image in the market place as organizations get involved towards poverty alleviation, employment generation and so on.

Some countries have made it a mandatory requirement for their public sector organizations to procure certain percentage of supplies from firms with key stakeholders from minority communities. Many private sector organizations have embraced supplier diversity program as their corporate social responsibility.

Strategic benefits of Supplier Diversity

Apart from the mandatory legal and social requirement supplier diversity programs have certain strategic benefits to offer.

Locate and serve niche markets

Partnering with minority members through supply route, help firms to locate niche under-served minority markets. Firms can serve these markets better since they get insider insights from their minority supply chain partners.

In certain businesses minority members have gained distinct capability throughout many generations and thus they can add distinct value to those organizations by procuring their products. For example in India, a particular religious minority is in leather goods business throughout many generations and as such they offer a distinct craftsmanship to those organizations that opt for their products.

Control over supplies

Under supplier diversity programs generally large firms establish relationships with small minority-owned firms. This ensures bigger say and control of larger firms on delivery schedule, quality and price of supplies.

Cost Saving

One may think large supply firms due to their large scale of operations will be more economical for supplies. However research shows cost wise supplies coming from small-sized minority firms are not more than the large firms. Small minority firms have flexibility in their operations and can reduce cost substantially.

Moreover presence of multiple supply channels in an organization increases competition among different firms and they get forced to reduce cost further.

Different partnership opportunities

There is a possibility of big size organizations to enter into different types of business relationships with minority owned firms - joint venture, strategic alliance and even merger and acquisition. Firms can substantially benefit from economies of scale, and increased efficiency coming through backward integration.

Diverse problem solving approach

Minority suppliers bring on the table different perspectives towards problem solving. Small minority firms due to their flexibility and agility to learn are often quite innovative.

Wal-Mart, Microsoft and so on who paid heed to their minority suppliers have gained substantially through their supplier diversity programs.

Challenges in Supplier Diversity

Along with benefits supplier diversity pose certain challenges as well.

Locating minority owned firms

The foremost challenge for supplier diversity is how to identify the minority owned businesses which can meet the quality standards of the firm.

Funding

Small minority owned firms often suffers from resource crunch and funding problems. Inadvertently some firms may have to face closure due to this.

Quality concern

Sometimes minority owned firms may not meet the quality standards which can easily be maintained by large supply firms.

Ways to address the challenges

Given the strategic benefits that supplier diversity program offers firms need to overcome the challenges in certain ways.

Identifying minority owned firms

By participating events conducted in minority community, subscribing to web portals run by minority community members firms can connect to minority owned businesses. Generally through their company websites organizations communicate about supplier diversity program and relevant guidelines.

Training and Mentoring Programs

Large firms may initiate incubator program for minority owned startups by extending seed funds at the initial phase of the business. Time to time providing training and mentoring services help the startups to grow.

Sponsoring scholarships for diverse suppliers can be regarded as a good corporate initiative to support minority-owned businesses.

Continuous monitoring

While minority owned firms should be given every support so that they can run their businesses effectively, stringent quality standards and monitoring of supplies need to be maintained by the firms procuring such supplies.

For example large firms that have policies towards health and safety standards, use of child labor, and certain environmental issues need to monitor that their suppliers are adhering to the set norms and standards.

Integration of supplier diversity with corporate strategy

Some of the best organizations who are effectively managing diversity have aligned their corporate strategy with supplier diversity initiatives. They time to time measure and monitor progress on supplier diversity initiatives.

Success of supplier diversity program to a large extent depends upon understanding of the internal employees the business need for such initiatives. Firms need to sensitize its employees the business requirements of such program.

Conclusion

Supplier diversity program helps firm to locate and serve niche markets, ensures better control over supplies, offers possibilities to reduce cost of supplies, extends different partnership opportunities, and enables firms to think differently by integrating different perspectives of minority-owned suppliers. As such supplier diversity programs are both social and business imperative. Managing supplier diversity programs well by providing incubation service at the initial stage of some of the minority-owned startups and continuously helping these businesses to grow can ultimately help large firms to build up their competitive advantage in the marketplace.