

Supplier diversity best practices

2019 BDR Summit attracts top speakers; inducts JPMorgan Chase

BY M.V. GREENE

Keynoting the 2019 Billion Dollar Roundtable Inc. supplier-diversity best practices summit, former U.S. Secretary of Labor Robert Reich riveted attendees with biting humor and urgent plain talk of his perspective about the economy, politics, societal trends, diversity and inclusion and even himself.

BDR celebrates companies that spend \$1 billion or more annually with Tier I diverse suppliers. Verizon Communications Inc., a founding BDR member company, hosted the two-day program at The Ridge, the telecommunication giant's executive learning and development center in Basking Ridge, New Jersey.

Another one-time presidential cabinet official, former U.S. Secretary of Transportation Rodney

E. Slater, introduced Reich at the summit's welcome reception and dinner. "You are in for a treat this evening. You are going to be engaged by one who has been thinking about the future as long as he has been thinking," said Slater, a Verizon board member. Both served together in President Bill Clinton's administration.

Reich and Slater were among a number of top speakers participating at the summit, which also included Verizon Chairman and CEO Hans Vestberg, bestselling author and social entrepreneur Wes Moore, U.S. Department of Commerce Minority Business Development Agency National Director Henry Childs II and National Minority Supplier Development Council President and CEO Adrienne Trimble, along with numerous corporate chief procurement officers, diverse



Shelley Stewart Jr. (left), chairman, Billion Dollar Round Table Inc., and Hans Vestberg, chairman and CEO, Verizon Communications Inc., share a fireside chat during the 2019 BDR Summit



Reggie J. Layton, vice chairman, BDR, addresses the attendees. He is also vice president, supplier diversity and supply chain sustainability, Johnson Controls International PLC

business owners, supplier-diversity practitioners, academics and other officials.

The summit's theme was "Magnifying Expectations Through Supplier-Diversity Next Best Practices." Since its founding in 2001, BDR has conducted an annual best-practice summit each year at venues around the country.

In welcome remarks, Magda Yrizarry, Verizon senior vice president and chief talent and diversity officer, said her company was pleased to host, thanking the 200 invited participants "for all you do every day to advance opportunities that ensure we can all be a part of building a better future."

HEAT CONDUCTORS

For his part, Reich, an author, economist, political commentator and professor of public policy at the Goldman School of Public Policy at the University of California, Berkeley, did not mince words about the many issues impacting current-day society. His sharp talk started with himself, poking self-deprecating humor at his diminutive stature.

"Being a cabinet secretary is not easy. As you can see, it wore me down," he joked. He was beset by a rare genetic disorder as a child and is 4 feet, 11 inches tall.

Because of his size, Reich said he was bullied as a child. But he said those experiences helped frame the work that was to follow in his life. He relayed a poignant story to summit attendees of how an older friend growing up in New York came to his aid when other boys would bully him. In 1964, he learned that the friend, Michael Schwerner, was one of three civil rights workers murdered by Ku Klux Klan members near Philadelphia, Mississippi, while registering African Americans to vote during "Freedom Summer."

"I think something happened to me," he said. "My life did change because I began to see all of the ways bullying occurs in our society. Bullying is real — the bullying of people who are average workers who are not paid enough to live on and the bullying of people simply because of the color of their skin or their ethnicity who are treated as if they are 'others' and not full members of a society or a community."

Reich said America has entered another pivotal time in its history marked by "real tension in our society" that is creating anger and dissatisfaction with political institutions. He said the financial crisis of 2008 — when many Americans lost their jobs and homes — was a tipping point and forerunner for what is

occurring now. Today's dour mood among the populace is as profound as it was in the 1960s during the civil rights movement, he said.

Creating much of the angst for citizens are suffocating wage and wealth disparities between the few haves in the country and the many have-nots, which he said is as significant as it has ever been in the United States.

"If you've got wealth, you can do better and better just by sitting on your hands. If you don't have wealth and you're not on the wealth express, you are going nowhere. The population of African Americans, Latinos and multiracial people in this country have almost no wealth at all," Reich said, explaining that wealth and income have two very different definitions.

He commended summit participants for their roles in serving as "heat conductors" within their organizations and greater society for driving opportunities through diversity and inclusion.



Sharon Patterson, co-founder, president and CEO, BDR, helps welcome summit participants.

Those who work in the diversity arena have difficult jobs because they must take a lot of heat, he said.

“To be a heat conductor, to educate people within organizations — you’ve got to do something very difficult. You’ve got to regulate the temperature. If the temperature gets too hot, then people can’t learn because they are scared. If the temperature is too cold, they can’t learn because they don’t want to,” Reich said. “So, what you are doing about the importance of diversity and inclusion is you are regulating the heat. At any given point, you are making sure it is not too warm and not too cool and is just the right temperature for maximizing the learning of people who need to learn.”

CLIMBING THE MOUNTAIN

One event highlighting the opening night of the summit was the induction of BDR’s newest member company, financial services firm JPMorgan Chase & Co. BDR leaders Shelley Stewart Jr., chairman; Sharon Patterson, co-founder, president and CEO; and Don McKneely, co-founder and chairman emeritus, joined JPMorgan Chase’s Ken Litton, managing director and chief procurement officer, and Bill Kapfer, global head, supplier diversity, for the recognition.

“This induction is both a celebration of achieving a major milestone and the recognition of [JPMorgan Chase’s] leadership in supplier diversity,” Stewart said.

Spanning 25 years, JPMorgan Chase’s supplier-diversity program generated procurement spend of more than \$17 billion with diverse suppliers over the past 12 of those years — including spend of more than \$2 billion in 2018 alone.

Litton told attendees that when he began his job at JPMorgan

Chase about five years ago, he asked Kapfer what the “mountain” for supplier-diversity excellence was. The answer was corporate membership in Billion Dollar Roundtable Inc. That set JPMorgan Chase on its journey to gain BDR membership, he said.

“We are so proud and humbled to be among the companies in this room,” he said. “What we decided we wanted to do is to drive real production and real numbers, so that on the back of our diversity baseball card the slugging percentage, runs batted in and on-base average go up every single year. I don’t have to tell you in this room that it is really, really hard to add new suppliers and develop them. It’s more than just sending them a contract, and they show up for work. It takes months, years and lots of partnership.”

Like JPMorgan Chase, BDR’s 28 member companies represent many of the nation’s largest and most prominent businesses and brands. Their mission is to drive thought leadership for the supplier-diversity profession, while advancing best practices that create supply-chain opportunities for diverse businesses — including those whose majority owners are minorities, women, veterans and disabled, along with lesbian, gay, bisexual and transgender individuals.

The aggregate supply-chain diversity spend of the 28 BDR member companies — including Tier I, Tier II and global spend — totaled \$112 billion in 2018, according to BDR surveys.

In addition to JPMorgan Chase, BDR member companies are Adient, Apple, AT&T, Avis Budget Group, Bank of America, Boeing, Comcast/NBCUniversal Media, Cummins, CVS Health, Dell, Exelon, Fiat Chrysler Automobiles, Ford Motor, General Motors, Honda North America, IBM, Johnson Controls, Johnson & Johnson, Kaiser Permanente, Kroger, Merck, Microsoft, Pacific Gas and Electric, Procter & Gamble, Toyota Motor North America, Verizon Communications and Walmart.

In a fireside chat with BDR’s Stewart during the second day of the summit, Verizon’s Vestberg discussed how supplier diversity is “enormously important” strategically to the company and board. He became Verizon’s CEO in August 2018 and chairman in March 2019.

He said that during his tenure so far, he is pleased that a diversity and inclusion “framework has resonated fantastically in the company,” which includes supporting diverse suppliers within the Verizon supply-chain ecosystem. The company has spent nearly \$35 billion with diverse suppliers since 2011.

“With our size and all the great people we have, we can impact our suppliers who can impact others,” Vestberg said.

ADVOCATING FOR OTHERS

Wes Moore, author and CEO of Robin Hood, an anti-poverty organization, offered a message of inspiration.

The author of bestseller “The Other Wes Moore: One Name, Two Fates,” was born into poverty in Baltimore, Maryland. He described his life in a single-mother household and the obstacles he faced. Yet he still managed to graduate from military school and Johns Hopkins University, attend Oxford University as a Rhodes scholar in 2004, serve as a captain and paratrooper with the U.S. Army’s 82nd Airborne Division and accept a post as a White House Fellow to former U.S. Secretary of State Condoleezza Rice.



Rodney E. Slater, board director, Verizon, shares a message with the summit audience. He is also a partner with law firm Squire Patton Boggs LLP.



Henry Childs II, national director, U.S. Commerce Department's Minority Business Development Agency, was one of several guest speakers who participated in the annual event.

Moore recounted a story about being a young boy watching his father die from an illness and how that tragedy impacted his future. His life is one of surviving between a thin line of success or hard times, he told the summit.

He praised the work of BDR member companies and urged corporations to accept a more significant role in promoting social justice by understanding that their stakeholders should not be only those who own stock in companies.

"Stakeholders are our communities. Stakeholders are our society," Moore said. "We must push, and we must fight. We must advocate for others."

SEAT AT THE TABLE

In addition to speakers, the 2019 Basking Ridge Summit featured panel discussions and video and interactive presentations that examined:

- Trends in global procurement and sourcing.
- Impact of technological advances on global procurement.
- Emerging and innovative supplier-diversity best practices, such as "ideation" events, hackathons and social media opportunities to support diverse suppliers.

BDR also updated attendees on the organization's various initiatives:

- Economic impact study — see related article on Page 100 — which is examining how supplier-diversity spend dollars positively affect communities in which BDR member companies operate.
- Triad, an ongoing initiative for connecting corporations, investors and diverse suppliers to help fuel the growth of diverse suppliers via corporate supply chains.
- Update of the BDR book project studying best practices and why they are vital to supplier-diversity success.

Helena Hutton, director, global diversity procurement for BDR member company Cummins Inc. and BDR corporate sec-

retary, was the summit opening day mistress of ceremonies. She reminded Basking Ridge participants that the BDR summit experience is about engagement and participation.

"Today we are all given a seat at the table," she said. "We have senior leaders here to listen and share their experiences. And, we have people here that have the voice of leaders not only in this room, but [also] in the world." ■



Craig Silliman, executive vice president and chief administrative, legal and public policy officer, Verizon, addresses the audience.

🕒 2019 BDR Summit Panels



The CPO Panel featured (from left): David O'Brian, Exelon Corp.; Natalie Jaworski, Johnson & Johnson; John Vasquez, Verizon Communications Inc.; and Mark Purtilar, The Kroger Co.



The Technology Panel featured (from left) Beverly Jennings, Johnson & Johnson; Sachin Ghumre, Boeing; Srinu Kalapala, Verizon; and Michael Botts, Walmart Inc.



The Global Procurement Panel featured (from left): Fernando Hernandez, Microsoft Corp.; Beverly Norman-Cooper (moderator); Michael Tobolski, WEConnect International; Carmen Castillo, SDI International Corp.; and Leonard Greenhalgh, Tuck School of Business

👉 **Faces from the 2019 BDR Summit**



Ajamu Johnson, vice president, procurement, Comcast NBCUniversal



Magda Yrizarry, senior vice president and chief talent and diversity officer, Verizon Communications Inc.



Ralph Moore, president, RGMA



Anuradha Hebbar, global head, diversity and inclusion, Verizon



Wes Moore, CEO, Robin Hood



Raul Suarez-Rodriguez, associate director, global economic inclusion and supplier diversity, Merck & Co.



Monika Mantilla, president and CEO, Altura Capital LLC



Sandy Nielsen, senior manager, supplier diversity, Verizon



Helena Hutton, director, global diversity procurement, Cummins Inc.

In her own words ♦♦♦

NMSDC's Adrienne Trimble marks one-year anniversary with return to BDR Summit

[Editor's note: In August 2018, Adrienne Trimble began her reign as president and CEO of the National Minority Supplier Development Council. With only 21 days on job, she served as keynote speaker at the Billion Dollar Roundtable Inc.'s 2018 Summit. This August, she again spoke at BDR's annual summit, sharing a progress report on her first year in office and insights on the importance of advocacy groups working together. With Trimble's and NMSDC's reprint permission, MBN USA is pleased to share her BDR remarks with our readers].

Good evening! I always welcome the opportunity to be with members of the BDR ... and appreciate your invitation to share a few words and thoughts.

You know, it was almost exactly a year ago when I stood before this group having just accepted the president and CEO position with NMSDC.

At that time, I was very much in the early days of the new job ... meeting and getting to know my wonderful staff, finding my way around a new office and getting acquainted with New York City life.

Speaking at last year's BDR Summit was one of my first public appearances on behalf of NMSDC, and I'll always remember the warm welcome and incredible encouragement I received from you all. It meant a lot to me then and still means the world to me now.

Every day, I am humbled by the experiences and opportunities this role brings, and I could not be prouder of the work that has been, and continues to be, done at NMSDC.

I was asked to speak tonight to the importance of advocacy groups working together. And, as I've said before, the commitment to supplier diversity excellence demonstrated time and again by the Billion Dollar Roundtable members, and other collaborative partners, is a shining

example of — and all that can be possible — in the American economic landscape.

So, as your partner and fellow advocate, I'll begin with a bit of accountability and follow up with you on my vision for NMSDC I outlined last year at the beginning of my presidency.

Most important, we developed and have already executed — or are in the process of executing — our strategic plan for the organization to ensure we're delivering value to our stakeholders, making the most of our talent, assets and resources, and being good stewards of the investments of our stakeholders.

We continue to renew partnerships and strengthen relationships with other advocacy groups, ensuring we work together as collaborators, not competitors.

Highlighting success stories in our network, we introduced new programs for corporate supplier diversity professionals and MBEs, [such as] the NMSDC Academy, [which was funded] with initial investments from Walmart, Warner Media and Vista.

This year, we also introduced NMSDC Connections, and we want to hear from our corporate members. Last year, I pledged to facilitate the development of a stronger national infrastructure for NMSDC, and we have committed much time and introspection in evaluating where we need to adjust and adapt to be sure we have the right people, with the right skills, doing the right job.

I'm pleased to say that we are well on our way toward refining the NMSDC platform across our entire network and cultivating an organizational culture built on collaboration, trust and dedication to excellence.

Another strategic priority has been to bring a greater level of unity and cohesion throughout our regional affiliate councils. Council presidents, please, stand!

This has been an extremely vital part of the work being done over the past year, and we're continuing toward ensuring



Adrienne Trimble,
president and
CEO, National
Minority Supplier
Development Council

our stakeholders and constituents — specifically, our MBEs and corporate members — experience NMSDC’s services and support consistently no matter where, when or how they connect with our organization.

Also, among our strategies has been working to clarify and understand the strength of the NMSDC brand, so that our voice is strong and heard clearly as advocates on behalf of our MBEs and that our programming remains relevant and meaningful.

A great example of how we’re bringing this strategy to life will be reflected during our upcoming conference in October, where our theme is “The Future is Now: Optimizing Supply Chain for Economic Impact.”

Our conference will be filled with practical discussions and perspectives about leveraging the talent and resources of our MBE community to further empower the economic growth and impact being made across the supplier diversity landscape.

And, of course, facts speak volumes! And we’re looking for-

respective and shared constituents.

I was thinking about the characteristics I value in relationships, such as those of the like-minded organizations we work with at NMSDC, and how they play an important role in our ability to be effective advocates. Will our partners please stand?

I narrowed my list to five top qualities. So, let’s see if my thoughts align with yours:

1. Candor: Having honest conversations, even if they are difficult or uncomfortable, cuts through the clutter and helps all parties reach conclusions sooner.

This often requires putting agendas and egos aside, which isn’t always easy. When we agree to work toward the higher good — which in our case is for inclusion and economic opportunity — I’m confident it’s possible to find more ways to agree than to disagree.

2. Curiosity: As advocates, we’re continually asking questions of ourselves — how we can better serve our stakeholders ... what

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— **Adrienne Trimble**, president and CEO,

National Minority Supplier Development Council

ward to sharing what we’ve been learning through research and data through our Economic Impact Study [with] the result being a refreshed story about supplier diversity — one which quantitatively demonstrates the incredible economic power of our MBEs and further positions NMSDC and the work we do as a vital element of our national economy.

Our objectives are progressive — and purposeful — and while I’m thrilled with all that’s been accomplished this first year, we know there’s a lot to do.

So, that’s a quick snapshot of where are today, and, again, I am appreciative and grateful for the inspiration and insight of my BDR colleagues as my team and I forge ahead to illuminate NMSDC’s mission.

ADVOCACY GROUPS WORKING TOGETHER

A huge part of our ability to be successful at NMSDC — and I’m sure all of you can say the same thing with those you work with — is through the active support and collective wisdom gained through relationships with numerous strategic partners.

NMSDC intersects with many advocacy groups of various types, sizes and missions, and as we enter partnerships with these organizations, we take into account what we have in common so that we don’t overlap or compete for time, attention and resources.

Similarly, we also look closely at where there might be gaps in coverage or in services our partners provide, to identify opportunities for developing new programs or resources for our

do our members really need ... where should we be seeking new answers and perspectives?

As partners in advocacy, I think it’s important that we remain curious about each other, too, [and] not assuming we know or understand the objectives and challenges on the table so that we can provide 360-degree perspectives and assistance to each other.

3. Individuality: Diversity and inclusion are at the heart of the work we do, and I find it invigorating to be in an environment where everyone knows they can be accepted as their authentic selves. It’s a complex world we live in, and the more authenticity and unique perspectives we can draw upon, the better we can know and be responsive to those we seek to serve.

4. Mutual respect: To me, this one’s nonnegotiable! It’s essential that, as advocates, we respect each others positions, to approach from a place of wanting to help and support — instead of a ‘what’s in it for me’ angle — and, to recognize boundaries, uphold our promises to each other, and watch that the relationship remains balanced and equitable.

5. Trust: Of course, we must be able to believe in our fellow advocates and have confidence in their integrity, reliability and fairness. Trusted partners challenge us to stretch and consider alternatives. But without trust, I think the other four qualities are impossible to achieve. How about you?

The end game is we’re ultimately on the same team, and it will

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In good company

Johnson & Johnson's Hackathon and Ideation events deliver ideas for supplier diversity growth

BY MELISSA LOWERY



Sally Macaluso, chief procurement officer, Johnson & Johnson Medical Devices and Business Services

Johnson & Johnson has long been a leader in supplier diversity. From the formal implementation of a supplier diversity program in 1998 to establishing the Johnson & Johnson Procurement Citizenship Center of Excellence in 2015, the company has spent more than 20 years building an inclusive supply chain and a world-class, global supplier-diversity program.

In 2016, the health care giant announced its Health for Humanity 2020 Goals, including reaching benchmark spend with diverse and small suppliers. At the same time, it had ambitious goals for increases in diverse spend that could only be met through efforts across the entire enterprise. The Johnson & Johnson procurement leadership team recognized that to meet and exceed those goals, it needed to generate “big, bold, creative ideas.”

Sally Macaluso, chief procurement officer, Johnson & Johnson Medical Devices and Business Services, explained that, “Most of the category teams have already taken advantage of the low-hanging fruit opportunities, so now we need to think outside the box for incremental diverse spend. So, we asked ourselves, ‘How do we generate additional ideas?’ To do that, we need to engage thought leaders, supplier-diversity advocacy organizations, peer companies inside and outside our industries, employees and other suppliers.”

The company created two opportunities to bring together a variety of thinkers and doers: Hackathon and Peer Ideation events.

HACKATHON: A BRAINSTORMING MARATHON

Sponsored by Johnson & Johnson Supply Chain and Procurement Citizenship Center of Excellence, Hackathon gath-

ered over 120 participants — including employees from various functional areas, diverse suppliers, students from local universities and representatives from diverse supplier councils — for a brainstorming marathon. Participants were put into groups and given a problem to solve: How can Johnson & Johnson make a step-level change in the outcomes of its supplier-diversity program?

“We wanted them to generate big, innovative, creative ideas around supplier diversity,” Macaluso said. The company committed to investing in and executing the winning idea.

The exercise generated 900 ideas which were turned into 38 storyboards. Fifteen of those were selected for final presentations with judges evaluating the solutions. The winning proposal was to create an internal tool that makes it easier to find and partner with diverse suppliers, Buy Diverse Marketplace. The procurement organization partnered with Ariba Inc., leveraging its existing buying platform, to create the Buy Diverse Marketplace.

“The Buy Diverse Marketplace educates the end-user on which suppliers are diverse, their stories and how they impact their communities,” Macaluso said. “It moves inclusive sourcing from our supplier-diversity program’s responsibility to everyone’s responsibility. By educating employees, they learn about the innovation driven through supplier diversity and become advocates for the program.” In addition, the system is easy to use. The Buy Diverse marketplace helps business users to identify and engage with diverse suppliers during the existing buying process.

She reported that after a six-month pilot period with 30 suppliers, 75% saw growth in their businesses with Johnson & Johnson, and diverse spend with those



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Johnson & Johnson Medical Devices and Business Services

suppliers increased 16% over the same six-month period the previous year. The project was so successful, the company will now expand it to a greater number of categories and geographies. In the future, there is interest in expanding the Buy Diverse Marketplace to other companies that utilize the Ariba buying platform.

PEER IDEATION: SOLVING INDUSTRY PROBLEMS

Like Hackathon, the Peer Ideation Event was intended to generate big ideas for pursuing diverse spend. But, as the name suggests, it focused on peer companies. As a leader in supplier-diversity best practices, Macaluso felt it was incumbent on Johnson & Johnson to create a forum where companies who are leading in supplier diversity can share their successes, brainstorm together and join forces on collaborative opportunities.

“The question we ask is, ‘How do we use our big for good?’” she said. “How do we use our influence with peer companies to collectively solve industry problems?”

Working with the Johnson & Johnson Procurement Citizenship Center of Excellence, her team created the Peer Ideation event to collaborate on solutions. The first event was held in 2018 in the marketing and business services category. In addition to sharing best practices, the participants left the event with many new opportunities they could pursue.

The inaugural Peer Ideation Event was so successful that the program was expanded to host additional events for research &

development and supply chain categories. All told, 264 attendees from 55 different companies and advocacy organizations came to Johnson & Johnson for three full-day events to discuss supplier diversity in 12 different major spend categories.

“They discussed what they’re doing to drive diverse spend, shared best practices and collaborated on big ideas,” she said. “Each category walked away with many new ideas to pursue — which was our end goal.”

Macaluso said one of the most important revelations from bringing participants together from across categories, companies and organizations was the emergence of common themes. “It was rewarding to have the opportunity to discuss shared challenges and brainstorm on how we could join forces to achieve a common goal,” she said.

The event was so successful that participants expressed interest in meeting annually.

While the success of the events and the spread of ideas across the industry are a boon for everyone, Macaluso said there is much more to be done.

“We’re proud of the work that we’ve done, but the ultimate goal is to continue to advance our global supplier-diversity program, so our work is far from finished,” she said. “At the end of the day, these events are in service of advancing the company’s goals toward a more inclusive, innovative and competitive supply chain.” ■

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— **Macaluso**

‘Big’ is relative

Corporations must intentionally grow their diverse suppliers in core areas of spend

BY SHARON CASTILLO, principal and founder, SB Services Inc.

Supplier-diversity leaders consistently rate growing diverse suppliers as a top priority in industry benchmarking surveys. Intentionally growing diverse suppliers is a supplier-diversity best practice. In fact, many corporations make a list of the top 20, 50 or 100 diverse suppliers in their supply chains and track how much they spend monthly as part of the corporations’ supplier-diversity performance dashboards. These dashboards are distributed to senior management, global sourcing teams and key business partners to engage them and encourage accountability.

Without a doubt, diverse suppliers are getting bigger.

During a recent benchmarking study, [SB Services Inc.] came across MasTec Inc., a minority-owned publicly held firm. The company is listed as No. 436 on the 2019 Fortune 500, with annual revenue of \$6.9 billion. MasTec is the seventh largest of all publicly held firms within the engineering/construction industry.

Among the top diverse suppliers doing business with Billion Dollar Round Table Inc. members, there are at least 10 that are in or nearly qualify for the Fortune 500 — based on annual revenue.

For BDR members, the median spend with their top diverse suppliers was \$501 million in 2019. This figure may sound like a stretch to many corporations — especially if total spend with all their diverse suppliers doesn’t reach \$500 million. However, the beauty of BDR is the members’ willingness to intentionally grow diverse suppliers; even non-BDR members can benefit from a large diverse-supplier landscape.

Among the top five diverse suppliers for each BDR member, 64% are in a core area of spend where the spend is directly related to the product/service the corporation provides. Integrating diverse suppliers into a core area of spend is another

supplier-diversity best practice that can be applied in any corporation.

If your corporation does not have diverse suppliers in core areas of spend, it is something to strive for and one of the quickest ways to significantly increase your diverse spend, laying the foundation for a sustainable supplier-diversity process. To execute this strategy, follow the success stories and leverage your prime suppliers.

WHO’S ON FIRST?

The automotive industry was the first to integrate diverse suppliers in core areas of spend. Specifically, in the 1990s, General Motors Co. worked with Johnson Controls Inc. — one of its prime suppliers — to create a minority-owned, subassembly supplier called Bridgewater Interiors LLC. It did not sacrifice quality or price. Today, it continues to thrive, and the automotive industry overall has replicated many times that approach to building diverse-supplier capacity.

Around the same time, AT&T Inc. started working with Cisco Systems Inc. — one of its prime suppliers — to intentionally grow World Wide Technology Inc. Today, WWT generates annual revenue of over \$5 billion and serves many Fortune 500 entities.

These are just a few examples, but there are many, many more, as this strategy for building diverse-supplier capacity has migrated to several other industries, ranging from technology to health care.

While corporations can certainly influence a supplier’s growth, ultimately, it is up to the diverse supplier to develop its long-term growth strategy. Along these lines, every supplier should feel a sense of urgency. Growing allows diverse suppliers to sustain themselves in corporate supply chains.

There are only three ways a company can grow: organically — usually considered the slowest, teaming/joint ventures or mergers and acquisitions.

The examples above shed light on what



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teaming/joint ventures can do. For the third growth strategy of M&A, companies do not have to be large. In fact, there were over 1,500 M&A transactions of less than \$50 million each for the 12 months ending July 31, 2019; over half of those were less than \$10 million each, according to FactSet Research Systems Inc. U.S. merger metrics.

According to Deloitte’s “The State of the Deal: M&A trends for 2019,” the top three reasons any corporation — diverse and nondiverse — considers M&A are:

- 20% - Expand customer base in target markets.
- 19% - Expand products/services.
- 15% - Acquire technology.

Regardless of the path, a key to growth is ensuring the supplier’s management team is at the forefront of innovation. Building an innovative management team might sound a little esoteric to some suppliers, but innovation is nothing more than solving problems — whether it’s your customers or the world’s. Suffice it to say, there’s a large amount of the latter.

The income gap between the rich and the poor in the United States is currently the sixth highest in the world and continues

to grow. In the U.S., the top 1% of households have 40 times the income of the bottom 90% of households. So, if a lower-income household generates \$20,000/year, its counterpart in the 1% generates \$800,000/year. Simply put, the U.S. will not be competitive globally if most of the country’s population is not contributing to the gross domestic product.

There is a direct correlation between the impact of a strong supplier-diversity initiative and economically stimulating diverse communities. Corporations must intentionally grow their diverse suppliers in core areas of spend, and diverse suppliers must develop innovative strategies to grow rapidly.

Supplier diversity is a proven tool to ensure the U.S. is sustainable over the long term. If there ever was a time to highlight the benefits of supplier diversity, it is now. ■

Sharon Castillo is principal and founder of SB Services Inc., a management consulting firm working with major corporations to advance global supplier diversity. Contact her at scastillo@sbservicesinc.com.

In her own words ...

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take all of us — working individually and collectively — to break through the barriers and challenges remaining ahead of us.

We must stay a step ahead, ensuring our efforts are relevant and meaningful, and leaning into the data and facts we have — stating what we know for sure — so that we can better quell any doubts about the indisputable positive economic impact of MBEs.

I believe that now, more than ever, we are called to be bold, to amplify and articulate our message of economic inclusion, and to make sure that message is not only heard but is understood and moved into action.

And let’s be clear about what that action is — that our nation’s corporations recognize that engaging a more diverse range of suppliers into their base is essential for their business success and sustainability, and that the means of getting there is accessible and available.

And, we need diverse entrepreneurs in our country, find even more doors become open to them, with tangible opportunities to bring their ideas and skills to the table, and giving them a platform for contributing to their local economies through

business growth.

The leaders of change are among those of you in this room tonight. So, I applaud you for your vision, for your examples of excellence and commitment, and for your continued dedication to retaining your position in the Billion Dollar Roundtable.

See you in Atlanta

As I mentioned briefly before, the annual conference for NMSDC is set for Oct. 13 - 16 in Atlanta. And, while I’m sure many of you are already planning to join us, I’d be remiss if I didn’t make a pitch for attending!

Some details are still being finalized, but I can tell you that we’re building a lot of content based on outcomes of our 2019 Minority Business Economic Impact Report.

Entrepreneurship remains one of the most promising paths to upward mobility for diverse suppliers, and the success of the 12,000 certified MBEs in our network — and our 1,450 corporate members — are inspirational proof of that truth!

Much more is ahead, so please check our website — NMSDC.org — for registration details and more details!

Thank you again for the gracious invitation to be with you this week. Keep doing great things! Thank you! ■