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MINORITY BUSINESS NEWS

📍 **Larry J. Merlo**, president and  
CEO, CVS Health Corp., a Billion Dollar  
Roundtable Inc. member

**BDR studies  
economic impact  
of supplier  
diversity**

# PG&E earns BDR membership

BDR's annual summit explores economic impact of supplier diversity

BY M.V. GREENE

**B**illion Dollar Roundtable Inc. recently convened in Providence, Rhode Island, to conduct its annual summit with a rousing debate of several trending topics in corporate supplier diversity, including the economic impact of supply-chain diversity spend and the future role of the supplier diversity function.

The two-day event — hosted by BDR member company CVS Health Corp. — was set up like a workshop examination of the supplier diversity profession. It was marked by the energetic participation of more than 250 attendees, business deal making, networking and a focused discussion of issues.

CVS Health President and CEO Larry J. Merlo extended a welcome to summit attendees and said the gathering “speaks to the tremendous work” occurring within the U.S. corporate supplier diversity community.

He said CVS Health’s \$2.3 billion annual diverse supplier spend is a key element in the company meeting its corporate mission

and serving its clients and customers. That spend, he said, translates into \$5.8 billion in economic impact and sustains more than 38,000 jobs across the country.

“We’re certainly honored to be a member of this great organization,” Merlo said. “We certainly support the mission to drive supplier diversity excellence. Like you, we know that sourcing products from diverse suppliers creates jobs and increases economic opportunities for the people and communities we serve.”

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

Since its founding in 2001, BDR has conducted an annual summit each year at venues around the country. The summits bring

**The Billion Dollar Roundtable Inc. welcomed Pacific Gas and Electric Co. as its 28th member company when it recently convened in Providence, Rhode Island, for its annual summit. Joan Kerr (second from left), director, supplier diversity, and Gun Shim (second from right) vice president, supply chain management, accepted the award on PG&E’s behalf. Congratulating the PG&E team were BDR leadership (from left): Don McKneely, chairman emeritus; Sharon Patterson, president and CEO; and Rick Hughes, chairman.**



together corporate procurement executives, supplier diversity practitioners, diverse suppliers, advocates, academics, investors, consultants and government officials. The theme of the BDR Providence Summit was “Driving the Economic Impact of Supplier Diversity Through Global Collaboration.”

Helping to usher in the first day of the summit at the welcome reception and dinner was Adrienne Trimble, the newly appointed president and CEO of the National Minority Supplier Development Council, effective Aug. 1, 2018. (See article on Page 32.)

Her former roles at BDR member company Toyota Motor North America Inc. included general manager, diversity and inclusion and supplier diversity manager. She is well-known to BDR summits, having served for many years on the BDR executive committee.

“I’ve sat where you’ve been sitting, and it is really great to be here,” Trimble said to the applause of summit attendees.

NMSDC is the leading certification organization for minority-owned business enterprises in the United States. As its new head, she outlined her view on the landscape going forward for diverse businesses and offered a glimpse of her plans for the organization.

One of the challenges for NMSDC will be to ensure that all stakeholders have a greater understanding of the business case for diversity and inclusion, Trimble said.

For every dollar BDR member companies spend with diverse firms, the economic impact study calculates an economic impact of about \$2.10, according to Michael Verchot, director of the Consulting and Business Development Center at the University of Washington Foster School of Business. “It’s a pretty significant economic impact for every dollar that is spent,” said Verchot, who is leading the study for BDR.

He also said economic impact is not a one-way street. Corporations also reap benefits through supply-chain savings and because citizens will recirculate some of those diversity spend dollars by purchasing the goods and services that companies sell.

DR summit participants are Adient, Apple, AT&T, Avis Budget Group, Bank of America, Boeing, Comcast/NBCUniversal, Cummins, CVS Health, Dell, Exelon, FCA USA, Ford, GM, Honda North America, IBM, Johnson Controls, Johnson & Johnson, Kaiser-Permanente, Kroger, Merck, Lear, Microsoft, PG&E, P&G, Toyota Motor North America, Verizon and Walmart.

Sharon Castillo, founder and principal, SB Services Inc., a global management consulting firm that conducts spend audits annually for BDR, said in a report to the Providence Summit that the impact of the spend of BDR member companies is likely to accelerate and become more potent going forward.

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“We want to make sure we continually demonstrate the tangible business results and business objectives from supplier diversity,” she said. “It is essential that we continue to generate economic prosperity — which is what supplier diversity is all about — especially in communities that have been long underserved and underrepresented.”

Since taking the reins at NMSDC, Trimble said she has been “listening, listening, listening.” Key, she said, are accomplishing the organization’s goals on behalf its stakeholders and partners, as well as solidifying its brand.

#### **GLOBAL COLLABORATION**

As with its summits in 2017 in Oakland, California, and in 2016 in Atlanta, Georgia, BDR continued to explore the economic impact of supplier diversity spend in Providence, seeking to quantify the added value of economic measures such as economic growth, jobs, tax revenues and individual prosperity in the communities where corporations with vibrant supplier diversity programs do business.

BDR formally launched its ongoing economic impact study in 2015 to examine and report results of the economic impact of spend among participating BDR member companies. The 2018 cumulative supplier diversity spend of all 28 BDR member companies reached \$114 billion, based on calendar year 2017 statistics, according to BDR audit survey findings.



**Larry J. Merlo**

In what Key described as a “huge” year-over-year increase, she reported that the combined supply-chain diversity spend of BDR member companies increased by \$12 billion in 2017 over the previous year to reach the \$114 billion reach mark. She reported to the summit that the \$114 billion spend total represents about 72 percent with Tier I diverse suppliers and 21 percent with Tier II suppliers. The remaining seven percent is slotted under the global category covering United States-based BDR member companies who spend on supplier diversity overseas.

It is in that global category where diverse suppliers should ramp up capacity and seek to fill corporate supply-chain sourcing needs in the future, according to Castillo, noting that while the majority of diverse supplier spend is based in the U.S., more than half of total supply-chain sourcing of BDR member companies is procured outside of the country.

To support her notion about global opportunities for diverse suppliers, she cited a thought-provoking statistic — that 700 million people in China, with a 2016 population of 1.379 billion, watched the 2018 National Basketball Association finals headlined by the likes of LeBron James, Stephen Curry and Kevin Durant. What makes that statistic more remarkable, she said, is that the total U.S. population is about 325 million.

In offering advice to diverse firms, Castillo noted that “global sourcing has to be sustainable over the long term.”

During the summit’s “View from the Top” panel of corporate chief procurement officers — in which CPOs are quizzed about current trend lines in global sourcing — the consensus was that the economic impact of diversity spend is a high priority in procurement organizations.

“It is something we need to transform how we look at [economic impact] and what supplier diversity and inclusion actually mean,” said panelist John M. Vazquez, Verizon’s global head of real estate and supply chain senior vice president.

Quentin Roach, senior vice president, global supplier management, and chief procurement officer, Merck, noted that increasingly, large multinational companies are understanding the value and reach of diversity spend dollars.

“It’s really based on the premise that corporations like Merck and multinational corporations around the world have an obligation to help grow the tax base in the communities in which we live and work,” he said. “I think that [obligation] should be the basic premise for any supplier diversity program.”

### **BUILDING A SUCCESSFUL BUSINESS**

In another summit discussion, BDR Chairman Rick Hughes introduced a former Procter & Gamble colleague, Ed Rigaud, to discuss successful business strategies for diverse companies. A legendary figure in minority business enterprise, he worked as a scientist and executive at Procter & Gamble for 36 years, touching many of the company’s iconic consumer brands, including the Pringles potato crisp and Secret antiperspirant products.

In 2007, he founded EnovaPremier LLC as a certified minority-owned firm in Louisville, Kentucky, that manufactures tire and wheel assemblies. In 2016, he became chairman and CEO of Legacy Acquisition Corp., which is 70 percent owned by African-Americans and funded through a \$300 million initial public offering to finance acquisitions in industries such as consumer goods and retail. (See article on Page 66.)



The CPO Panel during the 2018 BDR annual summit featured moderator Rick Hughes, BDR chairman; Gun Shim, Pacific Gas and Electric Co.; David O’Brien, Exelon Corp.; Quentin Roach, Merck & Co.; and John M. Vazquez, Verizon Communications Inc.



“You represent what I am trying to accomplish in the last stages of my life and career,” Rigaud told the summit. He also served as a founding president of the National Underground Railroad Freedom Center in Cincinnati from 1998 to 2007.

In what amounted to a business-school tutorial for summit attendees, he outlined in detail his four steps to building a successful business: strategy, innovation, people and sustainability. He said the four were principles he followed in growing and sustaining EnovaPremier. “It was only possible by having a very strong strategy,” he said.

Ralph G. Moore, president of Ralph G. Moore & Associates, and a widely recognized expert in supplier diversity and minority business development, convened a summit session that sparked much interest and consideration among participants — how the supplier diversity function should be organized in the future.

He advocated evolving the supplier diversity function into a broader diversity and inclusion model as a means of increasing its influence in corporate C-suites. As a function of procurement, he said supplier diversity is often missing from deeper corporate strategy and budget discussions.

This exclusion from corporate strategy and budget discussions leads to a perceived lack of value for supplier diversity, Moore

\$2.6 billion in 2017 — or 42.25 percent of its total procurement spend — with a broad range of diverse suppliers, doubling the goal set by the state of California for regulated entities. It was represented onstage by Gun Shim, vice president, supply chain management, and Joan Kerr, director, supplier chain responsibility.

“We’re really proud to be the second utility [Exelon Corp. was the first] to be inducted into BDR,” Shim said. “What I am most proud of is [that] it is not just a billion dollars. I am really proud of how we actually do supplier diversity.”

He drew applause from the summit crowd when he asked BDR Chairman Hughes, BDR co-founder, President and CEO Sharon Patterson and BDR co-founder and Chairman Emeritus Don McKneely to join him for a selfie during the ceremonies. He joked that he was pleased that his company would be the lone inductee in 2018, and PG&E would have all the spotlight, given that four new BDR member companies were inducted during the 2017 summit.

Shim said that as a regulated utility, PG&E often receives some of its staunchest support from its diverse supplier base.

“Our diverse suppliers are always the first to support the company. Every dollar that we spend, I know it brings value back to us,” he said. “That’s what our supplier diversity program does for us. We could not be who we are without our diverse supplier community.” ■

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— **Ralph G. Moore**, president of Ralph G. Moore & Associates

contended, and many corporations are reducing their supplier diversity budgets. One solution would be for the supplier diversity function to reside under the corporation’s chief diversity officer, so it can be part of the greater discussion about strategy. He pointed out that a diversity and inclusion model focuses on global and companywide initiatives — such as talent and workforce diversity — in addition to diversity business.

“Diversity and inclusion are mission critical and linked to corporate values. The chief diversity officer usually is in the C-suite or one level removed,” he said. “Too many supplier diversity programs are just perceived as part of the sourcing groups led by a manager or coordinator — instead of an officer.”

Moore had this advice for many of the supplier diversity practitioners at the summit: “As you learn more about diversity and inclusion, you now become a stronger supplier diversity leader, and you also now put yourself in line for consideration to become the chief diversity officer because you own the external diversity strategy. You bring a lot to the conversation.”

**PG&E EARNS BDR MEMBERSHIP**

In what is always a highlight of the summit, BDR welcomed Pacific Gas and Electric Co. as its 28th member company during a formal induction ceremony. The investor-owned utility sourced



**Ralph G. Moore**

➔ **Scenes from the 2018 BDR Annual Summit**



➔ **Scenes from the 2018 BDR Summit Afterglow**

