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Toolkit Introduction and Instructions

This toolkit will guide your company's efforts to improve the performance of its supply chain by increasing competition to provide superior products and services. The toolkit is designed for companies that desire to improve their product and service quality through improved supply chain strategies.

A Supplier Diversity Strategy that invites competition in your firm's supply chain is an ongoing process – it is not a short term project. While it will be important to set goals and measure progress, the strategy presented in this toolkit is an evolutionary one. World-class companies correctly understand that a supply chain strategy that is committed to including opportunities for all businesses is best implemented in an evolutionary process.

The principle goal of a Supplier Diversity Strategy is to institutionalize opportunities for companies to compete to be part of your supply chain. This toolkit will help you establish goals, embed the strategy in your company's overall business strategy, and measure progress.

The toolkit is divided into three sections:

1. A **self-assessment** to determine an appropriate starting point for implementing or advancing your company's Supplier Diversity Strategy.

2. A **nine-step process** to guide you in starting or improving a Supplier Diversity Strategy. This section includes a summary of the concept within each step, practical suggestions for how to take the step, and short vignettes demonstrating how other companies have implemented this step in their Supplier Diversity Strategy.

3. A **maturity self-assessment** at the end of the process measures the progress your company has made and highlights the next steps in your evolving Supplier Diversity Strategy.

This online toolkit is intentionally brief and easy-to-use. It is meant to be matched with consultation services and a peer-learning group to maximize its effectiveness. This to-the-point presentation will give you the necessary information to implement or improve a Supplier Diversity Strategy. The last appendix in this toolkit points you to other sources of information if you'd like to drill more deeply into a particular area.

This toolkit was developed by the University of Washington’s Business and Economic Development Center (BEDC) for the Puget Sound Regional Council (PSRC) as part of the Prosperity Partnership's Performance First program.

State Farm Insurance and Alaska Airlines participated in a Beta test of this toolkit and we are grateful for their feedback and guidance in its development.
What is Supplier Diversity?
Supplier Diversity is the idea or concept that the growth of qualified supply chain vendors within a company's procurement system delivers added value to the client organization. Supplier Diversity Strategies typically focus on increasing the representation of minority-owned businesses within the company's supply chain pipeline. However, diversity programs can also focus on other underrepresented businesses in the expansion of their supply chain including small/medium sized businesses, geographically diverse suppliers, women-owned businesses and veteran-owned businesses.

Many organizations strive to build a supply chain that demographically mirrors or represents that of their customer base. Although a noble goal, this may not be realistic for all industries as this also needs to take into account the limits of qualified diverse suppliers available across specific industries. As emerging businesses grow and expand, more opportunities for diversity will be made available.

The concept of Supplier Diversity isn’t to set a hard number or percentage for demographic supplier representation. The idea is that emerging businesses in underrepresented communities can add value to your company through the building of mutually beneficial working relationships. A broader and deeper supply chain can:

- Reduce the risk of supply chain interruptions through a wider supply chain base
- Increase company innovation by working with partners across a broader spectrum of experiences and perspectives
- Lower the cost of procurement through increases in competitive bidding
- Increase potential customer base through additional exposure within underserved communities
Business Case for Supplier Diversity

The business case for Supplier Diversity is not universal. As with any strategic business decision, a company should, when making the case for a Supplier Diversity Strategy, seek to tie expectations to its overall strategic goals and objectives. A clearly defined business case for a Supplier Diversity Strategy is vital to its success in gaining support from C-level executives and other internal stakeholders. Indeed, the business case will vary from company to company and from industry to industry. For example:

- Companies that sell directly to an end-user will find that a diverse supply chain ensures that products are better designed to meet the demands of a diverse customer base.
- Companies that require cutting-edge technology to gain market share will find that a diverse supply chain will ensure early access to innovations from all communities.
- Companies that are in competitive markets will be able to grow profits by controlling costs through a diverse supply chain open to many competitors.

As with any strategic business decision, a company should, when making the case for a Supplier Diversity Strategy, insure that the strategy helps the company meet its core business objectives.

Some companies have found that their Supplier Diversity Strategy has enhanced brand loyalty, added a key strategic partner, driven down costs due to the increased competition, or enhanced the firm's current workforce diversity initiatives.

A company's business case for Supplier Diversity should both identify desirable intermediate results and then focus on directly related financial outcomes. Intermediate results might include stakeholders' positive reactions; for example, at Nordstrom, enacting and maintaining a strong Supplier Diversity Strategy was important because utilizing local and diverse suppliers helped create brand loyalty between the company and its increasingly diverse customers, an important stakeholder for the national retailer. The related financial outcome from pleasing Nordstrom's diverse customers was that ongoing sales increased from this population by a significant amount.

At Microsoft, both customers and partners expressed that, for them, Supplier Diversity added value to both the transactional and partner relationships. The related financial outcome from addressing the needs of these stakeholders was that loyalty was established, thereby increasing the frequency of business between Microsoft and these stakeholders.

Major corporations as a whole are increasingly recognizing that communities of color as an important stakeholder group are critical to their continued economic growth and development. The intersection of the supply side of the US economy, which includes jobs and labor, and the demand side, which includes purchasing power, creates a compelling business case for Supplier Diversity.

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Diversity Strategies. Trends suggest not only that the buying power of minorities is fast increasing year over year, but that the growth of small and minority owned businesses is outpacing that of the total US business population.

In the summer of 2008 the US Census Bureau released estimates that minorities will account for 50% of the US population by 2042. The Census Bureau also estimated that by 2023 minorities will be more than half of the youth in this country under the age of 17. Additionally, in 11 of the largest 15 cities in the United States, minority populations already exceed more than 50% of the total population. Texas, the District of Columbia, Hawaii, New Mexico and California are all majority-minority states. Five states — Maryland, Mississippi, Georgia, New York and Arizona — are next in line with minority populations of about 40 percent.

The US Bureau of Labor Statistics (BLS) estimates that between 2002-2012, 70% of the approximately 17 million people who will enter the labor force will be ethnic minorities, equating to more than one-third of the total labor force, which is estimated to be 162 million. The demand side of the economy is showing similar gains in ethnic minority purchasing power, which is growing by 7.2% annually. Ethnic group purchasing power is forecast to be $3.6 trillion by 2014, double today’s base of $1.7 trillion.2

The national business case for Supplier Diversity is clear. However, in order to develop your own successful and sustainable Supplier Diversity Strategy you must analyze your own business case by answering the following questions:

- How does a Supplier Diversity Strategy support my company’s mission and goals?
- Who are my company’s stakeholders?
- What are the intermediate benefits of a Supplier Diversity Strategy to these stakeholders? Added customer satisfaction? Increased dividends?
- What are the expected financial returns for my company if we implement a successful Supplier Diversity Strategy?
  - How can we use a Supplier Diversity Strategy to reduce costs, increase sales, or add to brand equity?
  - How will we measure and reward success?

In the toolkit to follow is a Self-Assessment Guide to help you benchmark your current Supplier Diversity efforts, as well as Implementation Steps to assist you in building a Supplier Diversity Strategy that accomplishes your company’s intermediate and financial goals.

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**Organizational Analysis: Self Assessment Guide**
Prior to enacting change within your Supplier Diversity Strategy, conduct the below self-assessment to identify areas of strength and opportunity for your company. Use your score herein as a benchmark to guide necessary focus areas.*

*If you have not yet begun your Supplier Diversity Strategy, you may skip this section.*

Please rate the following statements on a scale of 1 to 5.  
(1=Strongly Disagree, 5=Strongly Agree)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Rating</th>
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<tbody>
<tr>
<td>Our customer base is fairly diverse</td>
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<td></td>
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<tr>
<td>We have a formally written Supplier Diversity Strategy</td>
<td></td>
</tr>
<tr>
<td>Our Supplier Diversity Strategy, programs and policies are publicly accessible through printed materials or on our website</td>
<td></td>
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<tr>
<td>We have set meaningful and measurable Supplier Diversity goals for our organization</td>
<td></td>
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<tr>
<td>Our organization is extremely accepting of personal diversity in the workplace</td>
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<tr>
<td>We are actively involved with Minority-Owned Business Trade Organizations</td>
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<tr>
<td>We have developed a process for sharing diverse supplier candidate information across departments/divisions</td>
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<td>We have a reporting and review method in place for feedback and improvements regarding our Supplier Diversity Strategy</td>
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<td>There is personal accountability for all of our managers in helping us meet our Supplier Diversity goals</td>
<td></td>
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<tr>
<td>We report regularly to our C-level Executives and/or Board of Directors on our Supplier Diversity metrics and progress</td>
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<tr>
<td>We have a formal mentorship and/or development program in place for Minority-Owned businesses</td>
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<tr>
<td>We have an education program in place to share our company's Supplier Diversity policies and goals with our Prime vendors</td>
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Overall Scoring
There are 70 total points available. You can interpret your score using the following scale

**Great: Score of 47-70** – Some additional steps but overall your company has a well developed Supplier Diversity Strategies; the Supplier Diversity Strategy has reached some key milestones and is ready to move to the next level

**Good: Score of 26-46** – The Supplier Diversity Strategy has taken some initial positive steps and there is significant work still to be done in many areas

**Needs Improvement: Score lower than 26** – There are many holes in the strategy and it might make sense to go back to the first stages of development

**Scoring**
Your results are scored overall as well as within each section.

Sectional Scoring
A meaningful way to interpret your score is by evaluating it within each section.

Sectional scoring uses the weighted average of your score to determine whether the progress and success of your Supplier Diversity Strategy. Strategies and tactics to improve each section are found in the corresponding section of the Best Practices (see page 9 of this toolkit)

**Great: Average Score between 4-5**

**Good: Average Score between 3-4**

**Needs Improvement: Average Score below 3**

In order to sustain a successful Supplier Diversity Strategy, a strong foundation must be built early on. Even companies that have won national awards for their Supplier Diversity Strategy find that they periodically need to revisit early stages outlined in this tool kit as senior executives change, as the business environment and marketplace changes, and as companies streamline their supply chain.
Implementation Steps: Best Practices
The following Best Practices, implemented sequentially, should serve as a guide for mid-sized companies who wish to create and maintain a Supplier Diversity Strategy that meets the needs of its stakeholders.

Step 1: Make the Business Case for Your Supplier Diversity Strategy
In order to secure management-level and especially C-level executive support, you must make your own company's business and strategic case for Supplier Diversity. The business case should be a less formal version of your Supplier Diversity Policy (Step 3), but should clearly outline to future strategy supporters the added value that a Supplier Diversity Strategy will bring to the company and the company's mission.

Key Activities:
- Make a list of organizational challenges or weaknesses that a developed Supplier Diversity Strategy could address.
- Focus on the challenges that cause the company the biggest headaches and specifically outline how a Supplier Diversity Strategy would address those needs.
- This business case should be no more than two pages in length, and should be supported by company and/or customer data to illustrate the potential upside of implementation.
- Review your final plan with a trusted co-worker before presenting for executive support.

Key Guidelines and Success Metrics:
- You can clearly articulate the value added by a Supplier Diversity Strategy, given your specific industry, customer base, and mission.
- You have identified key stakeholders who will benefit from your Supplier Diversity Strategy (i.e. customers or community) and can articulate the expected benefit.
- You have likely successfully made the business case for your Supplier Diversity Strategy if you are able to move on to Step 2: securing C-level executive support.

Step 2: Secure C-level Executive Support around the Importance of Supplier Diversity
This is one of the most important steps to developing a productive and sustainable Supplier Diversity Strategy. Without this support, you will find it difficult if not impossible to affect meaningful change within the organization, and Supplier Diversity will never be seen as a front-burner issue.

Key Activities:
- Once you have completed the business case for Supplier Diversity, engage your immediate supervisor for support in presenting the case to senior management.
- Find receptive senior leadership advocates within the organization and meet with them one-on-one (if possible) to share. Keep the meetings brief, focus on the challenges at hand and how a Supplier Diversity Strategy will help the company meet those challenges. You may want to discuss the role of executives in guiding, implementing, and supporting the Supplier Diversity Strategy.
Make sure written copies of your report are distributed to all key supporters needed for success at every level within the organization.

Key Guidelines and Success Metrics:
- There is a written statement from the President or CEO promoting the Supplier Diversity policy.
- There is an executive-level champion who is accountable for Supplier Diversity success.
- Supplier Diversity is not supported or promoted as a social policy, but as an ongoing business strategy throughout the organization.
- Business unit and/or departmental Supplier Diversity advocates are established.
- Your organization’s top executives support Supplier Diversity in not only words, but also by providing resources and enforcing accountability. Note that this metric is a key success driver. Front-line managers will only buy-in to Supplier Diversity if it is seen as an important tenet of your organization’s mission and business strategy.

Step 3: Develop Written and Measurable Guidelines and Goals for a Company-Wide Supplier Diversity Strategy
Steps 2 and 3 are done simultaneously; as you secure C-level support, you’ll want to create a well-defined and documented Supplier Diversity Policy to illustrate your company’s long-term commitment to the strategy’s success. To increase likelihood of sustained success and usage throughout the organization, your Supplier Diversity Strategy should contain only SMART (specific, measurable, actionable, realistic and time-bound) objectives. A SMART plan will minimize implementation ambiguity and provide a firm foundation for defining effective metrics and setting broader organizational goals.

Key Activity:
Utilizing the challenges identified in your business case, develop strategies, tactics and goals that address those challenges.

- Goals should be iterative so that the company will be able to demonstrate progress towards meeting its challenges.

Key Guidelines and Success Metrics:
- Objectives are SMART and clearly stated in the first few pages of the plan.
- Specifics are included regarding how to identify and develop diverse suppliers, and how progress will be measured at all levels of the organization.
- The plan lives in the organization as an active document, and is not just developed and shelved.
- The CEO, Senior Vice President of Operations, and Human Resources agree to the language, metrics and strategies defined in the plan and enforce performance metrics.
- Adequate Supplier Diversity budget, resources and support staff are established within the plan.
Step 4: Establish a Culture of Equal Acceptance and Appreciation for Diverse Skills and Backgrounds within the Organization

Some education may be required to help some managers and staff members appreciate the business case for Supplier Diversity. That task may be made even more challenging if they have difficulties appreciating the value of diversity even within their current workplace. Work with Human Resources to make cross-cultural educational resources available as a tool to assist in socializing the business benefits of workplace and Supplier Diversity.

Key Activities:
- Implement an anonymous baseline survey to measure current levels of acceptance of and appreciation for diversity within the organization. This may be a good area to partner with outside consultants to ensure anonymity for survey respondents.
- Review data to identify specific areas for cultural improvement.
- Develop educational resources that focus on addressing weaknesses. Resources can include courses (in person and online), newsletter articles, cultural events, employee forums, and “meet and greets.”
- Solicit immediate feedback from events and courses through follow-up surveys to measure effectiveness.
- Annually re-issue original baseline survey on a company-wide level to monitor improvements and identify additional areas for improvement in the future.

Key Guidelines and Success Metrics:
- You are actively promoting the business case for Supplier Diversity at all levels in the organization via multiple communication vehicles (i.e. website, annual reports, and newsletters).
- The company is facilitating information sessions about how a successful Supplier Diversity Strategy can positively impact the business.
- Supplier Diversity works with key buying centers and HR to provide individual question and answer opportunities for employees that are uncertain and uneasy about how a Supplier Diversity Strategy impacts their performance expectations.

Step 5: Build Positive Relationships with Minority-Owned Business Trade Organizations

Once you have the guidelines and metrics in place, your company must build relationships with key organizations that can help connect them with high-quality diverse supplier candidates. Advertising in Minority-Owned Business trade publications or attending relevant trade fairs will help your procurement managers connect with a number of previously untapped potential suppliers. This exposure could also broaden your company’s reach to potential customers within these trade groups.

Key Activities:
o Attend one or two targeted conventions or trade shows where you can make connections with not only potential suppliers, but also other peer organizations working on improving their Supplier Diversity Strategy. From your experience at those events, carefully select organizations which you believe you can become an active participant.
  – Active participation should include more meaningful relationships with these organizations such as vendor, sponsorship or speaking opportunities.

o Continuously make connections and build contacts.

o Periodically hold a “meet the supplier” event at your company where individuals within your company can meet a diverse group of suppliers. Some companies hold these events in conjunction with other companies in the same industry or the same region.

o Be certain to follow up with contacts made at events to build your network of potential suppliers and peers for support.

Key Guidelines and Success Metrics:

o The company not only attends conventions and trade shows, but representatives make a concerted effort to schedule informational interview time with prospective diverse suppliers.

o The company has hosted or has offered to host a speaking session or social gathering where attendees can learn more about the organization and its procurement needs.

o Efforts are made to network with other businesses with similar procurement needs to potentially share references for valuable vendors they have worked with in the past.

o There is a process in place to evaluate the success of relationship-building efforts, and it is an integral part of the Supplier Diversity strategy. Possible success metrics could include number of contacts per month, number of contacts that have led to a contract with a diverse business, etc.

Step 6: Solicit Minority-Owned Business Bids on all Open Procurement Opportunities
The only way to build your Supplier Diversity pipeline is to provide diverse supplier candidates the opportunity to bid on your work. This could be through advertising RFP opportunities in selected trade publications or by requesting specific participation from selected vendor contacts on specific projects.

Key Activities:

o From your company outreach initiatives, build a database of potential diverse suppliers.

o Make sure all of your procurement managers and buyers know about and have access to this database, and can add feedback to vendor’s files as needed.

o Set goals for building the numbers of prospects within the database, and actively report on your procurement managers’ use of the contacts in soliciting for RFPs.

Key Guidelines and Success Metrics:

o Procurement managers are required to seek at least one Minority-Owned Business bid for each closed request RFP.

o There are processes by which managers across divisions/departments can share diverse supplier contacts and experiences.
Managers and buyers are encouraged to develop a pipeline of potential diverse supplier candidates for future consideration.

The company, as part of its implementation of its Supplier Diversity plan, tracks bids from diverse businesses, in order to evaluate whether its efforts to solicit them are successful.

**Step 7: Institute a Schedule and System for Regularly Reporting on Individual, Departmental/Divisional and Company Progress towards Goals Regarding Supplier Diversity**

As the old management adage states: what gets managed gets measured. Instituting a regular reporting system regarding progress towards Supplier Diversity goals keeps the organization focused and instills accountability. Additionally, a routine tracking system allows your company the opportunity to recognize achievements and celebrate successes and progress in real-time.

**Key Activities:**
- Set quarterly procurement reviews that measure and report on data from contracts awarded to diverse suppliers in both quantity and size.
- Recognize procurement managers and buyers who consistently utilize the resources in place and include diverse suppliers in their RFP processes, as well as those who bring new diverse supplier candidates into the pipeline.

**Key Guidelines and Success Metrics:**
- Tie achievement of Supplier Diversity goals to performance reviews.
- Included in the reporting system is a process for reviewing RFP submissions for the inclusion and utilization of Minority-Owned Businesses.
- Minority-Owned Business cost savings/cost reduction contributions are a clearly tracked metric within the Supplier Diversity plan.

**Step 8: Create Mentoring Opportunities for Minority-Owned Businesses that could be Valuable to the Organization**

Mentoring can be a time consuming activity, but extremely valuable if it results in the development of a trusted and reliable new supplier. It strengthens relationships and can help Minority-Owned Businesses prepare to meet the future demands of global competitiveness.

**Key Activities:**
- Provide honest and timely feedback to prospective suppliers post procurement process.
- Help these suppliers build their networks and make connections through the introduction to potential partners, peers, associations or other resources that may be valuable to the growth of their business.

**Key Guidelines and Success Metrics:**
- The company responds to submissions from prospective suppliers and clearly communicates its supplier selection processes.
- The company offers to de-brief opportunities to Minority-Owned Businesses who have submitted unsuccessful RFP bids.
The company provides positive and negative feedback post-completion of all Minority-Owned Business supplier contracts.
Step 9: Educate First Tier Suppliers on the Business Case for Supplier Diversity and how it Ties Into Your Organization’s Mission and Vision for the Future

Educating your primes on the importance of Supplier Diversity to your company will encourage them to similarly explore the development of a diversity strategy within their own supply chain. This will create a multiplier effect as both First-Tier and Second-Tier buying/contracting opportunities present themselves for Minority-Owned businesses related to your organization.

Key Activities:
- Develop online or print materials for your current vendors that outline the importance of Supplier Diversity within your company.
- Host an in-house event where you invite current vendors to your company to better understand your business case and goals.
- Add a statement to your RFPs that provide a brief regarding your company’s business case for Supplier Diversity.
- Ask your current vendors to identify which of their suppliers are diverse.
- Conduct annual surveys with suppliers to request data on their supply chains.

Key Guidelines and Success Metrics:
- Goals and a formal review system exist to help First-Tier suppliers to develop their own Supplier Diversity Strategies.
- The company has shared with its primes Minority-Owned business contacts that may be able to produce quality products on a scale that fits their needs.
- Action plans and/or sanctions are developed for primes who fall short of expectations.
- Primes that meet or exceed expectations are recognized for their positive contributions.
Organizational Analysis: Maturity Self Assessment Guide

One (1) year after the implementation of your Supplier Diversity Strategy, conduct the below self assessment to identify areas of growth, strength and opportunity for your company. Upon completion of this Self Assessment, the organization may wish to hire a Supplier Diversity consultant or work with internal stakeholders to address areas where opportunities for improvement are identified.

Please rate the following statements on a scale of 1 to 5.
(1=Strongly Disagree, 5=Strongly Agree)

Our customer base is fairly diverse 1 2 3 4 5
Our Supplier Diversity initiatives have been organizationally communicated throughout the company 1 2 3 4 5
There is C-Level support for Supplier Diversity in both action and words 1 2 3 4 5
We have a formally written Supplier Diversity Strategy 1 2 3 4 5
Our Supplier Diversity Strategy, programs, and policies are publicly accessible through printed materials or on our website 1 2 3 4 5
We have set meaningful and measurable Supplier Diversity goals for our organization 1 2 3 4 5
Our organization is extremely accepting of personal diversity in the workplace 1 2 3 4 5
We are actively involved with Minority-Owned Business Trade Organizations 1 2 3 4 5
We have developed a process for sharing diverse supplier candidate information across departments/divisions 1 2 3 4 5
We have a reporting and review method in place for feedback and improvements regarding our Supplier Diversity Strategy 1 2 3 4 5
There is personal accountability for all of our managers in helping us meet our Supplier Diversity goals 1 2 3 4 5
We report regularly to our C-level Executives and/or Board of Directors on our Supplier Diversity metrics and progress 1 2 3 4 5
We have a formal mentorship and/or development program in place for Minority-Owned businesses 1 2 3 4 5
We have an education program in place to share our company's Supplier Diversity policies and goals with our Prime vendors 1 2 3 4 5
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Scoring

Your results are scored overall as well as within each section.

Sectional Scoring

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In order to sustain a successful Supplier Diversity Strategy, a strong foundation must be built early on. Even companies that have won national awards for their Supplier Diversity Strategies find that they periodically need to revisit early stages outlined in this tool kit as senior executives change, as the business environment and marketplace changes, and as companies streamline their supply chain.
Appendix I: Definitions
 Contained in this appendix are frequently used terms in the Supplier Diversity field.

**Supplier Diversity:** This may vary depending on industry, but in general "Supplier Diversity" refers to a situation where an organization has strategic initiatives in place to increase its percentage of diverse suppliers.

**Goal:** A target which, when achieved, indicates progress in a preferred direction. A goal is neither a requirement nor a quota.

**Diverse Supplier:** Within the United States, Diversity Suppliers are companies that are owned by a minority, a service disabled veteran(s) or a woman (women). Outside the United States, the definition of diversity suppliers is determined locally and is based on historically underutilized businesses ownership.

**Certified Minority-and Women-Owned Business (M/WBE):** Within the United States, these are defined as businesses which have been certified by the National Minority Supplier Development Council (NMSDC), Women’s Business Enterprise National Council (WBENC), or other State certification agencies (i.e. WA State Office of Minority and Women Business Enterprises) with comparable standards to be 51% owned, operated and controlled by a minority individual or group or by one or more women; for publicly held businesses, at least 51% of the stock must be owned by one or more minorities or women who are U.S. citizen or legal aliens with permanent residence status.

**Ownership:** For a sole proprietorship or partnership to be deemed a minority business enterprise, at least 51 percent of the company’s assets or interests must be owned by a minority person. For a "corporation” to be considered a minority business enterprise, legal and equitable ownership of at least 51 percent of all classes of stocks, bonds and other securities issued by the corporation must be owned by a minority person or minority persons. Any ownership interest held by a minority person subject to an option or security interest held by a non-minority person or business entity affecting the incidence of operation and control of shares in the profits of the enterprise shall not qualify as being an interest held by such minority persons.

**Control:** This term requires that the primary power, direct or indirect, to influence the day to-day management of a business enterprise shall rest with minority persons. In addition, this term is construed to mean that the business enterprise is not subject to any formal restrictions such as lease, by-laws, corporate charter or loan agreement, which would limit the customary discretion of the minority owner.

**Operated:** Involved in the day-to-day company decisions concerning the business operations in an active and internal capacity of the business’ performance.
**Subcontract**: Any agreement or arrangement between a contractor and any party or person for the furnishing of supplies or services.

**Supplier Development**: Effort to increase the capability of a supplier toward long-term success through programs such as mentorship, supplier teaming, split awards, etc.

**Supplier Recruitment**: Effort to inform, educate and enlist potential suppliers for future purchases.

**Prime**: The corporation or entity that provides products and services to the customer, which is the end user. The product or service is typically in its final value added configuration. In most instances, the corporation is the lead entity in the value chain.

**Second Tier**: A first tier supplier is a supplier that provides the products/services and invoices to the Prime for goods and services rendered directly by that supplier. A second tier supplier is a supplier that provides the products/services and invoices to the first-tier supplier for goods and services rendered.

**Direct Second Tier Purchases**: Second Tier supplier products and services, which can be identified in support of Prime’s requirements.

**Indirect Second Tier Purchases**: Products and services that cannot be identified in support of specific Prime requirements (e.g. production support products and services such as temporary staffing, and facilities support services).

**Double Counting**: MBE purchases that are captured as first-tier dollars by more than one major corporation in support of the same contract, relationship or the Prime’s requirements. Additionally, MBE to MBE spend should not be reported as second-tier dollars.

**Qualified MBE**: A minority-owned business that meets the certification and performance requirements of the Prime.

**Internal Customer**: The Prime’s executive management, departmental management, Supplier Diversity council or other internal organizations and groups.

**External Customer**: Refers to entities outside the corporation and not including the supply chain such as private sector, federal, state and/or local governmental (regulatory and/or legislative) entities, national/regional/local advocacy groups (Chambers of Commerce, business development organizations, and other external organizations).4

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3 Source: QuEST Supplier Diversity Excellence

**Traditional Buyers**
Buyers and decision makers who procure products, services, and commodities through the Department of Purchases or Procurement.

**Non-Traditional Buyers**
People who make and/or influence purchasing decisions for products, services, and commodities from outside the Department of Purchases or Procurement.
Appendix II: Resources

Small Business Administration (SBA): a federal agency whose primary role is the administrative regulating body and advocate of small business. In recent years, Congress has re-emphasized the advocacy function of SBA to bring about visible, substantive changes in public policy toward small businesses and to champion more effectively their cause. SBA’s goal is to help small businesses survive in an economic marketplace dominated by large corporations.5

Office of Minority and Women Business Enterprises (OMWBE): offers certification for Washington’s small businesses that meet the criteria for minority and women-owned business enterprises (M/WBE). OMWBE develops programs designed to improve the contributions of minority and women-owned small businesses to the Washington State economy.

http://www.omwbe.wa.gov/

National Minority Supplier Development Council (NMSDC): an organization comprised of a network of 39 affiliate regional councils across the country (including SCMBDC), all of whom provide minority-business certification and business development opportunities. Since 1972, the goal of NMSDC has been to provide the direct link between corporate America and minority-owned businesses. NMSDC has over 3,500 corporate members and more than 15,000 certified minority owned businesses in its network.

http://www.nmsdcus.org/

University of Washington Business Economic Development Center (BEDC): links students, faculty, and staff from the Michael G. Foster School of Business with a racially and ethnically diverse business and nonprofit community to expand students’ knowledge and skills, help small businesses grow, create and retain jobs, open educational opportunities for under-represented minority students, and stimulate innovative economic development research.

http://bschool.washington.edu/BEDC/

Women's Business Enterprise National Council (WBENC): the nation's leading advocate of women-owned businesses as suppliers to America's corporations. It also is the largest third-party certifier of businesses owned and operated by women in the United States. WBENC works to foster diversity in the world of commerce with programs and policies designed to expand opportunities and eliminate barriers in the marketplace for women business owners. WBENC works with representatives of corporations to encourage the utilization and expansion of supplier/vendor diversity programs.

http://www.wbenc.org/
Appendix III: FAQs

Below you’ll find Frequently Asked Questions from companies who currently have Supplier Diversity Strategies, as well as companies who are newly considering the need for a Supplier Diversity Strategies.

Will a Supplier Diversity Strategy increase our costs?
- Not necessarily. Ideally, a well-constructed Supplier Diversity plan will include goals and metrics for reducing costs through increased competition.

Will the addition of a Supplier Diversity Strategy mean we have to buy inferior products/services?
- No! Quite the opposite, as the addition of a Supplier Diversity Strategy may increase the competitiveness of your bidding process. Be sure to utilize resources such as those named in Appendix II to help you locate reputable and quality diverse suppliers.

Isn't a Supplier Diversity Strategy playing favorites?
- No! In contrast, a strong Supplier Diversity Strategy can guard against favoritism. Make sure you have pre-determined goals and metrics in place that, while in support of Supplier Diversity, ensure acceptance of supplier bids that are most competitive relative to pre-defined goals.

Our company has an open purchasing process. Why do we need a special effort targeting women and minority owned businesses?
- Your Supplier Diversity efforts, along with your company’s individual business case for Supplier Diversity, should align with your organization’s mission, vision, values, and ultimately endeavor to create new value for at least one of your current stakeholder groups. For example, if your organization is in the retail industry, do women and minorities shop there? Would you like for them to? Then it may make sense to employ women and/or minorities as suppliers to demonstrate to that stakeholder community that your organization is committed to providing opportunities for historically disadvantaged communities. Also see the Business Case for Supplier Diversity.

We have strong partnerships with our current suppliers. Why should we change what’s already working for us?
- Use already-strong partnerships with First-Tier suppliers as leverage to encourage the participation of Second-Tier suppliers. Even at the First-Tier level, the increased competition for you bid may result in lower bid prices, and ultimately, lower costs incurred by your organization.
Appendix IV: Case Studies

Case Study: Nordstrom

Founded in 1901 as a shore store in Seattle, today Nordstrom operates 175 stores in 28 states as well as serving customers through their online store and catalogs. They launched their Supplier Diversity strategy in 1989.

One important indicator of success for Nordstrom is how well they reflect the communities that they serve. Because serving a diverse customer base is vital to their profitability, they launched their Supplier Diversity Strategy to: “actively promote Nordstrom to qualified businesses that might not otherwise have considered Nordstrom as a potential client.”

Nordstrom’s Supplier Diversity strategy, in the words of their company web site, supports their company's competitive advantage:

“In each of the relationships with our thousands of business partners worldwide, we see the potential for success. Our business decisions are focused toward the future, yet still based on John W. Nordstrom's founding philosophy: Offer the customer the best possible service, selection, quality and value.”

As a result of their Supplier Diversity strategy, Nordstrom has found that they form community contacts with a wide range of business and civic leaders and the resulting opportunities benefit Nordstrom and its business partners and boost the economic vitality of the communities they serve.

Case Study: United Parcel Service

Founded in Seattle more than 100 years ago, UPS has grown into a $49.7 billion corporation by clearly focusing on the goal of enabling commerce around the globe. They are the world’s largest package delivery that reaches 200 countries. UPS started their Supplier Diversity Process in 1992 because it broadens UPS’s "access to the best suppliers around...while quality suppliers get new opportunities to grow their business.”

The company is clear that doing business with them is not based on a company’s ownership diversity rather it’s based on whether UPS has a need for the products and/or services a potential supplier has to offer. Additionally, UPS looks for a supplier’s value proposition within UPS’s supply chain. In other words, UPS’s Supplier Diversity strategy doesn't compromise on quality but by leveraging this skills of suppliers from all backgrounds, the company has been able to access the best suppliers in the world.
As a result of this commitment to making their Supplier Diversity strategy fit within their overall business strategy, UPS has won national recognition from the National Minority Supplier Development Council (Corporation of the Year Award – 2007) and the The Women's Business Enterprise National Council ("America's Top Corporations for Women's Business Enterprises – 2008)

**Case Study: Microsoft**

Founded in 1975, this global software leader's Supplier Diversity strategy is an outgrowth of the company-wide understanding that “that diversity enriches our performance and products.” The company's first diversity efforts were focused on employees with the understanding that as the communities they serve in a global marketplace became increasingly diverse their employees needed to reflect that diversity so the company could better understand and incorporate these differences to gain a competitive advantage.

Microsoft’s Supplier Diversity strategy grows from the company’s desire to incorporate differences to gain a competitive advantage. Fernando Hernandez, Microsoft’s Director of Supplier Diversity says, "Microsoft serves diverse markets globally and we are convinced that our Supplier Diversity initiatives are a key competitive advantage, helping us win new business, retain customers, and reinforce the Microsoft brand."

Microsoft has taken the step of not only seeking diverse companies as first tier suppliers but also works with their prime suppliers to subcontract work to diverse vendors.
Appendix V: Sample Supplier Diversity Policy

The ___ Company is committed to providing the maximum practicable opportunity for participation by minority business enterprises (MBEs) and women business enterprises (WBEs), and small businesses in the provision of goods and services purchased by the ___ Company. Although it is the ___ Company’s goal to actively work with all businesses, the ___ Company does not require a minimum level of MWBE participation as a condition for entering into a contract.