

Tips for Creating and Maintaining a Successful Supplier Diversity Program

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Procurement managers in the public and private sectors are responsible for developing successful diversity, local or green procurement programs for a variety of reasons. Many states have legal requirements regarding the amount of budget that must go to minority and women-owned businesses, local businesses and/or green businesses. The same is true of many major corporations, especially those with government contracts. Current budget conditions, particularly in the public sector, have also led to an increased focus on local and diversity spending to keep government dollars and jobs in the local area.

Legal requirements regarding spending combined with steep budget cuts in both the public and the private sector present a significant challenge for procurement managers. In order to achieve fiscal leadership and diversity success, procurement managers need the right level of organizational support and smart processes.

The following best practices are geared towards helping organizations effectively include and promote diversity suppliers and accurately track spending with such organizations. By utilizing technological solutions, organizations can level the playing field for all suppliers while reducing the costs to manage diversity programs.

Getting Started

Posting a web-based registration form to recruit diversity suppliers is just the first step in creating a successful diversity program. Procurement professionals must also offer support for suppliers and buyers, guiding them through the entire process. Organizations can use technological solutions to simplify and streamline the registration and qualification process, enabling buyers and suppliers to move to the next step—comparing vendors—more quickly.

Best-in-class supplier diversity management systems guide potential suppliers through the registration process, including classification and certification. Once a supplier is registered, it is important that the supplier is accurately classified as a minority-owned business, a woman-owned business or as a small or local business. After a supplier is successfully registered, classified and certified, email confirmations notify the supplier and internal users, helping create greater visibility into diversity suppliers.

Expand Your Network

Once registration and classification are completed, it is critical that the supplier is included in sourcing events. Many organizations only invite suppliers that are formally registered through the supplier portal to participate in bidding events.

The database that you use to verify a supplier's diversity certification should help you determine what services and goods those suppliers provide. Your system should also let you search and find unregistered suppliers with a diversify classification, helping you further broaden your database. Systems that enable users to expand beyond registered suppliers to reach a larger universe of vendors exist and are worth investigating.

Promote Inclusion

Another hurdle to diversity programs is that smaller organizations may not have the skills needed to navigate complex procurement processes. Size and technology savvy should not be the sole criteria for determining what organizations participate in your purchasing platform.

Furthermore, ease of use and support services are critical for organizations of all sizes. Even a larger supplier may balk at loading its product catalogs into an eProcurement system if the system is too cumbersome. A small supplier may not even participate in a bid if the documentation burden is too complex and time consuming.

If you're serious about creating a level playing field for diversity-based suppliers, you need to make sure you have a full-time support staff committed to helping suppliers understand the process.

Educate Your Buyers

The majority of daily purchases are not done by procurement professionals or the purchasing department. Therefore, it's critical that all employees have the skills and resources necessary to identify and evaluate diversity suppliers.

Using marketplace technology, you can create a one-stop shop for all signed contracts and catalogs that your entire organization can utilize. The marketplace, which acts like a simple eCommerce site, helps increase contract compliance and provides an easy-to-use interface. Such a marketplace can also help you promote the diversity supplier community to those doing the buying.

Measure Success

Another challenge purchasing professionals face is capturing supplier spend and accurately classifying it. The ability to report on and analyze diversity suppliers and related spending creates visibility and accountability throughout the organization and is critical to creating a successful diversity program.

Most procurement solutions offer a variety of reporting options enabling procurement managers to analyze spend using various parameters. For example, procurement managers can identify how much spend is going to diversity suppliers or who their top suppliers are. With these types of reporting functions in place, procurement managers can flag diversity spend, spot trends and plan accordingly. A good reporting solution, whether it is a simple spreadsheet or a full-blown data warehouse, is a necessity.

Conclusion

There remains a misperception that diversity, local and green spending costs more because smaller suppliers are more expensive or cannot provide the same level of services. However, smaller or niche suppliers are often able to offer services not available from larger organizations. Local companies typically are able to respond to needs quickly and offer specialized knowledge about their products or services.

In the end, you need to give the people involved in the procurement process the tools and time to evaluate the products and the services. By creating a system that enables purchasers to easily access and evaluate suppliers, you can ensure that you are meeting your diversity goals.