

## 7 Reasons Supplier Diversity Programs Fail – And How You Can Succeed Overcoming the Challenge of Creating a Successful & Sustainable Supplier Diversity Program

| By Teresa Vest, *Associate Director of Procurement* at the University of Missouri System

In the ever-changing world of public procurement, creating a successful and sustainable supplier diversity program can be challenging. Does it feel like your program is failing or has plateaued? Or are you in the beginning stages of getting your program off the ground? Here are 7 common reasons why supplier diversity programs fail and helpful tips to help you achieve success.

### 1. Staying at the Status Quo

How many times have you heard, “That’s the way we’ve always done it”? Change is hard, but it’s necessary. Whenever you’re implementing any kind of change, you need buy-in from stakeholders. Stakeholders include not only your buying and sourcing teams, but departments that have discretionary spend also. These folks must be mentored, educated, and encouraged to be proactive consistently. They are the people that will actively work to implement the changes.

Organization must also be mindful of not limiting your supplier base. Just because you’ve always done business with a certain supplier doesn’t mean you shouldn’t be open to working with other players in the marketplace. Encourage people to become more open-minded and to think more broadly.

### 2. Lacking Senior-Level Support

The success of your initiative is driven largely by the support you receive from senior leadership. The challenge is that it’s not always easy for executives to see the value in embracing supplier diversity. Most universities are struggling to do more with less. It can be difficult to demonstrate the value supplier diversity efforts can deliver, but it’s not impossible. If you show senior leadership how an initiative can position your university for future success, and how it aligns with your institution’s larger mission, they will be more likely to get on board with your goals.

### 3. No Policy in Place

Are you required by law to meet a certain spend percentage with diversity suppliers? Or to offer a preference during a formal bid? The only requirement our University must follow is related to Service-Disabled Veterans. However, we’ve set our own internal policies beyond that. In FY16, a three-year plan was created that included incremental increases on spend goals. New targets are now being set for the next three years, and new strategies are being developed to help achieve those goals.

Even if not required by law, Procurement offices need to align their supplier diversity goals with their overall procurement strategies. These include creating the right goals, metrics, and benchmarks to measure and report on their supplier diversity efforts. If a procurement office already has overall strategies, it isn’t hard to mimic those in relationship to supplier diversity.

Some of the strategies used at U of MO include:

- Utilizing a 3rd party database to identify diverse suppliers
- Tracking the number of diverse suppliers who are sent solicitations
- Measuring buying staff on their activities to attract more diverse suppliers
- Hosting and attending diverse supplier matchmaking events and forums

#### 4. Misunderstanding Your Data

In order to set an achievable target or goal you must know your data. Look at ALL of your spend and determine what information should and shouldn't be included based upon which areas you can influence.

At our institution, we pull data from our purchase order spend, credit card spend, and direct payments. We removed from the calculations the spend we couldn't effect/control. This includes:

- **Payments tied to employees** – benefits, etc.
- **Utilities** – in most cases you don't have a choice on which utility company to use
- **Postage** – the USPS is the USPS
- **Business travel** – When traveling you often DON'T have a choice on where to stay; there are only a few major airlines and they aren't minority-owned

Take a good hard look at your data. Consider your circle of influence. It may not be as daunting as you think.

#### 5. Not Knowing Your Suppliers

Does your procurement strategy include only one supplier per commodity channel? For example, do you have only one office supply company, or one scientific supply company? There is nothing wrong with this kind of strategy, but it could be hurting your ability to use minority-owned businesses.

According to a [study](#) released by the National Minority Supplier Development Council (NMSDC), minority-owned businesses are increasing at twice the rate of non-minority-owned businesses. As procurement professionals, we need to look for ways to develop local and regional businesses into successful long-term suppliers. Ways to do this include:

- **Access to decision-makers** – Send your procurement professionals to events where they can meet with DBEs, or host your own minority supplier summits that allow select DBEs to meet with decision-makers.
- **Communicate** – Help existing and potential new suppliers meet your needs by keeping them in the loop about upcoming bidding opportunities and increased supply demands.

There are many different groups that can be considered diverse suppliers and it goes beyond the traditional MBE and WBEs. Consider all these groups when identifying who you are doing business with.

#### 6. Only Looking at Tier 1 Suppliers

Many diverse businesses face obstacles that other suppliers do not, particularly in terms of access to capital, information, and networking. An effective supplier diversity program includes a focus on [removing those obstacles](#) and providing DBEs with opportunities to grow and succeed. Some ways to do this include:

- **Make Tier 2 a priority** – The majority of your diverse suppliers are likely Tier 2 or indirect suppliers, those who supply your Tier 1 or Prime suppliers. Communicate the importance of those suppliers to your primes by requiring that they track and report Tier 2 spend. Partnering Prime suppliers with Tier 2 suppliers allows them to build capacity and could eventually become Tier 1 suppliers. Ask yourself how you can help build capacity so your current suppliers can meet your organization's growing needs.
- **Provide feedback** – If a supplier was not awarded, do you have a system in place to provide feedback on why its bid failed? Do your sourcing or buying teams work with the supplier to present a more competitive bid next time? This is something we have not done at the University of Missouri yet. We track the number of DBEs who are sent a bid, but we don't follow up and ask why they did not actually respond.
- **Provide training** – When you have several MBEs bidding on opportunities unsuccessfully or failing to fulfill obligations, gaps in knowledge become apparent. Identify those gaps and develop training to help them navigate your processes more successfully. We have held forums and created communications on "How to Do Business with the University." This helps DBEs overcome the behemoth of the University.

## 7. No Champion in Procurement

How many folks have a dedicated individual who resides within procurement to support their supplier diversity efforts? At the University of Missouri, each of our campuses has a Diversity, Equity and Inclusion (DEI) Office, however, their primary focus is on recruiting and retaining diverse students and faculty and connecting diversity and inclusion efforts across the different areas of the institution. They don't necessarily understand procurement policies. Oftentimes, a minority supplier will contact one of those offices looking for a connection on how to sell to the University, and they become frustrated when the DEI office can't assist with their request.

For a successful supplier diversity initiative, a supplier diversity professional must have the same set of skills that Universities use to drive strategic sourcing and supplier development efforts. They need to understand procurement policies and they should be able to help make the connections with the right folks in Procurement.

---

### About the Author

Teresa Vest is the Associate Director of Procurement at the University of Missouri System. As part of her responsibilities she leads up the Supplier Diversity efforts, along with supporting local purchasing programs and other strategic initiatives.



---

Read online at:

[www.eandi.org/media-room/ei-blog/7-reasons-supplier-diversity-programs-fail-can-succeed/](http://www.eandi.org/media-room/ei-blog/7-reasons-supplier-diversity-programs-fail-can-succeed/)