

Social Responsibility

Being Diverse, Within and Throughout the Chain

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Encouraging and promoting diversity

practices can stem from supply

management, showing your firm's

excellence for social responsibility.

BY ROBERTA J. DUFFY

WHEN ISM ROLLED out its campaign to promote social responsibility and provide supply managers with information and support in this area, it openly acknowledged that particular components of its *Principles of Social Responsibility* may be of greater or less importance depending on the context in which an organization operates. Clearly, an industrial manufacturer may have a broader context in which to address environmental issues than a small service firm might. Human rights considerations may be different for global versus domestic firms. But one of the *Principles* that could arguably be tagged as the most universal — and certainly touches many in a deeply personal way — is diversity. This component promotes diversity activities both within an organization's workforce and externally, in terms of supplier diversity and diversity practices throughout the supply chain. (See the box on page 21.)

In a baseline study conducted by ISM to gauge social responsibility efforts, 20 percent of respondents indicated that they proactively promote diverse employment practices throughout the supply chain. Twenty-nine percent said that they, to a good, great or very great extent, have a formal supplier diversity purchase program in place. Many mentioned program goals for specific percentages of spend going toward minority-owned businesses — anywhere from 1 percent to 30 percent. Others are expected to increase minority-owned spend each year, by 10-12 percent for example.

One message that often comes through in speaking with professionals about diversity (and a concept that is often misunderstood) is the distinction between "achieving numbers" versus designing an environment that provides and promotes opportunities for diversity.

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Art by Jason Steed

Supply managers indicate that they want to ensure diverse firms are able to compete for the business, and they see value in developing diverse suppliers to be competitive. If a firm's goals in terms of diversity spend are not met, it's not necessarily a trigger to automatically award business differently, but rather a signal that sourcing processes and inclusion efforts might need to be examined.

Despite anecdotal evidence, from the statistics mentioned above it's clear that this area has garnered varying degrees of formal attention. Luckily, for those supply managers wanting to engage further in diversity best practices, there are shining examples of both supplier diversity programs and internal diversity efforts from which to learn.

A First-Class Supplier Diversity Program

Delta Air Lines, Inc., the Atlanta-based airline that operates 7,800 flights each day, has an equally impressive number: it's been involved in supplier diversity for 25 years. In fact, the company was named

to DiversityBusiness.com's top 50 corporations for multicultural business opportunities, a list voted on by women- and minority-owned businesses.

The goal of Delta's program is to identify, develop and maintain partnerships with diverse suppliers, according to Valerie Nesbitt, general manager of supplier diversity. Identifying such suppliers often comes through a close association with diversity groups, such as the National Minority Supplier Development Council or the Women's Business Enterprise National Council. Nesbitt herself lends over 15 years of supplier diversity experience to her position and stresses the importance of those relationships. It's through such organizations that Delta often finds potential suppliers to include in the sourcing process.

"The other component of attracting quality suppliers is ensuring diversity awareness and principles are part of our internal processes," says Nesbitt. Aaron Dent, director of supply chain management supporting marketing, in-flight services and sourcing strategy, agrees.

"For all of the approximately \$9 billion we spend each year, we have a formal strategic sourcing process that has a built-in step requiring industry analysis," says Dent. In that step, supply management professionals are scanning the marketplace and embedded in that process is scanning for diverse business opportunities and suppliers. While supplier *selection* will always be based on total overall value for Delta, it's giving these suppliers the opportunity to sell their potential value that's key and ultimately leads to a diverse supply base.

The airline does have quantifiable measures for the program regarding spend with minority-owned and women-owned suppliers. After looking at historical spend and the current year's numbers, forecasts and goals are set to improve on the percentage for the coming year. For example, in 2003, 3 percent of qualified spend was with minority-owned firms and 3.4 percent was with women-owned firms. Delta will aim to improve on those percentages this year, as it has for the past two years. (It's wise to use the percentage, as in any given year the actual dollar amount may decrease due to overall spend decreases.)

Because, according to Dent, what gets measured gets managed, the program relies on these quantifiable numbers, yet the overall process goals relate to providing that opportunity to diverse suppliers and reaffirming Delta's commitment to diversity within its sourcing process.

To keep that commitment embedded in its culture, Delta rewards employees through a supplier diversity "star" ceremony, honoring one individual each at the buyer and manager levels who has gone above and beyond in creating opportunities for diverse suppliers. In addition, a portion of executive incentive compensation is tied to supplier diversity goals, and those goals are also formulated into performance metrics for any individual who influences sourcing decisions.

Nesbitt says that one important thing to remember is that there is no finish line. "Supplier diversity programs have to revitalize themselves. You're constantly building on the blocks you already have in place, because things like the marketplace, supplier consolidations and outsourcing will all affect it," she says. In addition, you're always looking for ways to improve.

For Dent, that means continuing to better articulate the business case. "We needed a revenue-increase view of our diversity efforts," he says. There are two pieces. One relates to corporate and government customers. As a supplier, Delta is more attractive

In Brief: The Diversity Principle

This is the first in a series of seven articles detailing ISM's *Principles of Social Responsibility*. The *Principles* are the result of an ISM initiative to promote excellence in social responsibility, assisting in the implementation and continuous improvement of supply management organizations and professionals.

Social responsibility is defined as a framework of measurable corporate policies and procedures and resulting behavior designed to benefit the workplace and, by extension, the individual, the organization and the community.

This month's article details the principle of **diversity**; ISM encourages professionals to:

1. Proactively promote purchasing from, and the development of, socially diverse suppliers
2. Encourage diversity within your own organization
3. Proactively promote diverse employment practices throughout the supply chain

The following audit questions related specifically to **diversity** can be used by an organization to determine if it is moving forward, aspiring to industry best practices and seeking information from others.

1. Is there buy-in on the part of leadership concerning the value and business proposition regarding diversity? Does the organization have a formal diversity program? How is the plan communicated?
2. Does the organization have a formal tracking system to assess the impact of diversity efforts within the organization and the supply chain?
3. Are copies of supplier policies and programs obtained? Are they reviewed and approved by the supply organization?
4. How does the organization ensure equal access to employment and promotion opportunities?

Measures: What are the fixed and discretionary spend amounts for your organization? What percent of spend goes to "diverse" suppliers? What percent is this of the total?

to these groups because they too have supply chain diversity goals and want to align with the airline's diverse supply base. On the consumer side, any diverse supplier is also a potential customer. For both areas, Dent's group works with a sales group to aggressively market Delta as the airline of choice. For example, at a recent trade fair, Delta had a booth to meet potential minority suppliers. But it also used the venue to promote SkyBonus®, a frequent flier program that awards small-business employees credits for flying with Delta. Not only is this a best-in-class element of a supplier diversity program, but it's also a shining example of true supply chain management, with supply professionals initiating revenue opportunities.

Looking Inside

Although the topic of supplier diversity programs and promoting diversity throughout the supply chain is prominent within the supply management field, diversity, as it relates to ISM's *Principles of Social Responsibility*, is much broader. The other component urges firms to "encourage diversity within your own organization." This can relate to hiring and developing a diverse workforce.

Office Depot, the office supply retailer with over 1,000 stores in 13 countries, is committed to creating an inclusive environment where all people are valued and respected. Paul Seal, manager of workforce diversity for the Del Ray Beach, Florida-based firm, discusses some of these internal staffing and development activities.

Gauging Your Efforts

Recently ISM developed a baseline study to gauge supply management professionals' awareness and involvement in social responsibility activities. A total of 1,163 organizations responded. The chart to the right details just a portion of the study's findings that relate specifically to the diversity principle. Statements were measured on a seven-point scale, where 1 indicates "to no extent whatsoever"; 2, "to almost no extent"; 3, "to a little extent"; 4, "to some extent"; 5, "to a good extent"; 6, "to a great extent"; and 7 indicates "to a very great extent."

Currently, our purchasing and supply management function:

	A	M	S	G/E	US	US+F
Purchases from diversity-owned suppliers	3.77	3.49	3.89	4.22	3.86	3.67
Has a formal supplier diversity purchase program	3.09	2.75	3.27	3.81	3.22	3.01
Proactively develops diversity-owned suppliers	2.93	2.62	3.11	3.57	2.99	2.89

Key: A = average; M = manufacturing; S = service; G/E = government/education; US = U.S. only; US+F = U.S. and at least one foreign country

"One of our major efforts is around college recruiting and the use of interns," says Seal. By leveraging its relationships with organizations such as the historically black colleges, tribal colleges, Hispanic universities and minority associations, Office Depot is able to ensure that the talent pool from which it recruits is rich in diversity.

Another channel is an organization called INROADS (www.inroads.org), which places talented and minority youth in business and industry. The nonprofit firm develops candidates, teaching them business skills and about the corporate environment. The retailer gets the benefit of this bright young talent but also knows that it has helped give diverse students a great start toward a career, wherever they go.

In addition to being inclusive when bringing new staff into the corporation, it's also important to embed those values through the development process. "We have established diversity action plans at the executive level. These include examining the organization to ensure that minorities and women are included in terms of talent reviews, succession planning strategies and leadership development courses," says Seal. While many firms, particularly those with multiple geographic locations, recognize the import of a staff that reflects the makeup of a community, Seal says the strategy is broader than that. "We work with the departments to help them understand their workforce demographics and how they relate to the rest of the organization." For example, they might examine the demographics of those at the buyer level and ascertain if those are also reflected at the subsequent levels, such as senior buyer.

Not surprisingly, upper management support is key to such initiatives and culture. And once again, it goes back to: what is the impact on the bottomline? As in the Delta example above, Seal says that Office Depot is cognizant of the revenue received from a diverse customer base, and the firm believes those demographics should be reflected in employment and its supply chain operations. "When you're demonstrating the business case, you have to ask how much is being spent by those communities, what are the demographics of your target market and what is the economic potential for tapping into it," he says.

Still Much to Consider

It's clear there are many success stories related to both internal and external diversity efforts. It is ISM's intent that by featuring diversity among its *Principles of Social Responsibility*, the topic will garner even more attention. However, an array of considerations further highlight the point that this issue is not clear-cut and an individual firm will have values and objectives that might be

ISM's SR Web Site: www.ism.ws/sr

ISM is committed to becoming the central repository of information in support of all matters related to social responsibility. The following resources can be accessed through the ISM Web site at www.ism.ws/sr.



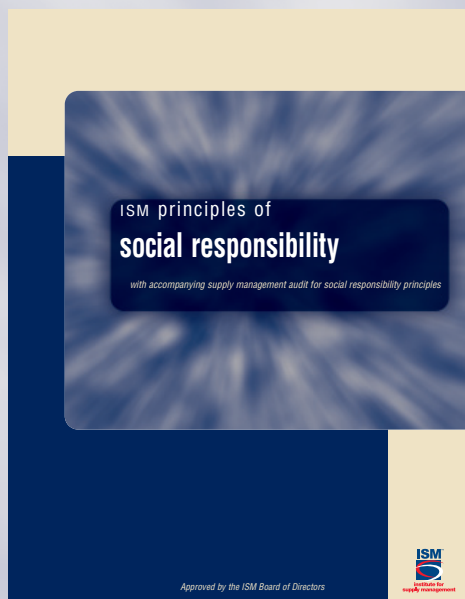
- *Principles of Social Responsibility*
- The accompanying supply management audit for the social responsibility *Principles*
- Links to other social responsibility related Web sites (for example, diversity Web sites include DiversityMedia Inc. LLC, the National Minority Supplier Development Council, the Society for Human Resource Management and the Equal Opportunity Employment Commission)
- Social responsibility articles and research
- ISM's Committee on Social Responsibility
- Ways you can foster social responsibility and show your support for the ISM *Principles*

unique to it or its industry. For illustrative purposes, contemplate these scenarios:

- In certain industries, there are relatively few minority enterprises that can support requirements for particular goods or services. One manufacturing firm cited steel as its largest expenditure and said that meeting a diverse-spend goal of 5 percent of total sales can be difficult.
- Many firms subscribe to U.S. standards when defining, for example, a small-business enterprise, yet other countries have different classifications.
- On a related point, if a firm contracts with a supplier in a different region of the world, that supplier's employees might be considered "minority" when compared to a U.S. population, but would align with the majority in the local country.
- If widening the circle of potential suppliers — in order to ensure opportunities for diversity-owned firms — broadens the geographic scope of your search, there may be an impact on goals around local community investments and local supplier development.

As firms move forward with social responsibility initiatives, these and other issues are likely to arise. By continually keeping the lines of communication open in the supply management community, firms will be able to learn from and leverage the experiences of others as they forge best practices. *ism*

ISM's New Principles of Social Responsibility



Social responsibility is defined as a framework of measurable corporate policies and procedures and resulting behavior designed to benefit the workplace and, by extension, the individual, the organization and the community in the following areas:

Community

Diversity

Environment

Ethics

Financial Responsibility

Human Rights

Safety

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